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Review and Outlook

by

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As 1950 begins, I want to write briefly about the record of the recent past and speculate a little about prospects for the coming year—the final one in the first half of the Twentieth Century. In attempting to put the current scene in proper focus, I am struck by the high degree of interdependence in this modern world. I am writing of developments in the international field, in the domestic economy and in banking, under separate subheadings. Actually they cannot be separated today. Certainly the record of banking must be viewed against the broad background of the entire domestic economy. And certainly one cannot consider the domestic economy as existing by itself, for international developments influence it in high degree.

One hundred years ago California came into the Union in the Compromise of 1850. That word "compromise" runs through the record of American political, economic and social history. It is a particularly appropriate word to use today when the complexity of modern life practically prohibits absolutely clear-cut decisions as to objectives. Domestic economic policy is shaped today (and probably always has been to some extent) as much by factors outside the purely economic sphere—foreign policy, sociological considerations, and others—as by economic considerations. In other words, our actual goals and the means by which we strive for them are essentially compromises of conflicting objectives. We usually must try to attain the overriding objective by sacrificing those less important or secondary.

This circumstance makes it very important that there is clear recognition and understanding of issues and objectives involved in particular problems. For example, our commitments to Western Europe result from our conviction that Europe must not fall prey to World Communism—a politico-economic system that we do not like. These commitments involve heavy expenses and high taxes, and, when added to other outlays, have led to deficit spending. None of these is particularly desirable in itself or in its consequences; we accept it as part of the price of our major objectives. And to rehabilitate Western Europe we have to help recreate a fairly strong Western Germany, which opens up all of the possibilities of future German attempts to dominate Europe. The point, of course, is that there are no simple, clear solutions to these problems and the host of others that confront us. We have to choose our solutions because they represent the best compromise, and this requires knowledge and understanding.

The people of this nation have gained tremendously in knowledge and understanding in the past few years. As a nation we are better equipped today to choose our solutions than we ever were in the past. But the problems grow more complicated and our knowledge and understanding must continue to increase if we are to deal with them intelligently.

INTERNATIONAL AFFAIRS

From the point of view of the United States the record of developments in the international field in 1949 is hardly cause for cheer. Certainly we are no closer to agreement with the Communist world than we were a year ago. Our position in China has collapsed, in Southeastern Asia and Korea it has deteriorated dangerously, and in Japan and the Philippines it has retrograded, although perhaps not quite so dangerously. This entire area, traditionally friendly to the United States, must now be counted as, at best, indifferent to unfriendly—at worst, definitely hostile. In the Middle and Near East, the strategic position of the democracies continues precarious, although the feeling of friendship does remain fairly high.

The major bright spot in 1949 was the record of real progress in Western Europe. Western Germany began to go forward in rapid strides, and no longer seems the unbreakable bottleneck to European recovery that it was a year ago. The Marshall Plan nations moved further along the road to economic rehabilitation. Our foreign aid program, conceived jointly in altruism and self-interest, seems to be paying off well.

Two points should be stressed in this connection. First, it now appears that the so-called "dollar gap" will not be bridged completely by 1952. Western Europe will still run a deficit with us by that time. Some measures, perhaps credits rather than outright grants, will continue to be necessary to meet that deficit. To keep the deficit small, this nation should continue to search for ways to reduce trade barriers and to increase our imports.

Second, we should recognize clearly that policies designed to put the international accounts in better balance will have a somewhat adverse impact on the domestic economy of this nation. We agreed to—in fact, we more or less urged—currency devaluation by foreign nations as one means to make their exports more competitive and to force some curtailment in their imports, particularly from this country. This will have some effect upon our economy in general, and even more effect upon particular segments of it. The impact probably will be minor during 1950, however.

Since our policies in this respect are deliberately designed to achieve a major United States aim, the rehabilitation of Europe, it would not be very consistent to embrace other policies which would work against this aim. Thus, raising existing barriers to trade or creating new ones would work against our major purpose. Similarly, devaluing the dollar (raising the price of gold in terms of dollars) would put us back where we were before the foreign currency devaluation of last fall.

International affairs almost certainly will continue to occupy our thoughts and work in increasing degree during 1950. The world pre-eminence of the United States makes this inevitable. And the domestic economy will be influenced considerably by policies shaped by international events.

THE DOMESTIC ECONOMY

The United States enjoyed another very good year in 1949, despite the fact that economic activity balanced out a little lower than in 1948. Total employment in 1949 averaged close to 59 million, down less than a million from the 1948 record level. With a growing labor force, reflecting our growing population, unemployment increased a little more than employment dropped, averaging about 1.3 million more than in 1948.

Industrial production in 1949 was 8 per cent less than in 1948, and farm output was somewhat smaller than last year's record. Many lines of activity were higher—especially construction. On balance, actual output of goods and services in 1949 was as good as, perhaps better than, a year earlier. Slightly lower prices reduced the value of that output to $259 billion from the $262 billion of 1948.

These annual average figures conceal the fact that activity was moving up through most of 1948 and was moving down from late in that year through mid-1949. From the postwar high of October, 1948 to July, 1949, industrial production fell 17 per cent. Wholesale prices dropped 9 per cent from August, 1948 to August, 1949. Farm prices, which had begun their decline early in 1948, continued to slide off throughout most of 1949. At the close of the year they were 23 per cent down from their postwar peak. The gross national product was running at a peak of $270 billion in the last quarter of 1948 and was just over $256 billion in the third quarter of 1949.

These figures demonstrate beyond question that the domestic economy went through a readjustment period. But the most striking development of 1949 was that the readjustment was relatively mild, and was mainly a price-inventory adjustment in the industrial segment of the economy, plus a continued downward movement in farm prices and income. The basic strengths of the economy were illustrated by the moderate upturn that took place in the fall and early winter.

As a matter of fact, the data noted above overstate the scope of the readjustment. A year ago I wrote in this Review that the key question for the domestic economy in 1949 was what would happen to consumer buying. The answer was that it would hold up. Actually consumer expenditures averaged out just as high in 1949 as in 1948, and from the peak in the fall of 1948 to the trough in mid-1949 were down less than 2 per cent. Consumer prices dropped a little more than expenditures, indicating that physical volume of consumption probably increased slightly. Personal income also averaged the same in 1949 as in 1948, with just a 3 per cent drop from peak to trough.

The people of this nation, with high current incomes and the large volume of liquid assets at their disposal, simply continued to buy goods and services. They used consumer credit to finance some of these purchases. The sustained demand permitted adjustments to take place serially and line by line rather than cumulatively. The drop in production reflected primarily the stopping of production for inventory accumulation (in the fourth quarter of 1948 inventory build-up was at an annual rate of $9 billion; by the second quarter of 1949, some liquidation was underway). Consumer demand was met partly out of previously acquired stocks and partly out of current production. With the inventory adjustment slowing down late this year, current production moved up to match more closely current consumption levels.

The fact that the readjustment did not become cumulative in effect reflects a number of factors. Among the more important was the general postwar caution of business which made the inventory adjustment much less severe than had that caution not been exercised. Also very important was the maintenance of high consumer income and the general willingness of the American consumer to use that income, plus some previous savings and consumer credit, to maintain consumption levels. The strength of residential construction and the increase in Government expenditures also were upward forces. In addition, prompt action by the monetary authorities to remove potential barriers to recovery aided in easing the letdown.

One of the most significant developments of the war and postwar years has been the accumulation of a tremendous volume of liquid assets by individuals. The strength of this liquid asset base contributed to the willingness of consumers to maintain consumption levels during 1949. It augurs well for the immediate economic future of this country.

As 1950 opens, the economy generally would seem to be in better balance than it was a year earlier. Apparently we have come through successfully the first important readjustment of the postwar period. Assuming that international relations do not deteriorate appreciably further and that there are no major interruptions to production, the immediate outlook for 1950 seems to be quite favorable.

Two major weaknesses appear in the economy at present. Business expenditures for plant and equipment apparently will be lower in 1950. This segment of demand has been a very important force in preserving high level activity throughout the postwar period. Agriculture seems to be in for further price and income declines in 1950 despite the assurance of high price supports. A decline in farm income will have an immediate impact upon the agricultural segment of the economy and, if farm buying tapers off, that impact is likely to be translated to other parts of the economy.

I noted earlier that farm prices had been declining since early in 1948. Apparently that decline has not run its full course. At the close of the year the parity ratio for agriculture had dropped to about 100, as the costs of goods that farmers buy had fallen substantially less than the costs of goods they sell.

1949 was a year of exceptional farm output—second only to the record year, 1948. With farm prices falling, however, gross farm income dropped 10 per cent. And since farm costs declined relatively little, net farm income fell 15 per cent. The decreases, of course, were from very high levels, and farm income was high by prewar standards.

This Federal Reserve district fared worse than the nation last year in agriculture. Not only were we affected by the general decline in prices, but farm production here was off considerably more than it was nationally. The district cotton crop particularly was short—about one-fourth smaller than in 1948.

Acreage controls generally go back into effect in 1950. Production thus will be cut back, but whether in amount proportionate to the acreage cut is open to serious question—particularly if we have favorable weather. Farm prices probably will continue under pressure during 1950, and farmers' profit margins will continue to be squeezed.

I have stated often my belief that farm prosperity cannot be legislated. It is one thing to attempt a support program designed to smooth the farm marketing process and thus alleviate the feast or famine character of agriculture. Such a program must be flexible and depend ultimately upon prices at which the market can clear itself. It is something entirely different to attempt to set prices above a point at which the market will clear itself over a reasonable length of time. The result of this latter procedure is unmanageable surpluses or strict acreage and marketing controls, or both—and eventually very severe readjustments. And the problem hardly can be said to be solved by letting market forces act to set prices at which the market clears, and then make up the difference between the market price and an artificially high price out of the public treasury.

One other point with regard to the economic outlook for 1950 needs comment here. The Federal Government apparently will run a deficit through calendar 1950. The budget deficit for fiscal 1950 (ending June 30) now is estimated at $5.5 billion instead of less than $1 billion as estimated earlier. The increased deficit results from a combination of higher expenditures and lower receipts.

Generally speaking, a Government deficit can be regarded as a short-run factor of support to economic activity. It is not healthy to run a deficit in times like these, however. Every effort should be made to reduce expenditures so as to achieve at least a balance in income and outgo, and probably it would be desirable to have a surplus of income. I noted earlier that we have to compromise certain objectives to gain more important objectives. I recognize that spending for defense, foreign aid, debt service and veterans' aids takes up a large part of the budget and is hard to cut. But the very fact that we have some high and rigid expenses (to attain important objectives) makes it all the more necessary to screen our more flexible expenditure items very carefully.

In summary, the national economy had a good year in 1949 and probably can look forward to another one in 1950. The first half of the coming year looks particularly good. There are more questions about the second half since we cannot be sure at this time about such important factors as residential construction; the volume of farm output; the extent, timing and manner of financing a Government deficit and so on. This district, which is more heavily dependent upon agriculture than is the nation, probably will face somewhat less favorable circumstances than the country as a whole.

BANKING

Commercial banking experienced another highly profitable year in 1949. While loan demand declined rather sharply from early in 1949 to well past midyear, the total amount of bank credit (loans and investments) averaged higher in 1949 than in 1948. At the close of the year commercial bank loans and investments were roughly $7 billion higher than a year earlier.

During 1949 the commercial banks of this country fairly well fulfilled their obligations to businesses, agriculture and individuals in their communities. They met demand for sound loans as that demand arose. The decline in loans noted above reflected primarily a decline in demand for credit rather than curtailment in the supply of credit.

One reason why the commercial banking system was able to meet such legitimate demand for credit as existed was prompt action on the part of the Federal Reserve, assuring adequate available reserves for the banks. Reserve requirements were scaled down in two steps in the first half of the year (the last representing, of course, the expiration of the System's temporary authority to increase member bank reserves beyond the previous statutory limits). While the additional reduction in required reserves during August was utilized by the banks to purchase Government securities, it did place them in an easier position to meet the rather strong seasonal demand for loans that has taken place this fall.

Other Federal Reserve actions also reflected the System's policy of removing credit barriers to recovery insofar as it could. Margin requirements were reduced to 50 per cent, and consumer credit requirements were reduced substantially, well before System authority in this field expired.

A notable development in the field of banking and monetary policy which occurred in 1949 was the Congressional investigation of our monetary and banking system. The Joint Congressional Committee on the Economic Report obtained extensive information through questionnaires and public hearings from officials of the Federal Reserve System, the Treasury, the Federal Deposit Insurance Corporation, other Government agencies in the monetary field, and a number of leading economists, bankers and businessmen. As might be expected, some strong differences of opinion appeared in the course of the Congressional inquiry.

Worthwhile as this Joint Committee effort is, it seems to me that we need to consider the problems of the monetary system more thoroughly than the time at the disposal of the Joint Committee permits. It has been 40 years since we had a full-scale review of the banking system and of monetary policy. Meanwhile our economy has grown increasingly more complex and we have attempted to keep our monetary system functioning by a series of patches here and there. I believe it would be most useful to have a new national monetary commission created. Such a commission could calmly and impartially make a study of the monetary system, which should lead to better understanding and to many needed improvements.

In conclusion, I would say that as we look back on 1949 it turned out to be a pretty good year for banks and the domestic economy. We gained ground in Western Europe—we lost extensively in the East. Economic prospects for 1950 seem to be fairly good. With reason and work we can make those prospects real.

The Eighth District and Its Income

Part Two

Income data rank high as a tool for analysis of economic well-being. Such data increase in value and usefulness as they are made to apply to smaller areas, as they are made more current, and as they cover longer periods of time. Data for the nation as a whole, important as they are, tend to mask regional differences. In broad general terms these differences have been known, but, with more precise data on a regional basis, their extent and nature show up more clearly. With this more exact knowledge, regional programs to overcome economic lags can be cast in fairly realistic terms.

Regional data, where the region is fairly large—for example, Federal Reserve districts or states—also obscure differences within those districts or states, and it becomes even more advantageous to have data on a smaller-area basis. Unfortunately, it becomes progressively more difficult to produce good income data as the size of the area decreases. This difficulty stems partly from the general dearth of small-area data which can be used to build up income figures, partly from the technical problems of making such data as exist comparable as between areas, and partly from problems of a conceptual nature. As a result income data for small areas generally are not as detailed nor quite as accurate as those for larger areas.

This section of the article on Eighth District income presents information on per capita income in 1948 and growth in total income from 1939 through 1948, for 97 areas within the Eighth District. The areas are from one to six counties in extent. On Maps I and II, each is identified by the name of the largest community (in 1940) within the area, and by a number. Neither the name nor the numbering sequence has any significance except for identification purposes. Even within these small areas, income data represent only the average for adjoining counties; in many cases this average may still conceal wide variations among neighbor communities. The different shadings on the maps represent different levels of per capita income in 1948 or differences in size of percentage increase in total income from 1939 to 1948.

METROPOLITAN AREAS AND OTHER REGIONS

Of the 97 district income areas, only three had per capita incomes in 1948 that were above the United States average. These were the St. Louis and East St. Louis areas (which together form the St. Louis industrial area) and the Louisville area (Jefferson County, Kentucky). In comparison with the $1,410 per capita income figure for the nation in 1948, per capita income in Eighth District areas ranged from $460, or less than one-third the national average, in Area 87 (Savannah, Tennessee) to $1,650 in Area 9 (St. Louis).

Generally speaking, the low-income areas of the district had income source patterns characterized by a small proportion of income coming from wages and salaries and a relatively large proportion from "other" sources which represent mainly Government transfer payments. As pointed out in Part One, such transfer payments are small in absolute amounts per capita, but look relatively large in regions where general per capita income is low.

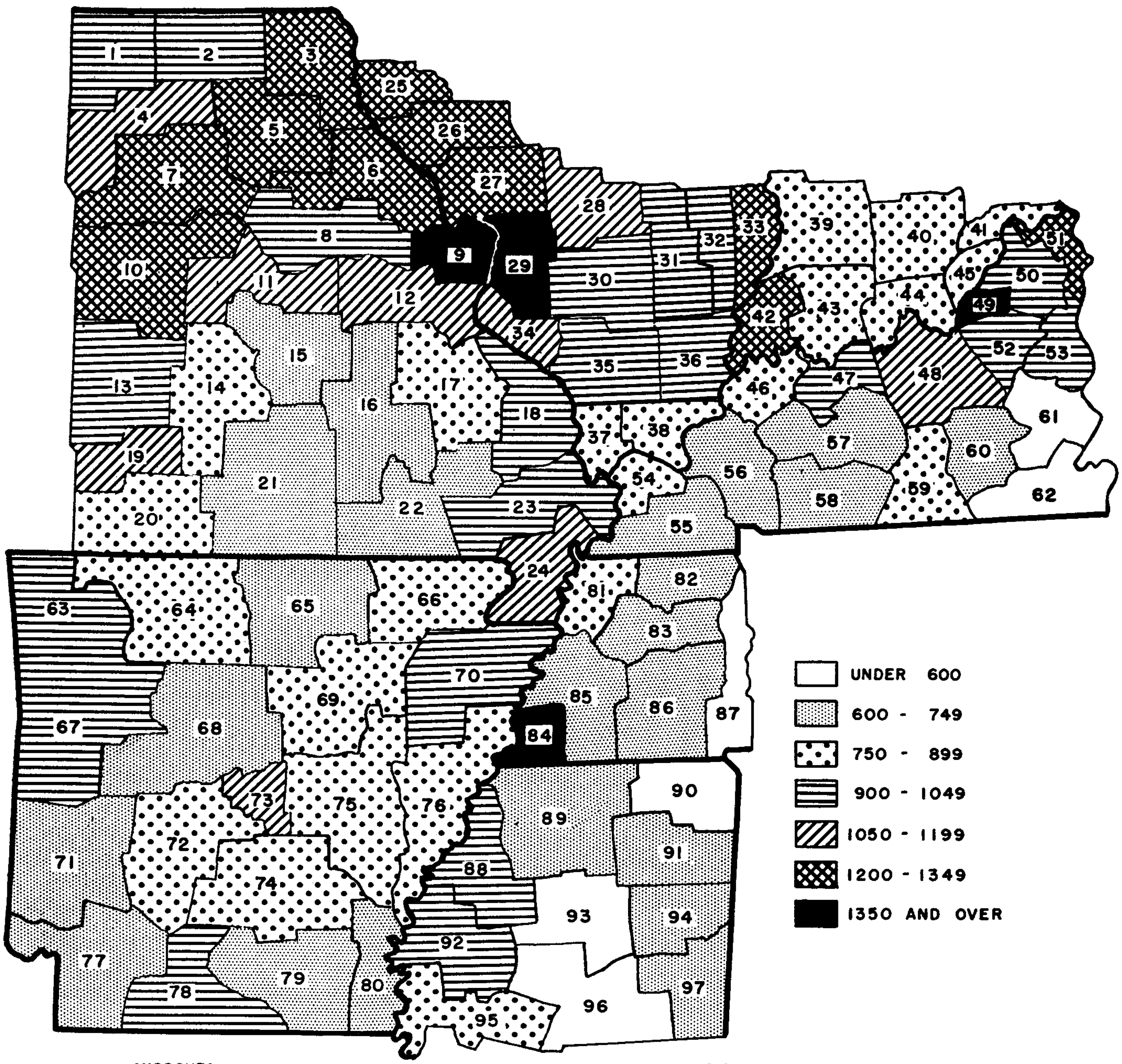
Agriculture generally accounts for a larger proportion of total income in areas where per capita income is small than it does where per capita income is large. In the main, this reflects the tendency of many low-income areas to have relatively too many people on farms. This in turn means smaller average output per man on the farm. In addition, in many low-income areas, the relatively small output of industry also is shared by relatively too many people. As a result, average productivity in industry also is relatively small. Because of these conditions, per capita income in such areas tends to remain low in spite of improvements in total income.

Any such situation calls for the development of new industries, offering the opportunity of more productive employment to workers who shift into these industries, and at the same time raising the per capita productivity of those who remain on the farms. Where the resources of the area permit, this industrial diversification can and should proceed within a given area. Where the basic resources of the local area are deficient, regional economic development may take the form of migration from areas of relatively low productivity to areas and industries in need of new people and new skills.

Per capita income in the district's six metropolitan areas combined averaged $1,467 in 1948—slightly above the national average. The high per capita income of the St. Louis metropolitan center (St. Louis plus East St. Louis) more than offset the below-national-average incomes of the four metropolitan centers of Memphis, Evansville, Little Rock

Editor's Note: Part One of this article appeared in the December, 1949 Review. In it were presented estimates of total and per capita income, sources and components of income, and expenditure patterns for the Eighth District as a whole and for the various state portions of the district. Copies of Part One, and of detailed technical notes which contain additional tables, are available upon request.

PER CAPITA INCOME - 1948
(DOLLARS)



MISSOURI

1 Trenton
2 Kirksville
3 Hannibal
4 Chillicothe
5 Moberly
6 Mexico
7 Marshall
8 Columbia
9 St. Louis
10 Sedalia
11 Jefferson City
12 Washington
13 Bolivar
14 Lebanon
15 Rolla
16 Salem
17 Flat River
18 Cape Girardeau
19 Springfield
20 Monett
21 West Plains
22 Thayer
23 Poplar Bluff
24 Caruthersville

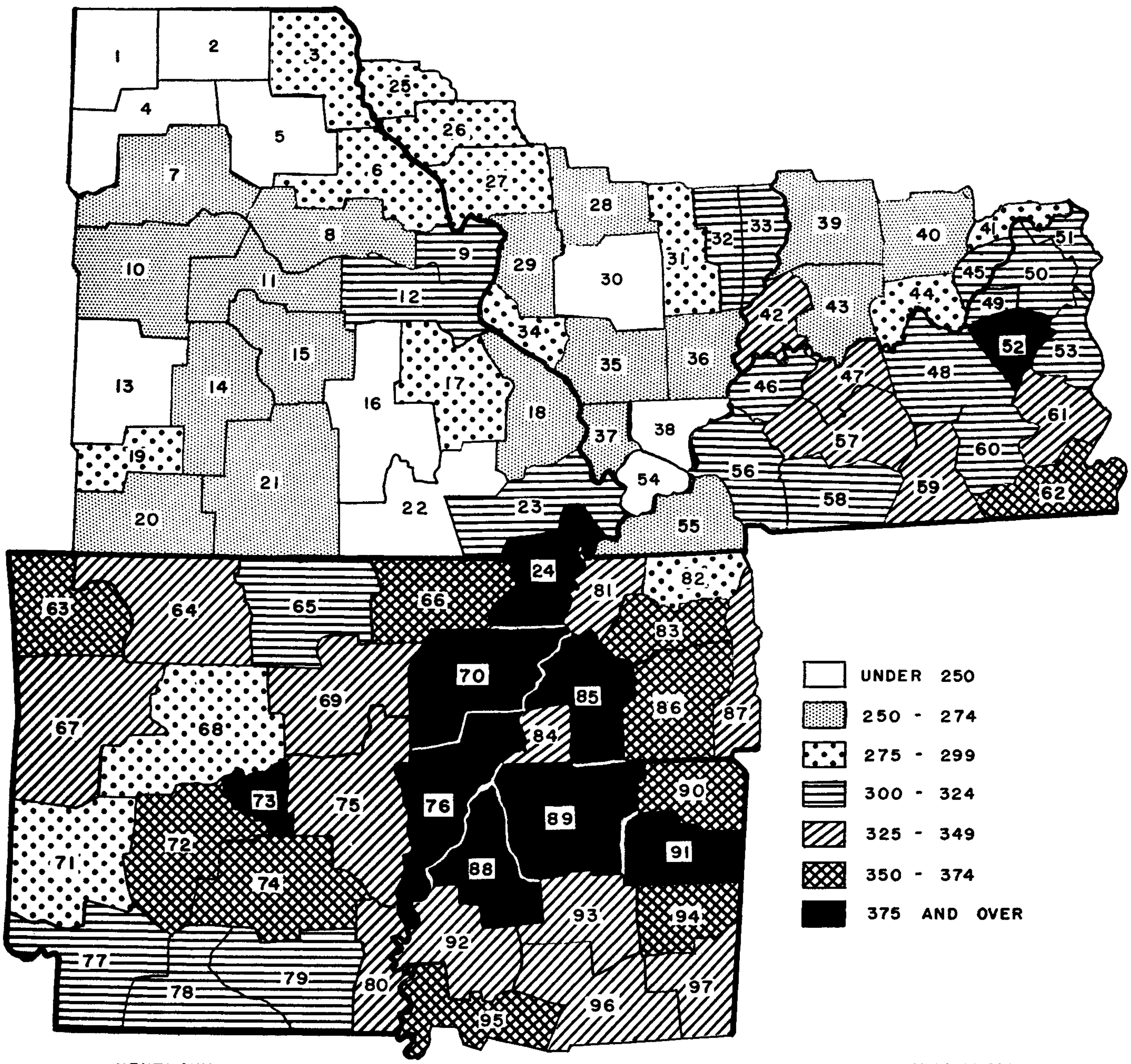
ILLINOIS

25 Quincy
26 Jacksonville
27 Carlinville
28 Litchfield
29 E. St. Louis
30 Centralia
31 Effingham
32 Olney
33 Lawrenceville
34 Chester
35 W. Frankfort
36 Harrisburg
37 Cairo
38 Metropolis

INDIANA

39 Vincennes
40 Bedford
41 Madison
42 Evansville
43 Jasper
44 Tell City
45 New Albany

TOTAL INCOME - 1948
(1939 = 100)



KENTUCKY

46 Henderson
47 Owensboro
48 Elizabethtown
49 Louisville
50 Shelbyville
51 Frankfort
52 Bardstown
53 Danville
54 Paducah
55 Mayfield
56 Princeton
57 Madisonville
58 Hopkinsville
59 Bowling Green
60 Glasgow
61 Lebanon
62 Monticello

ARKANSAS

63 Fayetteville
64 Harrison
65 Mountain Home
66 Paragould
67 Fort Smith
68 Russellville
69 Batesville
70 Jonesboro
71 Mena
72 Hot Springs
73 Little Rock
74 Pine Bluff
75 Stuttgart
76 Helena
77 Texarkana
78 El Dorado
79 Crossett
80 McGehee

TENNESSEE

81 Dyersburg
82 Paris
83 Humboldt
84 Memphis
85 Brownsville
86 Jackson
87 Savannah

MISSISSIPPI

88 Clarksdale
89 Oxford
90 Corinth
91 Tupelo
92 Greenwood
93 Grenada
94 West Point
95 Greenville
96 Kosciusko
97 Columbus

and Springfield. Louisville per capita income was about the same as that in the nation in 1948. Average per capita income in 1948 in the remaining sections of the district was $877, or just about three-fifths as large as the average for the metropolitan centers.[1]

Most of the metropolitan area income (73 per cent) was in the form of wages and salaries, typical of a highly organized urban community. Only 4 per cent represented "other" income. Property income and nonfarm proprietors' income accounted for about 20 per cent of total income. Farm proprietors' income was 3 per cent of the total (since complete counties are included in these areas there naturally is some farm land in a so-called metropolitan region).

In contrast to the picture in the metropolitan areas, the remaining sections of the district had a distinctly smaller share of their income in labor income (37 per cent), considerably more in farm proprietors' income (32 per cent) and considerably more in "other" income (10 per cent). Nonfarm proprietors' and property income was just about the same proportion of the total as in the metropolitan sections (21 per cent). While the non-metropolitan regions of the district do contain a good many urban areas (which accounts largely for the 37 per cent of their income in labor income) they are predominantly rural. In subsequent discussion they are identified as "rural areas".

It was brought out in Part One of this article that per capita income was a resultant of two factors—total income for the area and the number of people who share that total income. Thus changes in per capita income reflect both changes in total income and changes in population. In some cases district areas have shown much more than district or national average gains in total income, but population growth has made per capita income gains about average. In other cases, total income increases have been about the same as in the entire district (or perhaps below the district average) but population losses have resulted in noteworthy increases in per capita income.

This is strikingly illustrated by the record of income growth in the metropolitan areas and in the rural areas of the Eighth District. Total income growth for the district as a whole from 1939 to 1948 was 206 per cent. There was practically no difference in the percentage gain in the combined metropolitan regions and the combined rural regions. But the district's net population growth was in the metropolitan centers—the other areas as a whole lost population. As a result per capita income in the six urban areas increased 164 per cent, just about the national average, while that in the rural areas rose 212 per cent. To put this in another way, in 1948 the metropolitan areas had 30 per cent of the district's people and 41 per cent of its income. In 1939 they had the same proportion of income, but just 26 per cent of the population. In the rural sections 74 per cent of the district's people had to share 59 per cent of the district's income in 1939. By 1948, not only was the total income triple that of 1939 and the proportion flowing to them the same, but fewer people had to share it.

It is noteworthy that when the rural areas (average per capita income $877) were combined into their state or state portion of the district, the income level shown ranged from $670 per capita in Tennessee to $1,080 in Illinois. Missouri was not quite as high as Illinois, and Mississippi showed up somewhat better than Tennessee. Even more striking was the fact that rural area per capita income in Arkansas shaded that in Kentucky and Indiana. In other words, the rich metropolitan areas of St. Louis, Louisville and Memphis tend to make the rest of the Eighth District portions of their states look better than they really are.

SMALL AREAS BY INCOME CLASS

The following table shows the 97 district areas classified by per capita income size in 1948, together with their share of district income and population in that year.

TABLE I

Per Capita Income 1948	Number of Areas	Per cent of Total District Income	Per cent of Total District Population
Under $600	6	2.1%	4.1%
$600—$749	23	11.3	17.4
$750—$899	23	14.5	18.5
$900—$1,049	21	17.0	18.6
$1,050—$1,199	9	9.2	8.6
$1,200—$1,349	11	10.9	8.9
$1,350 and over	4	35.0	23.9
Total	97	100.0	100.0

It should be noted that the distribution is skewed —that is, more areas (73) were below the district average of $1,050 than were above it. And as has been noted, 94 district areas had per capita incomes in 1948 below the national average. These facts illustrate the pervasiveness of low income within the region and the extent of the lags to be made up.

The Low Income Areas—For the purposes of this article the 73 areas with 1948 per capita incomes below the Eighth District average were classified

[1] The Eighth District contains six metropolitan areas, as defined by the Bureau of the Census—St. Louis, Louisville, Memphis, Evansville, Little Rock and Springfield. The income areas shown in this study are built up by complete counties and cannot be combined so as to coincide exactly with the Census-defined metropolitan areas, which are not complete counties or combinations of complete counties. In this article the St. Louis metropolitan area is thus defined as the St. Louis income area (Area 9) plus the East St. Louis area (Area 29). The Louisville metropolitan area is Area 49 (Louisville) plus Area 45 (New Albany, Indiana). The Memphis, Evansville, Little Rock and Springfield areas are those identified as such on the maps.

into four income groups. Almost 60 per cent of the district's people lived in these areas in 1948, but they received only 45 per cent of the district's income.

The lowest per capita income class (under $600) contained six district areas. At the low extreme, per capita income was $460 or just one-third the national average. These areas are concentrated in the highland rim of Kentucky and Tennessee and the pine regions of Mississippi. In these areas, there is very little industrialization; farm income is important, as is "other" income.

All of these areas showed high rates of growth in total income since 1939, and all but one even higher growth rates in per capita income. The latter development points to net population loss. It is significant, however, that even their high growth rates left them at the bottom of the district income classes. Actually, a number of areas surrounding them had just as high or higher rates of growth. These sections have a tremendous job on their hands if they are to improve their income status. Probably they will need considerable out-migration along with growth in total income if real progress is to be made in terms of per capita income. Most of them show a high percentage of woodland, which might make possible intensified development of this resource.

The next class ($600-$749) improved its per capita income status generally by substantial population migration as well as by increases in total income. The Tennessee areas and Rolla, Hopkinsville, and McGehee were the major exceptions to the general population loss.

In terms of income growth, the areas included in this class can be grouped in two major divisions. In one are those areas where both total income and per capita income growth was larger than the average for the state in which the areas are located. Put another way, these areas had fairly high productivity per acre but low productivity per capita. Included in this group were most of the Kentucky, Tennessee and Mississippi areas in this $600 to $749 per capita class.

The second major group of areas in this class includes those in which total income growth since 1939 generally was considerably smaller than that in the state in which the area is located. In contrast to the first group, productivity in these areas was low both on a per acre and a per capita basis. Many of the Missouri Ozark and Arkansas Ouachita sections are found in this group. Characteristically, areas in this group have very little industry. Their agricultural operations are not particularly productive and much of the land in these areas is forested. As in the areas included in the lowest income class, "other" income also is of major importance to these areas. It seems clear that to raise per capita income significantly where these conditions exist probably will require a combination of strong resource development and continued substantial population migration.

The first group also has a high dependence on "other" income but generally has more industry or a more productive agriculture or a combination of both. While further population migration probably is indicated, possibility of further resource development looks fairly promising, and to the extent it were attained would lessen the need for population shifts.

The next class ($750-$899) contained a varied group of areas. Some of these regions had substantial population growth, while some had substantial population loss since 1939. Half of the areas had appreciable amounts of nonagricultural activity and received a considerable portion of income in the form of wages and salaries. The other half was pretty well dependent upon farming. Many of them also received a relatively large share of income in the form of "other" income. In general, the Missouri, Arkansas, Illinois and Kentucky areas in this class lost population—the Indiana regions gained population.

The fourth income class below the district average ($900—$1,049) contained 21 areas. Several areas in this class showed good per capita income growth plus very striking gains in total income. Most of these sections lie in the southern part of the district. Contrasted with them were many of the Illinois and Missouri regions in this class which showed appreciably lower growth rates than their state averages in total income, and in most cases also in per capita income.

The High Income Areas—Three income classes containing 24 district areas had per capita incomes in 1948 that were above the district average. In these areas about two-fifths of the district's people received about 55 per cent of the district's income.

The highest income class (over $1,350) contained just four areas—St. Louis, East St. Louis, Louisville and Memphis. All are major metropolitan centers of the district, all depend mainly on wages and salaries as an income source, all had substantial population increases from 1939 to 1948.

The next highest class ($1,200—$1,349) contained some farm areas with very high per acre productivity and relatively low population density which produced a high per capita income. These areas lie mainly in northern Missouri, south-central Illinois and the Kentucky Blue Grass region. Also in this class was the metropolitan center of Evansville with a very high total income growth rate.

The third highest income class ($1,050—$1,199) comprised farm areas of fairly high productivity in Missouri, Illinois and Kentucky, and the metropolitan centers of Springfield and Little Rock. The latter had the highest growth rate in total income of any metropolitan center in the Eighth District.

These data serve to identify those areas where per capita and total income have grown as the result of industrial development and diversification. Later studies will analyze in more detail the different growth patterns which follow from local efforts to utilize more effectively the basic resources of the district.

Werner Hochwald.
LaVerne Kunz.

Survey of Current Conditions

A rather optimistic tone seems to characterize business sentiment at the beginning of 1950. This tendency began early in the third quarter of 1949 and apparently gained some strength each month since that time. Even the loss of a month's production of basic steel and the equivalent of several months' output of coal has been taken in stride. In fact, one of the factors of strength pointed to for the first half of the new year is that the steel industry may require as much as six months of high-level operations to compensate for production lost during the recent strike. This estimate apparently reflects the feeling of a large number of manufacturers that their operations in the early part of 1950 will compare favorably with those in the same period in 1949.

To a large extent, the inclination to view business prospects favorably rests upon the conviction that consumers' expenditures will continue at a high level. Consumer demand is expected to be supported by continued high income and the large and widely distributed amount of liquid assets, supplemented by further expansion in the use of credit. There is not much doubt that competition for the consumers' dollar will increase during the year. But there is a feeling that as long as consumers' needs are large and purchasing power is high, aggressive merchandising can translate potential demand into effective demand.

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Nov.,'49	Oct.,'49	Nov.,'48	Nov., '49 compared with Oct.,'49	Nov., '49 compared with Nov.,'48
All Commodities	151.6	152.2	163.9	— 0.4%	— 7.5%
Farm Products	156.8	159.6	180.8	— 1.8	—13.3
Foods	158.9	159.6	174.3	— 0.4	— 8.8
Other	145.0	145.0	153.3	- 0 -	— 5.4

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Nov. 15, 1949	Oct. 15, 1949	Nov. 15, 1948	Nov. 15, '49 compared with Oct. 15,'49	Nov. 15, '49 compared with Nov. 15,'48
U. S. (51 cities)	200.8	200.6	207.5	+ 0.1%	— 3.2%
St. Louis	208.6	207.5	213.1	+ 0.5	— 2.1
Little Rock	198.8	198.2	202.4	+ 0.3	— 1.8
Louisville	188.3	189.7	198.9	— 0.7	— 5.3
Memphis	210.2	209.7	219.0	+ 0.3	— 4.0

In the field of business expenditures, some decline is anticipated in 1950. Capital outlays for new plant facilities are unlikely to total as large as in 1949. Expenditures for new equipment, however, are likely to compare more favorably with those in 1949. The pressure of increasing competition creates growing incentive to reduce production costs, particularly when wage rates remain at a high level. The liquidation of inventories during 1949 was one of the principal reasons for the decline in production and employment in the first half of the year. Year-end stocks in general were on a conservative basis. In the months ahead there may be little outright inventory accumulation but, more importantly, there is not much likelihood of additional large-scale liquidation.

While total private expenditures may drop below the early 1949 levels, much of the decline is expected to be compensated for by additional public outlays. More money in the form of expenditures will be put into the economic system during 1950 by Government than will be withdrawn in the form of revenue.

These in brief appear to provide the major part of the basis for optimism with respect to business prospects. At the same time, there are areas in which declines from 1949 levels are likely. The principal one of these is in the agricultural field. Farm income in 1950 is expected to total somewhat less than in 1949. The importance of a further reduction in farm income should not be minimized in appraising the outlook. This is the basis for an important source of total demand for goods and services and, when curtailed, the repercussions historically have been felt over a large part of our economy.

EMPLOYMENT

The national employment picture in November looked considerably better than at any time during the past several months. Nonagricultural employment, according to the Bureau of the Census, was at the highest level this year and was less than 1 per cent below last year. Total employment was higher than at any time except during the summer months when agricultural employment was at its seasonal peak.

Nonagricultural employment in the nation began to increase last May, although it held consistently below the 1948 level. The October-November gain was due principally to the beginning of the holiday season upswing in employment. Last year, the nonagricultural employment peak was reached in August while this year the peak will be in either November or December.

Nonfarm employment in this district in November was off in the month. St. Louis and Evansville registered decreases, while Louisville and Memphis showed small increases. In Little Rock, employment was unchanged.

In the St. Louis area, nonagricultural employment declined as a fairly large decrease in manufacturing failed to be offset by the seasonal gain in nonmanufacturing employment. November employment was about 2 per cent below the year-ago level.

The October-November decline in manufacturing employment in St. Louis was largest in the leather industry, but appreciable declines also occurred in the food, chemicals, nonelectrical machinery and transportation equipment industries. The only manufacturing industries to show gains were the primary and fabricated metal products and electrical machinery. Approximately 17,000 fewer persons were employed in manufacturing this November than last.

In nonmanufacturing activity, small losses in construction, finance, service and government employment between October and November were more than offset by increases in trade employment.

Nonagricultural employment in the Evansville area dropped appreciably between September and November as a continued decline in manufacturing employment was only partially offset by seasonal increases in other lines. Employment in Evansville has declined steadily since January, so that by November it was about 6 per cent lower than last year.

In the Louisville area, nonagricultural employment increased somewhat during the past three months, although the gains have not been large. Employment rose about 2,000 between October and November due mainly to an increase in manufacturing employment. The major increases occurred in the furniture, nonelectrical machinery and food industries. In the nonmanufacturing group, a drop in public utilities and government employment was almost offset by an increase in trade and service. Despite the recent gains, however, November employment was about 7 per cent lower than last year.

INDUSTRY

Industrial activity in the district in November held at about the October level if seasonal factors are taken into account. Manufacturing activity was off slightly, and construction work tapered off somewhat—both largely seasonal developments. Gains over October were registered in steel and lumber operations, and in crude oil output and coal mining.

Electric power consumed in the district's major industrial centers in November was 5 per cent less than in October and 1 per cent less than a year ago. The decline both from last month and from a year ago resulted from decreases in the two largest consuming cities, St. Louis and Louisville. In Evansville, Little Rock, Memphis and Pine Bluff, consumption was larger than that in October, and in each of these cities except Evansville there was an increase over a year ago.

Manufacturing—Manufacturing activity in the district in November apparently declined slightly

CONSTRUCTION

BUILDING PERMITS
Month of November

(Cost in thousands)	New Construction Number 1949	Number 1948	Cost 1949	Cost 1948	Repairs, etc. Number 1949	Number 1948	Cost 1949	Cost 1948
Evansville	42	31	$ 270	$ 83	47	47	$ 20	$ 17
Little Rock	101	76	562	578	227	150	106	217
Louisville	136	125	548	725	51	47	63	53
Memphis	2,347	492	3,539	1,024	141	179	99	140
St. Louis	336	237	1,841	1,073	214	190	419	309
Nov. Totals	2,962	961	$6,760	$3,483	680	613	$ 707	$ 736
Oct. Totals	2,877	1,845	$7,979	$6,963	836	848	$1,889	$1,118

WHOLESALING

Line of Commodities — Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Net Sales November, 1949 compared with Oct., 1949	Nov., 1948	Stocks Nov. 30, 1949 compared with Nov. 30, 1948
Automotive Supplies	— 1%	—15%	—13%
Drugs and Chemicals	+ 6	- 0 -	....
Dry Goods	—14	— 9	— 5
Groceries	+ 6	— 4	— 8
Hardware	+ 9	—18	— 3
Tobacco and its Products	+ 4	— 1	+ 4
Miscellaneous	+ 4	+ 1	—10
**Total All Lines	+ 1%	—10%	— 5%

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

from the October level. Decreases were indicated in the automobile, brewing, chemical, electrical equipment, food and kindred products, machinery, stone, clay and glass products, and transportation equipment industries. Increases were indicated in the rubber, metals and metal products, whiskey and meat packing industries.

Steel—Operations of the basic steel industry in the St. Louis area in November were scheduled at 81 per cent of capacity, a level exceeded in only one other postwar month—September, 1948. This rate of open hearth operations was 4 points higher than during last month and 6 points above year-ago schedules. Trade reports indicate that demand for sheet steel is exceeding capacity and continues to increase, stimulated in part by an unexpected upturn in orders from stove manufacturers.

Operation of the area's second blast furnace was resumed in the first part of December thus doubling pig iron output which now totals 1,000 tons daily. The furnace had been idle for four months. Although coking coal supplies are still uncertain, the demand for pig iron was strong enough and supplies were low enough to warrant operation of the second furnace.

Lumber—Basic lumber operations in the district in November increased slightly over October in contrast to the usual seasonal movement. The increase can be traced in part to the unusually good weather, but also to the continued strong demand in both the softwood and hardwood markets. Construction activity continues to support both markets. Increased needs of furniture manufacturers, box and crate plants, and flooring manufacturers has kept hardwood demand at a high level.

Southern pine production in November averaged 4 per cent higher than both a month and a year ago. Operations of reporting southern hardwood operators were scheduled at 78 per cent of capacity, 3 per cent higher than in October but 14 per cent lower than the November, 1948 rate.

Whiskey—At the end of November, 32 of Kentucky's 63 distilleries were in operation, 3 more than a month ago but 10 fewer than at the same time in 1948. Production is proceeding at a more cautious rate than a year ago due primarily to the amount of stocks on hand.

In October there were 5.5 million tax gallons of whiskey produced in Kentucky compared with 4.9 million gallons in September and 6.3 million gallons in October, 1948.

Meat Packing—Slaughtering in the St. Louis area in November increased slightly over October due, as last month, to an increase in hog marketings. There were 475,000 animals slaughtered under Federal inspection, of which 357,000, or three-fourths, represented hog killings. Last month slaughter totaled 467,000 whereas a year ago it was 559,000. On a month-to-month basis, hog killings increased 15 per cent offsetting decreases of 20 per cent in cattle, 34 per cent in calves and 25 per cent in sheep. Killings of all animals were fewer than a year ago.

Shoes—Shoe production in the district in October totaled 7 million pairs, according to preliminary estimates. This was a 2 per cent decline from September and a drop of 10 per cent relative to output in the same month a year ago. In the first 10 months of 1949, production totaled 73 million pairs, about 9 per cent less than the 81 million pairs produced in the like period of 1948. The nation's output in the first 10 months totaled 388 million pairs or only 1 per cent less than in the comparable period of 1948.

Oil and Coal—Daily average production of crude oil in the district's producing areas in November

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39 = 100

Unadjusted			Adjusted		
Nov., '49	Oct., '48	Nov., '48	Nov., '49	Oct., '49	Nov., '48
149*	53*	168	135*	49*	153

SHOE PRODUCTION INDEX
1935-39 = 100

Unadjusted			Adjusted		
Oct., '49	Sept., '49	Oct., '48	Oct., '49	Sept., '49	Oct., '48
133*	136	147	137*	135	152

* Preliminary.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	Nov., 1949 K.W.H.	Oct., 1949 K.W.H.	Nov., 1948 K.W.H.	Nov., 1949 compared with Oct.,'49	Nov.,'48
Evansville	40	7,840	7,389	8,690	+ 6.1%	— 9.8%
Little Rock	35	5,161	4,913	4,916	+ 5.0	+ 5.0
Louisville	80	69,954	73,049	71,033	— 4.2	— 1.5
Memphis	31	6,523	5,780	5,869	+12.9	+ 11.1
Pine Bluff	26	6,071	5,079	2,997	+19.5	+102.6
St. Louis	139	80,724	89,252	85,300 R	— 9.6	— 5.4
Totals	351	176,273	185,462	178,805 R	— 5.0%	— 1.4%

* Selected industrial customers.

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Nov.,'49	Oct.,'49	Nov.,'48	First Nine Days Dec.,'49	Dec.,'48	11 mos. '49	11 mos. '48
101,995	105,284	115,843	30,348	35,342	1,146,356	1,321,661

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thous. of bbls.)	Nov., 1949	Oct., 1949	Nov., 1948	November, 1949 compared with Oct., 1949	Nov., 1948
Arkansas	73.4	72.1	81.2	+ 2%	—10%
Illinois	181.0	180.3	180.0	- 0 -	+ 1
Indiana	28.7	28.5	26.3	+ 1	+ 9
Kentucky	24.9	23.5	24.3	+ 6	+ 2
Total	308.0	304.4	311.8	+ 1%	— 1%

increased slightly over October but remained below year-ago levels. The November output averaged 308,000 barrels daily as compared with 304,000 barrels in October and 312,000 barrels in November, 1948. Production in Illinois held at about the same level as in October, while increases were registered in Indiana, Arkansas and Kentucky. Compared with a year ago, the only decrease was shown in Arkansas output but this was large enough—10 per cent—to offset the other increases.

Coal production in November rebounded considerably with the ending of the strike during the second week of the month. The truce which lasted until the end of November permitted mines to work full time and those in the district produced 8.8 million tons, more than 2½ times that of strike-curtailed October and only 12 per cent below the output in November, 1948. Compared with last month, sizable gains were registered in all producing states.

Output of western Kentucky and Arkansas mines was larger than that of a year ago and production in Missouri came within 4 per cent of reaching the November, 1948 output. Mines in Missouri and Arkansas were in operation all month. In western Kentucky a number of mines are nonunion and also operated during the month. Production in Illinois and Indiana was 22 per cent and 18 per cent, respectively, lower than a year ago. United States production totaled 40.8 million tons, four times that of the previous month but 18 per cent below output in November, 1948.

Construction—Permits authorized for new construction and repairs in the district's major cities in November totaled $7.5 million. Although this was 24 per cent below the October level and the lowest monthly dollar volume since March, it was 77 per cent higher than the November total last year. New construction in these cities totaled $6.8 million of which $3.6 million was for new residential building.

TRADE

Consumer spending at department stores in the United States in November increased seasonally from October but was 6 per cent less than in November, 1948. Preliminary data placed the adjusted index of November sales at 278 per cent of the 1935-39 average in comparison to 275 per cent in October and 290 per cent in November, 1948. By Federal Reserve districts, sales performance in the month varied from a 10 per cent decline from last year in Cleveland to a slight gain in the Boston District.

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Nov., 1949 compared with		11 mos. '49 to same period	Nov. 30,'49 comp. with	Jan. 1, to Nov. 30,	
	Oct.,'49	Nov.,'48	1948	Nov. 30,'48	1949	1948
8th F. R. District	+ 8%	— 7%	— 6%	— 6%	3.61	3.64
Ft. Smith, Ark.	— 6	— 9	— 2	—10	3.68	3.42
Little Rock, Ark.	+16	—10	— 6	— 9	3.76	3.89
Quincy, Ill.	+ 3	— 7	— 7	—10	3.17	3.24
Evansville, Ind.	+17	— 7	—12	—18	3.30	3.31
Louisville, Ky.	+14	— 6	— 5	— 3	3.90	4.01
St. Louis Area [1]	+ 6	— 6	— 6	— 6	3.61	3.59
St. Louis, Mo.	+ 7	— 7	— 7	— 7	3.62	3.60
E. St. Louis, Ill.	— 3	+ 3	— 3	....	....	....
Springfield, Mo.	+ 4	—11	—15	—12	3.05	3.19
Memphis, Tenn.	+10	— 7	— 3	+ 1	3.66	3.64
*All other cities	— 4	— 7	— 6	— 9	2.93	2.91

* 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 November, 1949, were 14 per cent less than on the corresponding date a year ago.

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

	Instalment Accounts	Ex. Inst. Accounts		Instalment Accounts	Ex. Inst. Accounts
Fort Smith	....%	50%	Quincy	19%	60%
Little Rock	17	48	St. Louis	20	61
Louisville	23	50	Other Cities	13	55
Memphis	23	46	8th F. R. Dist.	20	55

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

	Nov., 1949	Oct., 1949	Sept., 1949	Nov., 1948
Sales (daily average), unadjusted[2]	378	331	335	404
Sales (daily average), seasonally adjusted[2]	300	309	332	321
Stocks, unadjusted[3]	329	333	311	347
Stocks, seasonally adjusted[3]	308	298	280	325

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Nov., '49 compared with		11 mos. '49 to same period	Nov.30,'49 comp. with	Jan. 1, to Nov. 30,	
	Oct.,'49	Nov.,'48	1948	Nov.30,'48	1949	1948
Men's Furnishings	+ 2%	—15%	— 7%	— 1%	2.38	2.55
Boots and Shoes	—10	— 3	— 2	— 1	3.87	3.97

Percentage of accounts and notes receivable outstanding November 1, 1949, collected during November:

Men's Furnishings.............. 51%   Boots and Shoes................ 45%

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

RETAIL FURNITURE STORES **

	Net Sales		Inventories		Ratio of Collections	
	Nov., 1949 compared with		Nov., 1949 compared with			
	Oct.,'49	Nov.,'48	Oct.,'49	Nov.,'48	Nov.,'49	Nov.,'48
8th Dist. Total [1]	+ 6%	+10%	+ 4%	— 5%	25%	31%
St. Louis Area [2]	+ 9	+ 9	+ 1	— 2	50	55
St. Louis	+ 9	+10	+ 1	— 2	51	57
Louisville Area [3]	— 3	+36	- 0 -	—10	15	17
Memphis	+16	+25	— 1	— 5	14	17
Little Rock	+ 9	+ 9	+ 3	+10	17	24
Fort Smith	— 6	— 9	*	*	*	*

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

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

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

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

** 38 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Nov., '49	Oct., '49	Nov., '48
Cash Sales	12%	11%	15%
Credit Sales	88	89	85
Total Sales	100%	100%	100%

Dollar volume in reporting Eighth District department stores in November was 8 per cent larger than in October, but was off 7 per cent from November, 1948. Adjusted sales in the month were 300 per cent of five-year base period in comparison to 309 per cent in October and 321 per cent in November, 1948. In the eleven months (through November) of 1949, district sales averaged 6 per cent under the same period in 1948.

In St. Louis stores reporting sales by departments, the only major division showing an increase from last year was housefurnishings. This reflected partly the sharply reduced volume of such sales in the fourth quarter last year, but also indicated high levels of television sales, plus buying of general furniture. In apparel lines, sales volume in the month averaged about 7 per cent less than in November, 1948.

Inventories, in terms of value, at reporting district department stores at the end of November, 1949 were slightly higher than on October 31 but were 6 per cent below November 30, 1948. Unit volume of inventories seems to be equal to last year but some retailers feel that some sales have been lost because of inadequate stocks. On November 30, outstanding orders at reporting department stores were about one-fifth less than on October 31 and about one-eighth smaller than for the same date last year.

AGRICULTURE

Prices received by farmers declined 4 points to an index of 239 (1910-14=100) for the month ending November 15. This represented a drop of 12 per cent from a year earlier and 22 per cent from the postwar high. Prices of hogs, soybeans, corn, eggs and cotton declined during the month, while prices of truck crops and food grains and dairy products increased.

The parity ratio declined to 100 during this period for the first time since November, 1940. The index of prices paid was 240, a decrease of 1 point during the month and just 3 per cent lower than a year earlier. It is noteworthy that prices paid are off less than 5 per cent from the peak. Although the parity index for November was 100, prices of only five major agricultural products—beef cattle, veal calves, lambs, milk and wool—were 100 per cent or more of parity. Prices of grains, cotton, tobacco, citrus fruits, chickens, eggs and turkeys all were below 100 per cent of parity.

Cotton marketing quotas will be in effect for the 1950 cotton crop. Nationally, acreage was cut from 26 million acres in 1949 to 21 million for 1950, a 23 per cent reduction. Reductions in district states are shown in the table:

COTTON ACREAGE ALLOTMENTS FOR 1950

	Acreage Harvested 1949	Acreage Allotted 1950	Per cent change from 1949
Arkansas	2,450,000	1,921,405	—22%
Mississippi	2,770,000	2,295,545	—17
Tennessee	830,000	703,653	—15
Missouri	583,000	462,839	—21

Reductions in district states all are less than the national average decrease. Acreage allotment for Texas is 7.6 million acres, or a 29 per cent cut from 1949. California acreage is scheduled to be cut one-third below the 1949 acreage. Allotments in Oklahoma for 1950 were only 4 per cent less than the 1949 acreage.

Although reductions in district states were less than the national average, reductions in particular counties and for the individual farm varied widely from this figure. Legislation setting up methods for allotting cotton acreage prevents any farmer from receiving an allotment of less than five acres. In some counties, after setting aside a sufficient acreage to take care of the minimum allotments, it was necessary to reduce allotments of larger producers by as much as half of the 1949 acreage. Another provision prevents a farmer from having a larger percentage of his cropland in cotton than the county average and allotments for many individuals were cut on this basis.

In Arkansas the 1950 allotment is 15 per cent less than the 1948 cotton acreage. In 23 counties, generally not too important in cotton production, the allotments are larger than the 1948 acreage, and in five counties are 50 per cent or more higher than the 1948 acreage. On the other hand, reductions in major producing areas—Mississippi, Jefferson and Lafayette counties—are 22 per cent down from the 1948 acreage.

AGRICULTURE

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Nov., 1949	Nov., 1949 compared with Oct.,'49	Nov.,'48	Nov., 1949	Nov., 1949 compared with Oct.,'49	Nov.,'48
Cattle and calves	76,033	—54%	—41%	28,281	—63%	—29%
Hogs	183,707	—30	—26	21,919	—62	—52
Sheep	27,525	—51	—52	1,933	—85	—58
Totals	287,265	—41%	—34%	52,133	—65%	—42%

CASH FARM INCOME

(In thousands of dollars)	Oct., 1949	Oct., 1949 compared with Sept., 1949	Oct., 1948	10 month total Jan. to Oct. 1949	1949 compared with 1948	1947
Arkansas	$ 63,656	+ 20%	—49%	$ 359,694	— 4%	— 5%
Illinois	242,621	+112	+11	1,416,629	— 9	— 7
Indiana	113,275	+ 30	—11	764,763	—13	—11
Kentucky	34,460	— 6	—20	375,486	— 8	—11
Mississippi	52,451	+ 43	—52	343,626	— 4	— 4
Missouri	103,312	+ 31	—24	755,832	—12	—12
Tennessee	45,632	+ 11	—36	323,391	—15	—11
Totals	$655,407	+ 46%	—21%	$4,339,421	—10%	— 9%

Despite rather widespread dissatisfaction with the acreage allotments, marketing quotas were approved by farmers for the 1950 crop. Cotton grown within the allotted acreage will be supported at 90 per cent of parity and that grown outside allotted acreage will be penalized one-half the parity price.

BANKING

The combined asset and liability statements of the weekly reporting member banks in this district reflected little change in banking trends during the four weeks ending December 14, 1949. Adjusted demand deposits were slightly above the 1948 level; total loan volume was somewhat under that of last year, and investments were substantially above their year-ago level.

In the four weeks from November 16 to December 14, adjusted demand deposits rose $42 million—3 per cent—at the 34 weekly reporting member banks in the district. In the corresponding four weeks of 1948, adjusted demand deposits increased $48 million.

Time deposits declined seasonally in the four-week period—from $486 million to $479 million. The decline was larger in amount and per cent than for the corresponding four-week period in any of the postwar years.

Total loan volume at the district's weekly reporting member banks continued in the latest four-week period the trend noted last month. Average total loans for the four weeks were $33 million below the corresponding 1948 levels compared with a gap of $77 million in August, $67 million in September, $48 million in October and $39 million in the first half of November. The position of total loans relative to a year ago improved partly because of the steady growth in real estate loans since mid-July and the irregular growth in "all other" (largely consumer credit) loans since mid-August, but principally because of the recovery of the business and agricultural loan volume.

Total investments of the weekly reporting member banks declined moderately from the mid-November amount in response to the fairly tight money market situation in the latter part of November and the first week in December, and the continued expansion in loan volume. In the final week, however, the banks added sufficiently to their investments to push the combined amount slightly above the mid-November level. At December 14, investments totaled $146 million more than the volume a year ago, somewhat more than two-thirds of the gain being in United States Government securities.

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Dec. 14, 1949	Change from Nov. 16, 1949	Change from Dec. 15, 1948
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	7,103	+ 793	— 2,316
U. S. securities	981,894	+20,552	—287,640
Total earning assets	$ 988,997	$+21,345	$—289,956
Total reserves	$ 757,161	$— 2,384	$+ 39,830
Total deposits	653,733	+ 7,230	—200,154
F. R. notes in circulation	1,096,265	+13,710	— 48,861
Industrial commitments under Sec. 13b	$ 500	$+ 500	$+ 500

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

(In Thousands of Dollars)

ASSETS	34 Banks Reporting Dec. 14, 1949	Change from Nov. 16, 1949	Change from Dec. 15, 1948
Gross commercial, industrial, and agricultural loans and open market paper	$ 574,390	$+ 18,755	$— 80,313
Gross loans to brokers and dealers in securities	6,561	+ 93	+ 121
Gross loans to others to purchase and carry securities	18,819	— 888	— 4,208
Gross real estate loans	188,696	+ 2,341	+ 29,546
Gross loans to banks	5,661	+ 3,138	+ 3,886
Gross other loans (largely consumer credit loans)	219,771	+ 1,201	+ 12,506
Total	1,013,898	+ 24,640	— 38,462
Less reserve for losses	9,629	+ 57	+ 2,406
Net total loans	$1,004,269	$+ 24,583	$— 40,868
Treasury bills	43,089	+ 6,011	— 43,128
Certificates of indebtedness	227,361	— 13,525	+ 61,248
Treasury notes	45,643	+ 7,153	— 28,515
U. S. bonds and guaranteed obligations	782,710	+ 1,824	+118,270
Other securities	172,813	+ 1,092	+ 37,691
Total investments	$1,271,616	$+ 2,555	$+145,566
Cash assets	812,319	+ 473	—106,247
Other assets	27,430	+ 1,752	+ 2,202
Total assets	$3,115,634	$+ 29,363	$+ 653
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	$1,569,806	$+ 38,543	$+ 2,570
Interbank deposits	690,557	+ 11,683	— 16,770
U. S. Government deposits	44,917	— 13,342	+ 9,041
Other deposits	125,861	+ 1,387	— 10,556
Total demand deposits	$2,431,141	$+ 38,271	$— 15,715
Time deposits	478,463	— 7,023	+ 10,212
Borrowings	3,960	— 3,690	— 3,240
Other liabilities	19,701	+ 1,415	+ 2,146
Total capital accounts	182,369	+ 390	+ 7,250
Total liabilities and capital accounts	$3,115,634	$+ 29,363	$+ 653
Demand deposits, adjusted*	$1,430,250	$+ 41,836	$+ 13,954

* 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)	Nov., 1949	Oct., 1949	Nov., 1948	Nov., 1949 compared with Oct.,'49	Nov., 1949 compared with Nov.,'48
El Dorado, Ark.	$ 21,390	$ 22,246	$ 21,126	— 4%	+ 1%
Fort Smith, Ark.	37,797	42,781	39,991	—12	— 6
Helena, Ark.	9,586	11,216	11,102	—15	—14
Little Rock, Ark.	132,320	136,564	133,171	— 3	— 1
Pine Bluff, Ark.	32,622	38,564	37,668	—16	—13
Texarkana, Ark.*	10,447	11,343	10,676	— 8	— 2
Alton, Ill.	22,679	23,173	23,089	— 2	— 2
E.St.L.-Nat.S.Y.,Ill.	88,711	117,832	125,523	—25	—29
Quincy, Ill.	29,370	31,133	27,987	— 6	+ 5
Evansville, Ind.	109,131	114,795	114,425	— 5	— 5
Louisville, Ky.	480,552	498,913	533,641	— 4	—10
Owensboro, Ky.	36,837	35,480	30,238	+ 4	+22
Paducah, Ky.	13,972	14,078	14,121	— 1	— 1
Greenville, Miss.	24,736	24,221	25,058	+ 2	— 1
Cape Girardeau, Mo.	11,356	11,635	11,212	— 2	+ 1
Hannibal, Mo.	8,166	8,444	7,256	— 3	+13
Jefferson City, Mo.	49,033	52,293	45,674	— 6	+ 7
St. Louis, Mo.	1,495,429	1,496,054	1,600,444	-0-	— 7
Sedalia, Mo.	9,629	9,627	9,846	-0-	— 2
Springfield, Mo.	54,215	58,200	56,662	— 7	— 4
Jackson, Tenn.	23,576	25,794	21,982	— 9	+ 7
Memphis, Tenn.	645,903	696,137	698,919	— 7	— 8
Totals	$3,347,457	$3,480,523	$3,599,811	— 4%	— 7%

* These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $25,812.

FEDERAL RESERVE BANK OF ST. LOUIS
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