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The Eighth District and Its Income

Part One

Income payments to the Eighth Federal Reserve District's people in 1948 hit a new high, totaling almost $11 billion, or more than triple the amount received in 1939. Measured against 1939, the gain in the district was more impressive than that for the nation as a whole, and in terms of per capita income—income per person—the relative increase for the district was even more striking.

For the United States, 1948 income payments also established a new record—$206 billion or 192 per cent more than in 1939. Relative to prewar, the Northwest and Far West regions showed the biggest increase, followed closely by the Southeast and Southwest. The Central states ran but slightly above the national average and the Middle East and New England ran substantially behind it.

The better-than-average gain shown by the district is the bright side of the income picture. It represents a notable achievement—one in which Eighth District residents can take real pride. But there is another side that is not so bright. Despite the sharp gains of the past ten years, the Eighth District in 1948 received but a little more than 5 per cent of the nation's income payments although it had more than 7 per cent of the nation's people. Dividing the total income of this region by its population yields a per capita income of just $1,050, only three-fourths as large as the national average, and less than 60 per cent of the average for the Second (New York) Federal Reserve District. The Eighth District still has a long way to go.

Significantly, the sharper increase (district relative to nation) in per capita income than in total income highlights a major fact—net population growth in this district was much smaller than in the nation. The larger total income increase here was shared by a population which increased, net, less than nationally. The district would be on stronger ground had it been able to keep its people and still increase per capita income as much as it did.

Furthermore, contrasting 1948 with 1939 probably overstates somewhat the solid long-term relative gain scored by the district. Farm production was at record levels in this area and farm prices were very high in 1948. District farm production is off substantially in 1949 and prices are lower. In other words, income factors in 1948 combined to yield an exceptionally favorable total. The true long-term income trend line for the district with its present income structure probably is somewhere below the line shown by the 1948-1939 comparison.

Many articles in this Review have stressed the fact that the Eighth Federal Reserve District is an

Editor's Notes—Income is a fundamental index of a region's prosperity. Just as it is possible to use income figures for an individual business to assess its general economic well-being and also to analyze how its different departments and products are contributing to that over-all success, so it is possible to use regional income data for an analysis of a whole region. In terms of economic development, the region is but the aggregate of many individual households, farms, and business firms. Such an analysis, of course, presupposes some knowledge not only of total income payments but also of the region's income structure, its sources of income, and the flow of income through the various economic sectors of the region.

This article continues the series of reports on a new research project of the Federal Reserve Bank of St. Louis. The project seeks to develop data which will serve as small-area equivalents of the official national and state income estimates. The project is under the specific direction of Professor Werner Hochwald of Washington University. The first report in this series was published in the March, 1949 Review and presented an analysis of Arkansas and economically underdeveloped area with relatively low income and living standards. These articles have pointed out the efforts now being devoted to raise income in various sections of the district. Wiser and fuller use of our own resources, particularly the people and the land, have led and will lead to further income gains. Continued effort to achieve a better balanced and more productive agriculture, fuller use of the forests, and further industrialization are among the programs that will make for higher income.

TOTAL AND PER CAPITA INCOME

Per capita income in the Eighth District as a whole in 1948 was 74 per cent of the national average. As Table I shows, no state or state portion in the Eighth District had a per person income in 1948 that equaled the national average. The closest approximation was in Missouri where per capita income was 92 per cent of the average for the United States. Eighth District Mississippi in 1948 had a per capita income just half as large as that for the country as a whole.

A striking fact brought out by Table I is that average income in Eighth District Illinois and Indiana ran well below the national average although each of these states taken in its entirety was above the national average. While this has been known generally for some time, the extent of the difference is particularly noteworthy.

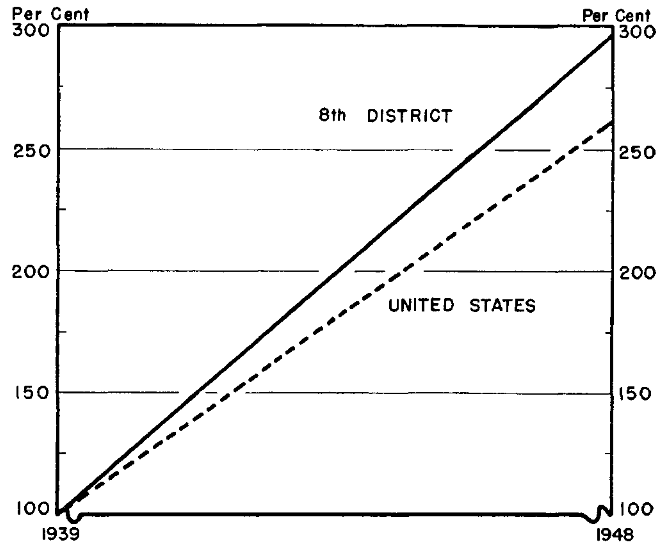
The difference between per capita income here and in the nation as a whole gives some measure of the gap that must be closed to bring district income and living standards up to the levels of other regions. That gap varies in magnitude among the district states and varies even more widely among the 97 smaller areas in the district for which income estimates are presented in Part Two of this article.

Another important point highlighted by Table I is that every district state or part state showed

CHART I

PER CAPITA INCOME, 1948

1939 = 100



a larger percentage gain in per capita income than did the nation as a whole between 1939 and 1948. In other words, the upward trend in income per person in all sections of the district has been stronger than that for the United States. Corollary to this, per capita income in the district in 1939 was an even smaller percentage of the national average than it was in 1948—about 65 per cent instead of the current 74 per cent.

The largest percentage gain in per capita income was made in Mississippi, reflecting in part the low starting level there. In 1939, Mississippi per capita income was only 35 per cent of the national average while by 1948 it had come up to 50 per cent. Arkansas per capita income grew from 46 per cent of the national average in 1939 to 61 per cent in 1948. Other impressive gains were shown by Tennessee and Kentucky. Missouri improved its rel-

Missouri income for 1947. This article presents small-area income estimates for the Eighth District as a whole and thus makes available the first careful estimate of district income regardless of state lines. The Eighth District contains one full state (Arkansas) and parts of six other states. Data on a complete state basis conceal both the wide differences of income within each state and the serious income lag found in many district sections of the more prosperous states. Reference in this article to any state is to the district portion of that state only, unless specifically noted otherwise.

Part One of the article which appears in this Review issue presents income estimates and an analysis of income for the district as a whole. It shows trends in total and per capita income for the Eighth District, recent shifts in the district income structure, and also some preliminary estimates of district income flows.

Part Two of the article which will appear in the following issue of the Review gives income estimates for 97 district income areas, reflecting a myriad of factors making for wide differences in the income structure and income trends within the district. This detailed information on small-area income should contribute to a better understanding of the causes behind relative differences in income growth. It also should emphasize the need for individual and local community action where income needs to be increased.

The estimates are based on, and tie in with, the official U. S. Department of Commerce series of state income payments. Data from the U. S. Department of Commerce, from a great number of cooperating state agencies, and from the seven district state universities have been used to derive the estimates. In time it is hoped to refine the estimates further and to develop additional data on income flows through the Eighth Federal Reserve District.

For a further interpretation of the data and their usefulness, reference is made to the article in the March, 1949 Review. It should be emphasized that the 1948 estimates presented here are preliminary and are subject to revision as additional data on the Eighth District economy become available. Their sources and reliability are explained in detailed technical notes which also contain additional tables on Eighth District income and expenditures by local areas for the years 1939 and 1948. These technical notes are available upon request.

ative position from 86 per cent of the national average in 1939 to 92 per cent in 1948. The smallest gains were made by the southern portions of Illinois and Indiana, both only slightly exceeding the average rate of growth shown for the country as a whole.

These figures point up great absolute and relative improvement, but they also emphasize the distance still to go in order to reach a more satisfactory income position for the people of this district.

The income estimates presented here are in terms of 1948 dollars. They reflect the inflationary movements in the general level of prices over the last decade, as well as changes in "real" income. Yet, even after adjusting for this price inflation, the gain since 1939 in per capita "real" income in the district remains impressive, amounting to 74 per cent as compared with 53 per cent for the nation. In terms of "constant" 1939 dollars, per capita "real" income more than doubled in Mississippi and Arkansas, reflecting the great relative gains of the Mid-South in recent years.

Per capita income, by definition, is total income of a region divided by its population. Population increase in the Eighth Federal Reserve District did not parallel the national growth over the last decade. The population of the district registered a net increase of only 2 per cent as contrasted to an increase of 12 per cent for the United States. This development points up a significant fact. Gains in per capita income result from two distinct factors —changes in total income and changes in population. Total income in the Eighth District increased only slightly faster than the national rate over the last decade, 206 per cent as contrasted with 192 per cent. It is the difference in relative population growth which largely explains the relative district gains in per capita income. In 1939, almost 8 per cent of all Americans lived within the Eighth Federal District. By 1948 this figure had decreased to 7.1 per cent. Net population growth in the district has been distinctly less than that for the nation, largely because the people of this district leave their homes in search of greater opportunities in other regions whenever those opportunities present themselves. Unfortunately, opportunities elsewhere generally have been better than here. It was this net out-migration, accelerated during the war years, which permitted the people remaining in the district to receive a larger share of the total district product and thus to increase their per capita income.

This heavy out-migration offers a continuous challenge to community leadership for the provision of new economic opportunities within the region, obviating the need of its people to look for a better life elsewhere. Out-migration usually takes from a region its most vigorous and ambitious people, those which a region can ill afford to lose. The better utilization of this region's greatest resource, its people, their ambitions and their skills, thus would retain that resource and lead to greater promise for future economic growth.

Again, differences in population movements should be noted among the different parts of the district. In Indiana and Tennessee, net population growth approached the national average. In Kentucky, southern Illinois, and Missouri, population increased but little over the last decade. Fewer people live in Arkansas and Mississippi now than ten years ago.

In spite of Mississippi's population loss, this state has led in total as well as per capita income growth; 1948 total income was 260 per cent ahead of 1939. It was closely followed by Arkansas with a 250 per cent gain in total income, and Tennessee with 246 per cent. Kentucky and Indiana also were above the national average with 214 per cent and 198 per cent rates of growth, respectively. Illinois and Missouri lagged behind the national average.

INCOME COMPONENTS

Differences in total as well as per capita income growth find their explanation in the varying relative importance of the several income components* and

* Labor Income—wages and salaries.

Entrepreneurial Income—proprietor's income, representing the net income of unincorporated businesses (including farms).

Property Income—dividends, interest, net rents and royalties.

Other Income—veterans' pensions, workmen's compensation, social insurance benefits, relief payments, and similar governmental transfers.

TABLE I

TOTAL AND PER CAPITA INCOME PAYMENTS 1948

	United States	Eighth District	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee
				Amount					
Total Income (Millions of Dollars)	206,011	10,899	1,672	1,576	683	1,529	753	3,798	888
Population (Thousands)	146,112	10,384	1,937	1,330	708	1,519	1,057	2,912	921
Per Capita Income (Dollars)	1,410	1,050	863	1,185	964	1,007	712	1,304	964
				Per Cent of United States					
Total Income	100.00	5.29	.81	.77	.33	.74	.37	1.84	.43
Population	100.00	7.11	1.33	.91	.49	1.04	.72	1.99	.63
Per Capita Income	100	74	61	84	67	71	50	92	68
				1939=100					
Total Income	292	306	350	270	298	314	360	287	346
Population	112	102	99	102	111	104	96	102	108
Per Capita Income	262	298	351	265	267	302	375	280	320

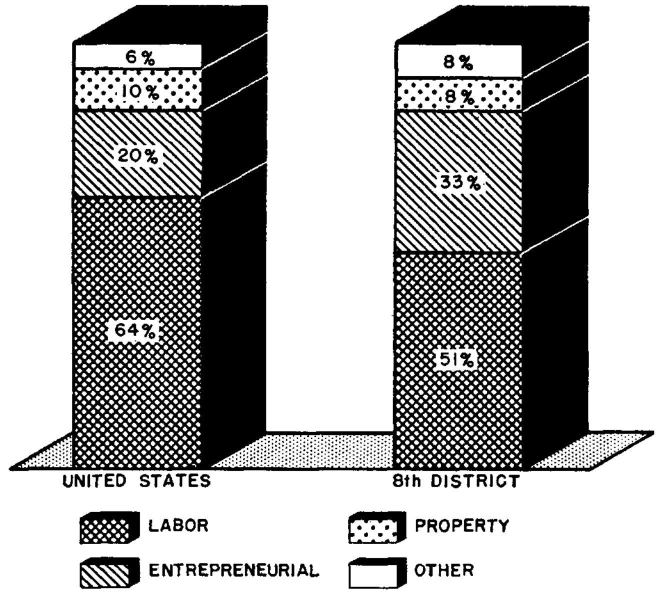
sources of income. Marked differences in the income structure of the Eighth District as compared with that of the nation are brought out by Table II and Chart II. While for the country as a whole labor income in 1948 amounted to 64 per cent of all income payments, the less industrialized Eighth District relied on labor income for only 51 per cent of total income payments. On the other hand, entrepreneurial income was only 20 per cent of the total for the country as a whole, but accounted for 33 per cent of all district income.

Entrepreneurial income showed more-than-nation-wide gains in every state of the district from 1939 to 1948. For the district, entrepreneurial income gained 308 per cent, contrasted with an increase of 280 per cent for the country as a whole. Leading were the district portions of Tennessee and Mississippi, reflecting the very favorable cotton crop and prices in 1948. In terms of the relative contribution of entrepreneurial income to total income, the unique position of Mississippi, where entrepreneurial income accounted for almost 60 per cent of total income, should be noted. Arkansas also was far above the national average of 20 per cent. In fact, there was no single district state where the relative share of entrepreneurial income was as low as the national average.

The much greater importance of entrepreneurial income for the Eighth District is due to the prominence of agriculture and of small trade and service establishments. The farmer, as well as the owner of a small trade or service business, receives his income in the form of entrepreneurial net receipts rather than in the form of pay rolls, the dominant income component where large business units prevail.

The relative importance of entrepreneurial income for the Eighth District should receive special emphasis in any interpretation of recent district income gains. Entrepreneurial income usually fluc-

CHART II
INCOME COMPONENTS, 1948



tuates more widely than other types of income in response to changes in general economic conditions. The heavy reliance on proprietors' income which may produce large gains in times of a general upswing may also prove perilous in the event of a downturn in business, despite the presence of sustaining factors such as farm price support programs.

Many of the recent gains in district income reflected mainly the general improvement in entrepreneurial returns, especially in farm income, rather than fundamental shifts in the economic structure of the district. It is highly doubtful whether the rise in farm income characteristic of recent years will persist over a long period. Actually it is more probable that agricultural income in the future will adjust to a less favorable relationship with other income sources. For the long run, it would appear

TABLE II
INCOME COMPONENTS 1948

	United States	Eighth District	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee
				Amount (Millions of Dollars)					
Labor Income	132,092	5,606.9	726.0	780.6	384.6	850.5	203.4	2,170.0	491.8
Entrepreneurial Income	41,697	3,542.0	689.0	458.2	192.7	451.9	442.2	1,033.7	274.3
Property Income	20,766	911.2	117.4	146.1	52.7	140.9	42.0	360.3	51.8
Other Income	11,456	839.2	139.7	190.9	53.0	86.4	65.4	234.0	69.8
Total Income	206,011	10,899.3	1,672.1	1,575.8	683.0	1,529.7	753.0	3,798.0	887.7
				Per Cent Distribution					
Labor Income	64	51	44	50	56	55	27	57	55
Entrepreneurial Income	20	33	41	29	28	30	59	27	31
Property Income	10	8	7	9	8	9	5	10	6
Other Income	6	8	8	12	8	6	9	6	8
Total Income	100	100	100	100	100	100	100	100	100
				1939=100					
Labor Income	301	287	330	246	292	314	276	277	313
Entrepreneurial Income	380	408	397	397	420	389	443	401	468
Property Income	188	211	278	205	233	215	250	186	260
Other Income	241	269	331	242	180	258	348	264	339
Total Income	292	306	350	270	298	314	360	287	346

that a region with more diversified sources of income will benefit from a greater variety of factors and will secure more stable income gains than will a region whose income gains reflect relative price rises which may be only temporary.

In this connection, it also should be emphasized that labor income in the district has shown a rate of growth below the national average over the last decade. According to Table II, wages and salaries in the Eighth District increased from 1939 to 1948 by 187 per cent, while for the country as a whole pay rolls rose 201 per cent. Here again, important differences should be noted between the various parts of the district. National gains in labor income were surpassed by Arkansas, Kentucky, and Tennessee. Pay roll growth lagged in the district portions of Indiana, Missouri, Mississippi, and especially in Illinois.

Property income in the Eighth District plays a minor role. For the nation, as well as for the district, property income lost in relative importance over the last decade. While in 1939 property income accounted for 16 per cent of total income payments in the nation, and for 12 per cent in the district, in 1948 the corresponding figures were only 10 per cent and 8 per cent.

"Other" income payments formed an increased share of national and district income. The largest single item in this category now consists of veterans' benefits. Governmental transfer payments are of relatively large importance where per capita income is low and therefore even relatively small individual benefits make for a sizable portion of total income receipts in the area. Thus, while "other" income accounted for only 6 per cent of total income on a nationwide basis in 1948, it formed 8 per cent of district income and as much as 12 per cent of income payments in southern Illinois.

All gains in relation to 1939 must be considered in the light of the special factors affecting district income in the base year. Many of these gains indicate only the very low starting level and point up the long distance still to go in order to reach a more satisfactory income position. For example, the relative gains in entrepreneurial income, to a large extent, reflect the exceptionally low prices of farm products in 1939 as compared with the prices of most other commodities. These problems are brought out also in the study of individual sources of income for the Eighth District.

SOURCES OF INCOME

The two most important sources of income in the Eighth District are agriculture and the trade and service industries. Table III and Chart III show some striking differences in the relative importance of these income sources in 1948 for the Eighth District as compared with the nation as a whole. While trade and service led in each case, farm income accounted for only 10 per cent of national income as compared with 22 per cent of district income.

As income from agriculture has been subject to wider cyclical fluctuations in both directions than income from any other major industrial source, the relative importance of agriculture in the income structure of the Eighth Federal Reserve District goes far in explaining the recent exceptional income gains of some district areas. While 1948 agricultural income for the nation as a whole quadrupled relative to 1939, in several parts of the Eighth District 1948 income was almost five times that of 1939. Leading was Indiana, followed by Missouri, Ten-

TABLE III

SOURCES OF INCOME 1948

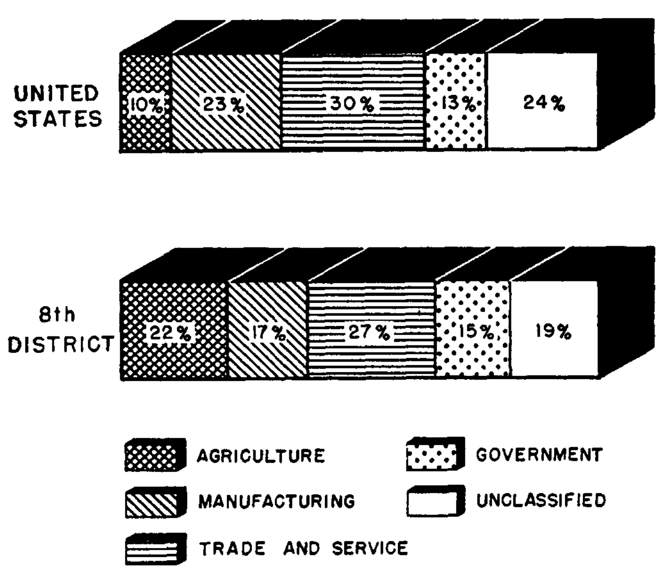
	United States	Eighth District	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee
				Amount (Millions of Dollars)					
Agriculture	20,398	2,376.9	534.1	256.2	112.5	292.9	375.3	633.1	172.8
Manufacturing	47,685	1,830.0	162.4	295.4	160.6	282.7	45.9	757.7	125.3
Trade and Service	61,318	2,974.0	415.8	409.3	172.7	422.7	144.5	1,115.9	293.1
Government	27,688	1,598.6	244.7	285.0	97.5	230.8	115.5	478.5	146.6
Unclassified	48,922	2,119.8	315.1	329.9	139.7	300.6	71.8	812.8	149.9
Total Income	206,011	10,899.3	1,672.1	1,575.8	683.0	1,529.7	753.0	3,798.0	887.7
				Per Cent Distribution					
Agriculture	10	22	32	16	16	19	50	17	19
Manufacturing	23	17	10	19	24	18	6	20	14
Trade and Service	30	27	25	26	25	28	19	29	33
Government	13	15	14	18	14	15	15	13	17
Unclassified	24	19	19	21	21	20	10	21	17
Total Income	100	100	100	100	100	100	100	100	100
				1939=100					
Agriculture	401	429	387	442	498	383	428	473	465
Manufacturing	350	338	422	288	261	412	364	333	408
Trade and Service	309	326	375	325	315	333	371	299	354
Government	254	267	293	245	201	279	324	255	329
Unclassified	231	221	294	183	333	228	208	202	245
Total Income	292	306	350	270	298	314	360	287	346

nessee, Illinois, and Mississippi, in that order. Arkansas and Kentucky showed gains slightly below the national average. In the Mid-South region, where agriculture accounted for one-third of total income payments, the gain reflects largely the relative improvement in production and prices of farm products, especially cotton. It should be noted that, where there is heavy reliance on a single crop, adverse shifts in production or prices may have an equally marked influence on the down side. The 1949 income from cotton within the Eighth District will be off considerably from 1948.

Trade and service accounted for 30 per cent of income payments for the country as a whole and for 27 per cent in the Eighth District. The gain in this income source was greater than the national average in all district sections except Missouri. This income source was of particular importance in the district portion of Tennessee, reflecting the position of Memphis as a major trade center for a wide area beyond the Tennessee state line. This source was of relatively small importance in Mississippi (only 19 per cent of total income payments), again indicating from another angle the dominance of Memphis. Trade and service income also was of considerable significance for Missouri and Kentucky, where it reflected the influence of St. Louis and Louisville as major metropolitan centers.

Manufacturing pay rolls were less important as a source of income in the Eighth District than in the nation, accounting for only 17 per cent of district income against 23 per cent for the country

CHART III
SOURCES OF INCOME, 1948



as a whole. Here, the national figure was surpassed only in Indiana (24 per cent), while all other parts of the district showed the relatively smaller importance of manufacturing. Industrial pay rolls accounted for as little as 6 per cent of total income in Mississippi and only 10 per cent in Arkansas. This reflects not only the lag of industrialization in the district, but also the fact that most manufacturing activities of the district are concentrated in "light" manufacturing of relatively low productivity, as contrasted with the higher wage structure of the "heavy" manufacturing industries concentrated in other regions.

It should be noted that district gains in manufacturing over the last decade lagged behind the national average—238 per cent for the district against 250 per cent for the country as a whole. Marked differences within the district should be recognized however. In three states, manufacturing pay rolls more than quadrupled since 1939. Leading was Arkansas, followed by Kentucky and Tennessee. A gain above the national average also was shown by Mississippi. Lagging were Missouri, and especially the southern portions of Illinois and Indiana.

Government played a larger part as a source of income for the district (15 per cent of total income) than for the nation (13 per cent). This, again, reflects the influence of Governmental transfer payments in low-income areas, referred to above.

The unclassified sources of income were larger for the nation than for the district, indicating the relatively greater importance of property income in the more urbanized regions of the country. The sizable share of unclassified income in the southern portions of Illinois and Indiana was due to the importance of mining—not elsewhere classified—as a source of income in these parts of the district.

In summary, the principal difference in income structure between the Eighth District and the nation rests on the inverse role played by manufacturing and agriculture. The heavy reliance on agriculture would appear to make district income more vulnerable, especially where one cash crop prevails. As per capita income and productivity in manufacturing is typically higher than per capita income in agriculture, an indicated program would be further industrialization, leaving a relatively smaller part of the district's people in a more diversified agriculture. The movement of some people from farming into industry would thus assure a higher per capita income to both the farmer and the industrial worker. This process can take two forms: it either can mean the out-migration of people from the district to industrial opportunities elsewhere, or, preferably, it can lead to the movement of people within the district to new industrial opportunities developed as an integral part of the district economy.

EXPENDITURES

Economic development of the Eighth District should be analyzed not only in terms of income received from different sources but also in terms of income flow, showing how income recipients spend their funds which in turn become income to others. It is this picture of income flow—from income recipients, through their spending, to a new set of income receivers—within the district as well as between the different regions of the country that shows the myriad of forces making for growth in the economy. While our data on regional income flows are still quite preliminary, the following section presents some estimates of expenditures on consumption and investment for the district as a whole and for the several district state portions.

Table IV shows how people in the Eighth District spent their 1948 income. National and district expenditure patterns differ much less than do those of components and sources of income. While people earn their income differently throughout the various regions of the United States, most of them spend that income in accordance with the general pattern of living in this country. In absolute amounts, per capita expenditures and standards of living reflect, of course, differences in per capita income for various regions. But in relative amounts, the percentage shares of total income spent on the several categories of expenditures show considerable similarity. By far the greatest share of personal income is used everywhere to buy consumption goods and services. About 10 per cent of income is taken to pay taxes for the support of Government activities. The remainder of approximately 5 per cent is saved.

While the data show in general the same expenditure patterns for the United States as a whole and for the Eighth District, some important differences should be noted. Regions of relatively high per capita income usually show a somewhat larger share of total income payments remaining for savings. Thus, the 1948 rate of savings for the United States as a whole was 5.8 per cent, while for the Eighth District it amounted to only 4.2 per cent. The relative share of savings was smallest in Mississippi and most closely approached the national average in Missouri. In this connection, it should be noted that personal savings, as measured here, is essentially a residual item, indicating what is left after consumption expenditures and taxes have been deducted from total income payments. It, therefore, reflects any improvement in the "net worth" position of individuals, whether resulting from a reduction of their debt or an addition to their assets.

Taxes also reflect the relative standard of living in different regions, being somewhat higher in well-to-do areas where people have to contribute a somewhat larger share of their income to the support of governmental activities. Thus, taxes for the United States as a whole amounted to 10.2 per cent of national income, while in the Eighth District

TABLE IV

EXPENDITURES—1948

	United States	Eighth District	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee
				Per Capita (Dollars)					
Consumption	1,183	910	776	1,003	835	898	652	1,096	845
Food and Tobacco	438	341	307	360	301	346	261	383	362
Clothing and Accessories	163	117	88	71	84	123	68	149	220
Housing	87	67	46	96	80	60	41	81	55
Household Operation	167	119	91	97	115	123	63	151	171
Transportation	120	99	83	117	83	105	60	116	93
Other consumption expenditures	200	140	98	160	137	132	73	195	133
Net Balance *	8	27	63	102	35	9	86	21	—189
Taxes	145	96	56	127	84	77	41	145	77
Federal	130	85	46	116	75	67	32	134	68
State	15	11	10	11	9	10	9	11	9
Personal Savings	82	44	31	55	45	32	19	63	42
Total	1,410	1,050	863	1,185	964	1,007	712	1,304	964
				Per Cent Distribution					
Consumption	84.0	86.7	89.9	84.7	86.6	89.2	91.5	84.0	87.6
Food and Tobacco	31.1	32.5	35.7	30.4	31.2	34.4	36.7	29.4	37.6
Clothing and Accessories	11.6	11.2	10.2	6.0	8.7	12.2	9.6	11.4	22.8
Housing	6.2	6.4	5.3	8.1	8.3	6.0	5.7	6.2	5.7
Household Operation	11.8	11.3	10.5	8.2	11.9	12.2	8.9	11.5	17.8
Transportation	8.5	9.4	9.6	9.9	8.6	10.4	8.4	8.9	9.7
Other consumption expenditures	14.3	13.4	11.3	13.5	14.3	13.1	10.1	15.0	13.7
Net Balance *	0.5	2.5	7.3	8.6	3.6	0.9	12.1	1.6	—19.7
Taxes	10.2	9.1	6.5	10.7	8.7	7.6	5.9	11.1	8.0
Federal	9.2	8.1	5.4	9.8	7.8	6.6	4.6	10.2	7.1
State	1.0	1.0	1.1	0.9	0.9	1.0	1.3	0.9	0.9
Personal Savings	5.8	4.2	3.6	4.6	4.7	3.2	2.6	4.9	4.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*A positive net balance indicates the net amount of income payments which is spent outside the area. A negative net balance indicates the net amount of expenditures not originating in local income payments, but which flows into the area from outside.

this share was only 9.1 per cent, ranging from 11.1 per cent in Missouri to 5.9 per cent in Mississippi. An interesting difference should be noted, however, between the relative importance of federal and state taxes. Federal revenues, relying heavily on the progressive income tax, vary rather directly with shifts in income and take a larger share of total income payments in high-income states. State and local revenues, relying heavily on property and sales taxes, take a relatively high share of personal income in low-income states. These data bear out the well-known fact that the residents of low-income states, while paying a smaller absolute amount in taxes, have to make a relatively greater effort to support their state and local governments.

The rate of consumption expenditures reflects, of course, the relative shares of total income going into savings and taxes as observed above. Thus, consumption takes a somewhat larger share of personal income in low-income areas. In 1948, consumption expenditures amounted to almost 87 per cent in the Eighth District as contrasted with 84 per cent for the United States. Within the Eighth District, the highest rate of consumption expenditures was shown for Mississippi while the lowest district rate, just equaling the national average, was shown for Missouri.

In interpreting the individual consumption items, particular attention should be given to the so-called "net balance." Consumption expenditures in a region may be made either by residents of the region or by "foreigners" living outside the region. Where residents of a region spend a larger amount "abroad" than nonresidents spend within the region, a positive "net balance" will show the difference between these two amounts. For the United States as a whole, Table IV indicates that United States residents in 1948 spent, on a "net balance," 0.5 per cent of their income in other countries—for foreign travel and remittances. The "foreign balance" is higher for the Eighth District whose people spent, net, 2.5 per cent of their income outside the district in other regions of the United States or abroad.

The size of this "out-district" or "out-state" balance varied widely between the different parts of the district. It was highest for Mississippi, indicating the extent to which Mississippi income recipients made purchases in other areas, especially in Memphis. Another large "out-state" balance was shown for southern Illinois, reflecting the influence of St. Louis as a trade center. On the other hand, the large "in-state" balance (indicated in Table IV by a negative sign) shown for Tennessee points out the extent to which Memphis benefits from purchases made there by residents of the adjoining states, especially Mississippi and Arkansas. In this connection, it also should be noted that Kentucky and Missouri, although including the important trade centers of Louisville and St. Louis, still had small "out-state" balances. For Missouri, this was due to the drawing power of Kansas City along the western boundary line of the Eighth District, and for Kentucky it reflected the relative influence of Evansville and Cincinnati across the state line.

In 1948, on the average, more than 30 per cent of total consumption expenditures went for food in the United States as well as in the Eighth District. Food expenditures, largely going for basic essentials, are relatively high in low-income areas and take a somewhat smaller share of total expenditures in higher-income regions. Thus, almost 37 per cent of all expenditures in Mississippi were for food purchases as contrasted with 29 per cent in Missouri.

In interpreting the individual consumption items, however, it is particularly important to realize that the "net balance" will affect the relative share of these items within the total expenditure pattern shown for a region. Thus, differences in the percentage of total expenditures made for clothing largely reflect the different importance of trade centers rather than different consumption habits. For the United States as a whole, 11.6 per cent was spent on clothing, compared with 11.2 per cent for the Eighth District. Within the district, striking differences are shown for areas with large trade centers, such as Tennessee (22.8 per cent), and areas without a major trade center, such as southern Illinois, where clothing expenditures were only 6.0 per cent of total expenditures.

Some kind of shelter is a primary need for all people, and the share of total expenditures going for housing is approximately the same for the United States as a whole and for the Eighth District. Expenditures for household operations within the district again reflect the relative importance of trade centers. Thus, the high rate of expenditures for household operation in Tennessee (17.8 per cent) indicates the large amount of furniture and furnishings bought by nonresidents in Memphis.

Another large item in the typical American family budget is transportation. Here, the share for the Eighth District was somewhat higher than for the nation, 9.4 per cent as compared with 8.5 per cent of total income payments. This reflects the degree to which travel expenditures have become a necessity, incurred in many cases regardless of income size and therefore often taking a larger share of income payments in low-income areas.

Other consumption expenditures were smaller in the Eighth District in relative as well as absolute terms. These data refer to a variety of items, such as expenditures for medical care, financial and legal services, recreation, religious and welfare activities. As Table IV indicates, money is spent more freely for these items in relatively well-to-do areas; other consumption expenditures, therefore, play only a minor role in low-income states such as Mississippi where this item accounted for only 10.1 per cent of total expenditures.

On balance, it should be stressed again that expenditure patterns are much more similar throughout the nation than the composition and sources of income. Income payments reflect differences in basic resources and resource utilization, while expenditures show the common physical and social needs of the American people. On the expenditure side, therefore, the largest variation is due not to differences in patterns of living, but rather to differences in the size of the "net balance," indicating that expenditures in metropolitan and resort areas include substantial outlays by nonresidents.

There remain important differences in the relative and absolute size of savings between low-income and high-income regions. In the Eighth District, per capita savings were but one-half of the national average. This difference implies some variation in the availability of local funds for business credit and investment. These implications of income-expenditure patterns for the sources and uses of funds in the Eighth District will be analyzed in a later study.

Werner Hochwald.
LaVerne Kunz.

Survey of Current Conditions

The near-term business outlook has improved with the settlement of strikes in the basic steel industry and the at least temporary resumption of limited operations in the coal mining industry. In neither case, however, was production resumed early enough in November to lift total industrial output for the month to the pre-strike levels. In October the total volume of goods produced in the nation's factories and mines was estimated at 166 per cent of 1935-39, as measured by the Board of Governors' seasonally adjusted index. In the previous month output was estimated at 174 per cent.

In contrast to the decline nationally in October, industrial activity in the Eighth District averaged slightly higher than in the previous month. As noted in the last Monthly Review, the impact of work stoppages in basic steel and in the soft coal industry was much less severe in this area than nationally. Some areas in the district were adversely affected by the strike of Missouri Pacific Railroad employees, and in the southern part of the region the sharp decline in income from cotton marketings was beginning to be felt late in October. But in most of the district the general level of industrial activity was moving upward during the month.

At the national level, the decline in total industrial production to almost the lowest level reached in the past three years tended to overshadow the firming in industrial raw materials prices that occurred in October. After declining some 3 per cent from the peak reached in mid-September, sensitive industrial raw materials prices began to turn upward at the middle of October. In part, the rise reflected a sharp increase in coffee and cocoa prices but near the middle of November materials such as burlap, print cloth, copper, zinc, flaxseed, and wool tops also were selling at prices that were about equal to or above the levels reached in September. These increases, coming at a time when a sizable segment of the nation's production facilities were idle, give some evidence of the underlying strength in the economic recovery that began in midyear.

Similarly, recent estimates of the number of new residential dwelling units put under construction in October point toward another source of strength in the economic picture. According to the U. S. Bureau of Labor Statistics, approximately 100,000 new nonfarm dwelling units were started in October, continuing the record-breaking pace of home

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Oct.,'49	Sept.,'49	Oct.,'48	Oct., '49 compared with Sept.,'49	Oct., '49 compared with Oct.,'48
All Commodities	152.2	153.7	165.0	— 1.0%	— 7.8%
Farm Products	159.6	163.1	182.2	— 2.2	—12.4
Foods	159.6	162.0	177.3	— 1.5	—10.0
Other	145.0	145.5	153.1	— 0.4	— 5.3

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Oct. 15, 1949	Sept. 15, 1949	Oct. 15, 1948	Oct. 15,'49 compared with Sept. 15,'49	Oct. 15,'49 compared with Oct. 15,'48
U. S. (51 cities)	200.6	204.2	211.5	— 1.8%	— 5.2%
St. Louis	207.5	211.6	217.4	— 1.9	— 4.6
Little Rock	198.2	201.4	206.5	— 1.6	— 4.0
Louisville	189.7	194.3	201.7	— 2.4	— 6.0
Memphis	209.7	213.0	223.7	— 1.6	— 6.3

construction for the sixth consecutive month. In the first ten months of 1949, more than 843,000 units have been started—an increase of more than 28,000 as compared with the same period last year—and it is believed that the total for the year will be larger than in 1925 when home building was at its all-time peak. The gain over last year reflects mainly increases in privately financed rental-type units and in public residential construction.

The high level of construction expenditures has been an important factor in the nation's economy in 1949 and the possibility that outlays next year may continue at or near the 1949 level must be taken into consideration in evaluating over-all economic trends in 1950. The total impact of construction expenditures covers a broad segment of the economy and, if these outlays continue at approximately the 1949 volume, they will provide an important offsetting force to the anticipated declines in other capital expenditures next year.

EMPLOYMENT

Total employment in the nation declined seasonally in October due to a decrease in farm employment. However, nonagricultural employment edged upward and reached a level only slightly below the August peak. Although nonfarm employment was still somewhat lower than a year ago, the gap between this year and last has been steadily narrowing, according to U. S. Bureau of the Census estimates. The gain in October was due to a relatively large increase in the number of women employed in the trade and service industries. The number of men employed declined, largely reflecting the return to school of many boys who were working in September and to the number of coal miners and steel workers who were seeking other employment. (Workers on strike are considered employed by the Bureau of the Census unless they actively seek other employment.)

Nonagricultural employment in the St. Louis area remained relatively stable between September and October. A moderate drop in manufacturing employment was offset by a seasonal increase in retail trade. In the manufacturing group, employment declines in the basic metal products, leather, nonelectrical machinery, transportation equipment and food industries were greater than the increases in the fabricated metal products and electrical machinery industries. October employment in St. Louis was approximately 2 per cent below the year-ago level due principally to an 8 per cent decline in manufacturing employment.

Employment in the Louisville area rose about 600 between September and October as a result of a gain in the manufacturing industries, but continued substantially below the year-ago level. In the Little Rock area, manufacturing employment in October reached the highest level so far this year—about 14 per cent above the low in January. The relatively large gain since January was due to increases in the food, lumber, chemical and apparel manufacturing industries.

Contrary to the normal pattern, unemployment in the nation rose between September and October. However, excluding the striking coal miners and steel workers looking for other jobs probably would show unemployment about the same in both months. For states and local areas, one of the best indicators of unemployment is the change in the volume of unemployment compensation claims. These claims dropped substantially more in the seven district states combined than in the nation between September and October. However, Arkansas, Indiana and Missouri had small increases during this period. The district states also have had a smaller percentage gain in insured unemployment over the past year than has the country. The smallest year-to-year increase occurred in Tennessee, followed by Missouri, Mississippi and Arkansas. The number of claimants has more than doubled over the past year in Illinois, Indiana and Kentucky.

WHOLESALING

Line of Commodities Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Net Sales October, 1949 compared with Sept., 1949	Net Sales October, 1949 compared with Oct., 1948	Stocks Oct. 31, 1949 compared with Oct. 31, 1948
Automotive Supplies	+ 6%	—14%	— 7%
Drugs and Chemicals	—10	— 4	....
Dry Goods	—13	—13	— 4
Groceries	— 7	—15	— 2
Hardware	— 3	—20	—10
Tobacco and its Products	— 4	—12	+ 5
Miscellaneous	— 3	—19	—11
**Total All Lines	— 6%	—16%	— 7%

* Preliminary.

** Includes certain items not listed above.

CONSTRUCTION

BUILDING PERMITS

Month of October

(Cost in thousands)	New Construction Number 1949	New Construction Number 1948	New Construction Cost 1949	New Construction Cost 1948	Repairs, etc. Number 1949	Repairs, etc. Number 1948	Repairs, etc. Cost 1949	Repairs, etc. Cost 1948
Evansville	71	576	$ 610	$ 634	81	103	$ 79	$ 67
Little Rock	102	73	687	325	244	229	175	109
Louisville	180	145	741	648	83	67	74	55
Memphis	2,180	729	4,035	2,557	186	176	103	174
St. Louis	344	322	1,906	2,799	242	273	1,458	713
Oct. Totals	2,877	1,845	$7,979	$6,963	836	848	$1,889	$1,118
Sept. Totals	3,008	1,260	$7,528	$9,183	1,002	842	$1,094	$1,077

INDUSTRY

Industrial activity in the district in October apparently was at a higher level than in September. Coal output declined considerably but crude oil output and manufacturing activity as a whole were slightly higher. Basic lumber production held at about the same level as in the previous month. Slight seasonal declines were registered in on-site construction activity and in contracts awarded for construction.

Total industrial power consumption in the district's major industrial areas in October was 5 per cent higher than in September and 1 per cent above year-ago levels. However, consumption trends in the reporting cities differed somewhat. Increases over September were indicated in Memphis, Pine Bluff, St. Louis and Louisville—the largest gain being a 14 per cent rise in Memphis. Decreases of 8 per cent and 10 per cent were registered in Evansville and Little Rock, respectively.

Manufacturing—Over-all manufacturing activity in October was slightly higher than in September. Some of the gains were seasonal and the fact that the strikes in steel and coal were less severely felt in the district than in the nation as a whole helped maintain activity. Gains over September were indicated in the chemical, electrical products, iron and steel, machinery, stone, clay and glass products, textiles, transportation equipment and whiskey industries. Decreases were registered in the automobile, brewing, food, rubber and shoe industries.

Steel—Basic steel operations in the St. Louis area continued their slight upward movement into October. Open hearth operations were scheduled at 77 per cent of capacity, 2 points higher than in September but 2 points lower than in October, 1948. Demand for sheet steel continued to be high with October orders being twice normal. This can be attributed, partially at least, to the fact that production schedules here were not curtailed by the steel strike as they were in the major steel producing areas.

Lumber—Basic lumber production in the district in October was at about the same level as in September and continued below year-ago levels. The lumber market remains fairly strong, however, supported largely by the high level of construction activity. Hardwood purchases by furniture manufacturers also have been a factor in the market. Lower grades of lumber are reported to have been moving better in recent weeks.

Operations of reporting southern hardwood mills in October were scheduled at 76 per cent of capacity as compared with 71 per cent in September and 97 per cent a year ago. Southern pine production averaged 6 per cent lower than in September and 9 per cent below that of October, 1948.

Whiskey—Distillery operations in Kentucky in October continued their upward seasonal movement. At the end of the month there were three more of Kentucky's 65 distilleries in operation than at the end of the previous month, making a total of 29. This was five fewer than a year ago. Production of whiskey in September totaled 4.9 million tax gallons, a 75 per cent gain over August but 11 per cent lower than in September, 1948. According to trade reports there has been a slight reduction in the price of bonded whiskey, which has been a factor, along with seasonal influences, in increased sales of that type of whiskey.

Meat Packing—Larger marketings of hogs resulted in a considerable increase in meat packing operations in the St. Louis area in October. There were 467,000 animals slaughtered under Federal inspection, a 13 per cent gain over the 412,000 of last month, but 8 per cent less than in October, 1948 when 508,000 animals were killed. Hog slaughter increased 30 per cent from September to October and, since hogs usually account for more than half of the total slaughter, the decrease in killings of cattle, calves and sheep was more than offset. Relative to a year ago, a slight increase in hog killings was offset by substantial decreases in cattle, calf and sheep slaughter. In the United States, slaughter in October was 15 per cent higher than in September and was 4 per cent higher than a year ago.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	Oct. 1949 K.W.H.	Sept., 1949 K.W.H.	Oct., 1948 K.W.H.	Oct., 1949 compared with Sept.,'49	Oct., 1949 compared with Oct.,'48
Evansville	40	7,389	8,029	8,718	— 8.0%	— 15.3%
Little Rock....	35	4,913	5,439	5,240	— 9.7	— 6.3
Louisville	80	73,049	70,317	73,626 R	+ 3.9	— 0.8
Memphis	31	5,780	5,052	5,716	+14.4	+ 1.1
Pine Bluff........	26	5,079	4,647	2,197	+ 9.3	+131.2
St. Louis........	139	89,252	83,980	86,961 R	+ 6.3	+ 2.6
Totals	351	185,462	177,464	182,458 R	+ 4.5%	+ 1.6%

*Selected industrial customers.
R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Oct.,'49	Sept.,'49	Oct.,'48	First Nine Days Nov.,'49	First Nine Days Nov.,'48	10 mos. '49	10 mos. '48
105,284	101,093	127,353	31,323	34,649	1,044,361	1,205,818

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thou. of bbls.)	Oct., 1949	Sept., 1949	Oct., 1948	October, 1949 compared with Sept., 1949	October, 1949 compared with Oct., 1948
Arkansas	72.1	71.6	81.6	+ 1%	—12%
Illinois	180.3	179.2	180.3	+ 1	- 0 -
Indiana	28.5	28.1	26.2	+ 1	+ 9
Kentucky	23.5	23.3	24.4	+ 1	— 4
Total	304.4	302.2	312.5	+ 1%	— 3%

Shoes—According to preliminary estimates, shoe output in the district in September totaled 7.1 million pairs. This was a 16 per cent decline from August and 13 per cent lower than a year ago. United States output was off 8 per cent from August and was only 1 per cent less than in September of last year.

Coal and Oil—District coal production in October was one-third smaller than in September but the decline here was less than that in the nation as a whole. Total U. S. output was off 54 per cent during the month. The declines in the district were largest in Illinois, Indiana and Kentucky where the United Mine Workers were on strike during the entire month. In Missouri and Arkansas, where these miners were allowed to return to work, output increased considerably over that of the previous month although still was not as large as in October, 1948. In Illinois, production dropped 42 per cent during the month and employment in the mines totaled 6,700 as compared with 23,116 in September.

Despite curtailed output in September, the nation's coal stocks were reduced only 7 million tons during that month and at the end of September stood at 62 million tons, according to preliminary estimates. However, further reductions in stocks probably will be revealed when October estimates are available. Industrial stocks at the end of September totaled 60 million tons and represented a 66-day supply. Stocks in the hands of retailers did not present such a favorable picture, being equivalent to an estimated 7-day supply.

Daily average production of crude oil in the district's producing areas in October was slightly larger than in September but was 2 per cent less than last year. Output averaged 305,000 barrels per day in October and 302,000 barrels per day in September. The monthly gain was due to increases in Illinois and Indiana; output in Arkansas and Kentucky remained unchanged. On a year-to-year basis Illinois output was practically unchanged. A 9 per cent gain at Indiana wells was offset by decreases in Arkansas and Kentucky of 12 per cent and 5 per cent, respectively.

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
Oct., '49	Sept., '49	Oct., '48	Oct., '49	Sept., '49	Oct., '48
53*	83*	165	49*	79*	154

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
Sept., '49	Aug., '48	Sept., '48	Sept., '49	Aug., '49	Sept., '48
135*	147	156	135*	152	155

* Preliminary.

The number of new oil wells drilled (completions) in the first ten months of this year was larger than in the same period last year in each of the district's oil-producing states. However, this year a slightly smaller proportion of the wells completed were oil-producing wells. In the district, 4,347 completions were reported in the first ten months of this year of which 47 per cent reached oil. Last year 49 per cent of the wells drilled were oil producers. Decreases in Indiana and Illinois relative to last year offset slight increases in Arkansas and Kentucky.

Construction—Construction contracts awarded in the district in October totaled $57.9 million. The dollar value was 10 per cent lower than last month but continued above year-ago levels, exceeding October, 1948 by 21 per cent. Residential contracts, totaling $23.7 million, were within 2 per cent of the September volume and were more than a third larger than a year ago. Nonresidential awards in October totaled $34.2 million, representing a decline of 15 per cent from September but an increase of 12 per cent as compared with volume in October, 1948.

Building permits authorized in the district's major cities in October totaled $9.9 million, or 14 per cent more than in September and 22 per cent more than a year ago. Permits for new construction increased 6 per cent during the month with all the increase in nonresidential building. New housing permits declined 6 per cent during the month and were off 9 per cent from the value of awards in October, 1948.

TRADE

The volume of consumer spending at department stores in the nation increased from September to October but was 11 per cent less than in October, 1948. By Federal Reserve districts, the decline from the previous year ranged from 3 per cent in the San Francisco district to 19 per cent in the Cleveland district, where the immediate impact of strikes was substantial. Nationally, the less-than-seasonal gain from the previous month placed adjusted sales at 275 per cent of the 1935-39 average in comparison with 289 per cent in September and 309 per cent in October, 1948.

In Eighth District reporting department stores, total sales gained 4 per cent from September but were 9 per cent smaller than in October, 1948. The increase during the month was less than seasonal, however, and on an adjusted basis, sales dropped to 309 per cent of the five-year base period as compared to 332 per cent in September. A year ago the adjusted index was 338 per cent of the 1935-39 average. At the end of October, cumulative sales for the year to date were 6 per cent less than in the comparable period last year.

In the first half of November there was some indication that the gap between sales volume this year and in 1948 was narrowing. To a large extent, this reflected the fact that a year ago sales were dropping sharply from the peak reached in September, 1948.

The sales decline from year-ago levels in October was general in all major district cities. Percentage decreases ranged from 5 per cent in St. Louis to 24 per cent in Springfield. With the exception of St. Louis and Louisville, sales decreases in each major center were considerably greater than the 9 per cent drop reported for the district as a whole.

The value of inventories at reporting district department stores increased 8 per cent during October but was 5 per cent less than on October 31, 1948. Seasonally adjusted stocks at the end of October were 298 per cent of the 1935-39 average as compared to 280 per cent on September 30 and 317 per cent at the end of October, 1948. Outstanding orders on October 31 were 20 per cent less than on September 30 and were 15 per cent under those on October 31, 1948.

Sales at reporting St. Louis women's specialty stores in October declined 9 per cent from September and were 21 per cent less than in October, 1948. Inventories in these stores at the end of October were somewhat larger than a month earlier and were above the year-ago levels. Sales at men's and boys' wear stores increased in October but were somewhat under year-ago levels. Inventories were reduced during the month and were smaller than at the end of October, 1948.

Furniture stores in the district reported October sales that were larger than in September or in October, 1948. Inventories increased during the month but were smaller (in value) than on October 31, 1948.

BANKING

Total loan volume at weekly reporting member banks in the Eighth District continued to increase in October and through the first half of November. Further reductions occurred in holdings of U. S. Government securities. Deposits held by these banks remained at a level higher than that of a year ago but the margin over last year's volume continued to shrink.

The volume of loans outstanding at the weekly reporting member banks in the first three weeks in November averaged only $39 million less than in the same period a year earlier. While still less than

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Oct., 1949 compared with		10 mos. '49 to same period	Oct.31,'49 comp. with	Jan. 1, to Oct. 31,	
	Sept.,'49	Oct.,'48	1948	Oct. 31,'48	1949	1948
8th F. R. District	+ 4%	— 9%	— 6%	— 5%	3.24	3.24
Ft. Smith, Ark.	+ 5	—12	— 1	—11	3.33	3.07
Little Rock, Ark.	— 3	—13	— 6	— 2	3.36	3.49
Quincy, Ill.	+ 2	—13	— 7	—10	2.83	2.93
Evansville, Ind.	— 4	—19	—13	—11	2.92	2.98
Louisville, Ky.	+ 4	— 8	— 5	-0-	3.50	3.60
St. Louis Area [1]	+ 5	— 5	— 6	— 9	3.24	3.21
St. Louis, Mo.	+ 6	— 5	— 7	— 9	3.24	3.22
E. St. Louis, Ill.	— 1	— 4	— 3	......	......	......
Springfield, Mo.	— 5	—24	—15	—15	2.76	2.90
Memphis, Tenn.	+ 3	—12	— 3	+ 6	3.29	3.24
*All other cities	+ 6	—15	— 6	— 8	2.65	2.64

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

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

Outstanding orders of reporting stores at the end of October, 1949, were 15 per cent less than on the corresponding date a year ago.

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

	Instalment Accounts	Ex. Inst. Accounts		Instalment Accounts	Ex. Inst. Accounts
Fort Smith	....%	50%	Quincy	22%	54%
Little Rock	17	45	St. Louis	21	59
Louisville	23	51	Other cities	14	56
Memphis	24	47	8th F. R. Dist.	21	54

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Oct., 1949	Sept., 1949	Aug., 1949	Oct., 1948
Sales (daily average), unadjusted [2]	331	335	280	362
Sales (daily average), seasonally adjusted [2]	309	332	326	338
Stocks, unadjusted [3]	333	311	288	355
Stocks, seasonally adjusted [3]	298	280	264	317

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Oct., 1949 compared with		10 mos. '49 to same period	Oct. 31,'49 comp. with	Jan. 1, to Oct. 31,	
	Sept.,'49	Oct.,'48	1948	Oct.31,'48	1949	1948
Men's Furnishings	+26%	—13%	— 5%	— 1%	2.14	2.26
Boots and Shoes	— 7	— 5	— 2	+ 9	3.55	3.65

Percentage of accounts and notes receivable outstanding October 1, 1949, collected during October:
Men's Furnishings .... 51% Boots and Shoes 46%

Trading days: October, 1949—26; September, 1949—25; October, 1948—26.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	Oct., 1949 compared with		Oct., 1949 compared with			
	Sept.,'49	Oct.,'48	Sept.,'49	Oct.,'48	Oct.,'49	Oct.,'48
8th Dist. Total [1]	+ 4%	+11%	+ 3%	— 9%	27%	31%
St. Louis Area [2]	— 1	+11	+ 3	— 1	50	54
St. Louis	— 1	+11	+ 3	— 1	52	55
Louisville Area [3]	+11	+34	+ 8	—12	16	16
Louisville	+12	+39	+ 8	—13	15	15
Memphis	+ 8	+18	+ 3	— 1	15	18
Little Rock	+ 1	+15	+11	+ 4	28	25
Springfield	—15	+14	*	*	20	26
Fort Smith	+28	—12	*	*	*	*

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

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

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

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

** 39 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Oct., '49	Sept., '49	Oct., '48
Cash Sales	13%	12%	16%
Credit Sales	87	88	84
Total Sales	100%	100%	100%

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Nov. 16, 1949	Change from Oct. 19, 1949	Change from Nov. 17, 1948
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	6,310	+ 559	— 9,044
U. S. securities	961,342	+6,656	—284,053
Total earning assets	$ 967,652	$+7,215	$—293,097
Total reserves	$ 759,545	$—1,247	$+ 32,980
Total deposits	646,503	+2,334	—210,596
F. R. notes in circulation	1,082,555	+6,530	— 51,282
Industrial commitments under Sec. 13b	$	$	$ ....

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

(In Thousands of Dollars)
34 Banks Reporting

ASSETS	Nov. 16, 1949	Change from Oct. 19, 1949	Change from Nov. 17, 1948
Gross commercial, industrial, and agricultural loans and open market paper	$ 555,635	$+ 31,838	$— 78,906
Gross loans to brokers and dealers in securities	6,468	+ 794	— 84
Gross loans to others to purchase and carry securities	19,707	— 1,165	— 3,487
Gross real estate loans	186,355	+ 2,301	+ 28,010
Gross loans to banks	2,523	+ 1,112	— 359
Gross other loans (largely consumer credit loans)	218,570	+ 5,028	+ 9,788
Total	989,258	+ 39,908	— 45,038
Less reserve for losses	9,572	+ 4	+ 2,116
Net total loans	$ 979,686	$+ 39,904	$— 47,154
Treasury bills	37,078	— 11,402	— 55,879
Certificates of indebtedness	240,886	— 22,160	+ 84,298
Treasury notes	38,490	— 1,783	— 27,792
U. S. bonds and guaranteed obligations	780,886	+ 12,911	+120,825
Other securities	171,721	+ 3,409	+ 34,287
Total investments	$1,269,061	$— 19,025	$+155,739
Cash assets	811,846	+ 57,771	— 68,704
Other assets	25,678	+ 264	+ 304
Total assets	$3,086,271	$+ 78,914	$+ 40,185
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	$1,531,263	$+ 23,648	$+ 21,120
Interbank deposits	678,874	+ 54,425	+ 4,135
U. S. Government deposits	58,259	+ 495	+ 7,824
Other deposits	124,474	+ 2,601	— 7,668
Total demand deposits	$2,392,870	$+ 81,169	$+ 25,411
Time deposits	485,486	— 443	+ 11,084
Borrowings	7,650	+ 2,450	— 2,950
Other liabilities	18,286	— 5,336	— 612
Total capital accounts	181,979	+ 1,074	+ 7,252
Total liabilities and capital accounts	$3,086,271	$+ 78,914	$+ 40,185
Demand deposits, adjusted*	$1,388,414	$— 17,474	$+ 19,529

* Other than interbank and government demand deposits, less cash items on hand or in process of collection.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Oct., 1949	Sept., 1949	Oct., 1948	Oct., 1949 compared with Sept., '49	Oct., 1949 compared with Oct., '48
El Dorado, Ark.	$ 22,246	$ 20,766	$ 22,443	+ 7%	— 1%
Fort Smith, Ark.	42,781	39,206	43,336	+ 9	— 1
Helena, Ark.	11,216	8,191	12,878	+37	—13
Little Rock, Ark.	136,564	114,708	136,060	+19	-0-
Pine Bluff, Ark.	38,564	31,966	45,012	+21	—14
Texarkana, Ark.*	11,343	10,572	13,288	+ 7	—15
Alton, Ill.	23,173	22,351	24,649	+ 4	— 6
E.St.L-Nat.S.Y.,Ill.	117,832	115,301	128,626	+ 2	— 8
Quincy, Ill.	31,133	28,768	30,194	+ 8	+ 3
Evansville, Ind.	114,795	124,797	116,780	— 8	— 2
Louisville, Ky.	498,913	468,238	505,984	+ 7	— 1
Owensboro, Ky.	35,480	31,196	32,795	+14	+ 8
Paducah, Ky.	14,078	13,139	14,592	+ 7	— 4
Greenville, Miss.	24,221	21,560	26,179	+12	— 8
Cape Girardeau, Mo.	11,635	11,242	10,903	+ 3	+ 7
Hannibal, Mo.	8,444	8,069	7,641	+ 5	+11
Jefferson City, Mo.	52,293	53,209	56,243	— 2	— 7
St. Louis, Mo.	1,496,054	1,422,609	1,542,536	+ 5	— 3
Sedalia, Mo.	9,627	9,491	9,916	+ 1	— 3
Springfield, Mo.	58,200	55,500	60,791	+ 5	— 4
Jackson, Tenn.	25,794	19,475	25,264	+32	+ 2
Memphis, Tenn.	696,137	538,294	697,060	+29	-0-
Totals	$3,480,523	$3,168,648	$3,563,170	+10%	— 2%

* These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $27,508.

last year's volume, the gap has narrowed substantially since August. In that month loans averaged $77 million less than in August, 1948. Some improvement occurred in September, when the margin was reduced to $67 million, and continued in October when loan volume averaged $48 million less than a year earlier.

The total loan increase since August this year was sharper than in the comparable period in 1948. It should be noted, however, that last year's upward trend began earlier and from a higher level. The gain this year reflects larger percentage increases in business and real estate loans since late summer. In the three months to mid-November business loans rose 24 per cent as compared with 16 per cent in this period last year. Real estate loans expanded 7 per cent as against 4 per cent in the 1948 period. Other loans, largely to consumers, increased at about the same rate each year.

Holdings of U. S. Government securities continued to decline at the weekly reporting member banks through the middle of November. The tendency to reduce holdings of these securities began in September following a period of rapid expansion in the first nine months of the year. Apparently the rise in Government securities prices, plus the Fall increase in total loan demand, accounts for the reduction in holdings of these securities. To a minor extent, it also represents a shift of funds to other forms of investments.

Although deposits continue at a level higher than a year ago, there are indications that by the end of the year the margin may be eliminated. The decline in farm income relative to a year ago, particularly in the southern part of the district, is expected to be an important factor in the probable failure of deposits to hold above 1948 levels throughout 1949. Time deposits were practically unchanged in the four weeks to mid-November, continuing their stable performance of the preceding four months.

AGRICULTURE

Cash farm income in Eighth District states was 17 per cent less in September, 1949 than in September, 1948. In Mississippi, however, the decline from a year ago was 47 per cent. In the first three quarters of 1949, cash farm income in the district states declined about 8 per cent relative to the same period in 1948, or about the same reduction as in the United States as a whole. The decline from last year has been largest in Illinois and Indiana, but the effect of the poor cotton crop in district states has just begun to be reflected in income figures for Mississippi and Arkansas.

Gross farm income, which includes cash receipts from marketings, Government payments, the rental value of farm houses, and the value of home-consumed farm products, is expected to be about 10 per cent less than in 1948 for the nation as a whole. Realized net income is expected to total $14 billion or 16 per cent less than in 1948. A further decline of approximately the same magnitude is forecast by the Department of Agriculture for 1950.

Prices received for farm products dropped sharply during the month ending October 15. Lower prices for hogs, truck crops, cotton and corn more than offset higher prices for dairy products, food grains, and citrus fruit. The index of prices received dropped 6 points to 243 (1910-14=100) which was 12 per cent lower than a year earlier, while the index of prices paid declined 2 points to 240. The ratio of prices received to prices paid was 101, compared with a ratio of 111 in October, 1948.

The November forecast for the 1949 corn crop was 119 million bushels less (3 per cent) than the October forecast. This indicated a crop of 3,358 million bushels, compared with 3,650 million bushels in 1948. A crop of this size, although 8 per cent less than in 1948, would still be the second largest of record. The smaller crop probably will make marketing quotas unnecessary, but a 12 per cent reduction in acreage for 1950 is indicated. With this cut in acreage, and with average weather conditions, a 3-billion bushel crop is expected in 1950.

The large stocks of burley tobacco on hand have led to a substantial reduction in the burley tobacco quota for 1950. A quota of 496 million pounds for 1950 has been announced by the Secretary of Agriculture, necessitating a 10 per cent reduction in acreage. This will result in reductions in acreage allotments of about 15 per cent for producers with allotments in excess of 0.9 acre, which is the minimum allotment under existing legislation.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Sept., 1949	Sept., 1949 compared with Aug., 1949	Sept., 1949 compared with Sept., 1948	9 month total Jan. to Sept. 1949	1949 compared with 1948	1949 compared with 1947
Arkansas	$ 53,060	+143%	—11%	$ 296,776	+19%	+18%
Illinois	114,531	— 2	—11	1,172,686	—12	— 9
Indiana	87,214	+ 13	—13	651,216	—13	—10
Kentucky	36,592	— 2	—13	341,257	— 6	—10
Mississippi	36,713	+138	—47	292,260	+17	+20
Missouri	78,703	- 0 -	—17	652,591	—10	—10
Tennessee	41,189	+ 52	— 3	278,394	— 9	— 7
Totals	$448,002	+ 16%	—17%	$3,685,180	— 8%	—6 %

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Oct., 1949	Oct., 1949 compared with Sept.,'49	Oct., 1949 compared with Oct.,'48	Oct., 1949	Oct., 1949 compared with Sept.,'49	Oct., 1949 compared with Oct.,'48
Cattle and calves	166,181	+ 2%	+10%	76,827	+ 1%	+22%
Hogs	262,172	+24	+24	57,033	—14	+11
Sheep	55,770	—24	—22	13,173	—51	+43
Totals	484,123	+ 8%	+11%	147,033	—13%	+19%

National Summary of Business Conditions

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

OUTPUT and employment at factories and mines decreased in October but increased in the latter part of November. New construction activity was maintained at a high rate in October and the first half of November. Department store sales showed a less than seasonal increase. Commodity price changes continued to be relatively small. Prices of common stocks and bonds generally advanced.

Industrial production—The Board's seasonally adjusted index of industrial production was 166 per cent of the 1935-39 average in October as compared with 174 in September and 170 in August. Following settlement of the steel labor dispute and resumption of operations at bituminous coal mines, total industrial production has increased in November.

Activity in durable goods industries declined about 12 per cent in October. The decrease reflected mainly sharp curtailment in output at blast furnaces, steel works, and rolling mills. Steel ingot production was reduced from a rate of 84 per cent of capacity in September to 11 per cent in October. Since early November, however, ingot production has increased again and during the fourth week was scheduled at 78 per cent of capacity. Activity in iron and steel fabricating industries declined only slightly in October, but in early November apparently was reduced considerably mainly as a result of temporary steel shortages. Owing in part to model changeovers the number of passenger cars and trucks assembled was reduced from the record September rate by about one-tenth in

October and by one-fifth in the first three weeks of November. Deliveries of copper to fabricators increased sharply in October, and output of furniture, electrical appliances, and most building materials continued to advance.

Output of nondurable goods showed a further rise in October as a result mainly of substantial increases in the textile, paper, and printing industries. Activity in these lines in October was generally at about the high levels prevailing last autumn. Output of petroleum products also increased in October but in early November was curtailed because of large stocks. Activity in most other nondurable goods industries in October showed little change.

As a result of work stoppages at bituminous coal and iron mines, minerals output declined considerably further in October. Anthracite production, however, increased substantially and crude petroleum output continued to expand. In November, bituminous coal production has advanced sharply.

Construction — Value of construction contracts awarded in October, according to the F. W. Dodge Corporation, was maintained at the exceptionally high September level. Increases in public awards, following declines in August and September, offset small declines in awards for most types of private construction. The number of residential units started in October, as estimated by the Bureau of Labor Statistics, was 100,000, the same number as in September and 27,000 more units than in October 1948.

Employment — Employment in nonagricultural establishments declined 2 per cent in October owing mainly to reductions in durable goods manufacturing, mining, and transportation industries as a result of the steel and coal labor disputes. Unemployment rose one-quarter million in early October.

Distribution—Department store sales were 275 per cent of the 1935-39 average in October, according to the Board's seasonally adjusted index, as compared with 289 in September and an average of 286 for the first nine months. In the first three weeks of November sales were 6 per cent below year-ago levels when the sales index for the month was 290.

Shipments of railroad revenue freight declined considerably in October reflecting chiefly sharply curtailed shipments of coal, iron ore, and steel products. Loadings increased in the middle of November, reflecting mainly sharp gains in coal shipments; loadings of miscellaneous freight showed a moderate expansion.

Commodity prices—The average level of wholesale commodity prices declined somewhat further from mid-October to the third week of November, reflecting chiefly seasonal decreases in prices of livestock and meats. Spot prices of apparel wool, lead, and tin also declined owing in part to earlier reductions in foreign markets, while coffee prices showed a sharp increase. Steel scrap prices rose above pre-strike levels and prices of some additional domestic industrial products were advanced in November.

Bank credit—Business loans at banks in leading cities continued to expand seasonally during October and the first half of November. Loans on real estate and loans to consumers also increased. Holdings of U. S. Government securities rose during October but subsequently declined early in November.

A small reduction in gold stock and a seasonal outflow of currency into circulation tended to reduce member bank reserves in the first three weeks of November. Federal Reserve Bank credit expanded, however, reflecting primarily purchases of Government securities by the System.

Security markets—A steady rise in prices of most long-term Government bonds during the first three weeks of November has been accompanied by a moderate increase in prices of high-grade corporate bonds. Common stock prices have fluctuated around the new high level for the year reached in early November. New corporate security issues have continued in small volume.

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