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CAPITAL FUNDS FOR 8TH DISTRICT BUSINESS

While business has grown in this district, the growth lags behind the national rate and a faster growth rate would be desirable. Access to outside capital is one factor (out of many) in business growth. Capital funds have been fairly adequate in postwar years, but recently the supply has become a matter of concern—particularly the supply of long-term credit and equity funds.

The basic sources of capital are individual saving and business saving. Some capital funds flow into business by way of direct investment. Some are made available through commercial banks supported by the Federal Reserve System, some come from insurance companies, some through supplier credit, and some through Government credit agencies.

Opinion exists that there is a gap in financing facilities. In absolute terms the gap is not large, but it is important. Two programs could help: (1) expansion of industrial development programs and (2) establishment of Federally sponsored investment companies to lend to and invest in business and to insure business loans.

While business has grown in this district . . .

Some 225,000 business firms are in operation in the Eighth Federal Reserve District. They range in size from one-man retail shops doing a few hundred dollars in sales a year to large department stores with annual sales running well into the millions, from small garages and repair shops to manufacturing plants with thousands of workers, from minor subcontractors to major construction firms. Taken altogether they employ about 2.5 million workers. The great bulk of the enterprises, however, are small—perhaps 95 of every 100 are classed as "small business." In total, these "small businesses" employ close to half of the district's nonagricultural workers and produce about one-third of its output of nonfarm goods and services.

Many of the 225,000 firms are relatively young. Between 1944 and 1949, about 45,000 firms were added *net* to the district total. Some firms, of course, went out of business in that period. It is likely that from one-fourth to one-fifth of the enterprises now operating in this district are five years or less in age.

. . . the growth lags behind the national rate

The over-all increase in number of business enterprises in this district from 1944 to 1949 was high —about 25 per cent. But the national increase was higher—about 30 per cent. (The peak was reached here and in the nation in 1948; in the following year there was some net decline.) This comparison highlights the difficult nature of a major problem in this region—how to secure a better balance between its agricultural and nonagricultural activities. Considerable and successful effort has gone into building up new businesses in this area—effort by individuals and by groups, both public and private. And a better balance has been attained as a result of those efforts. Still the district's growth rate in number of firms was below the national rate. (It should be noted, however, that this area's growth in nonagricultural employment was closer to the national rate of gain.)

. . . and a faster growth rate would be desirable.

Thus the district has a long way to go despite its achievements of the past few years. Like the Red Queen in "Through the Looking Glass," we in the Eighth District have to run fast just to stay in the same position relative to the nation. The pace has to be increased if we are to catch up.

TABLE I

ESTIMATED NUMBER OF FIRMS IN OPERATION, EIGHTH DISTRICT, BY MAJOR INDUSTRY DIVISIONS MARCH 31 EACH YEAR

(In thousands)

	1944	1945	1946	1947	1948*	1949*
Contract construction	7	8	11	13	15	15
Manufacturing	13	14	15	18	17	16
Wholesale trade	8	9	10	11	11	11
Retail trade	87	91	95	100	105	103
Service industries	40	42	45	48	49	48
All other industries	28	30	31	32	34	34
Total 8th District	183	194	207	222	231	227
Total United States	3022	3219	3516	3840	3967	3935

* Preliminary.

Based on *State Estimates of the Business Population*, Survey of Current Business, December, 1949, Table 7, p. 15.

Includes all firms outside of agriculture, forestry, fishing, and professional services.

A firm is defined as a business organization under one management and may include one or more plants or outlets; a self-employed person is regarded as a firm only if he has either one or more employees or an established place of business. [A change in definition of "firm"—as for example inclusion of all self-employed, regardless of whether or not they had established places of business or one or more employees, would raise the number of concerns in the totals, especially in the number of construction firms and transportation.]

Access to outside capital is one factor (out of many) in business growth.

There are, of course, many factors in business success—for example, a stable economy, good management, fair competition, reasonable taxes, and so on. However, convenient access to funds on reasonable terms is an important factor in business growth. Most businesses need outside financing at one time or another. Funds are needed for fixed capital to start business or for capital expansion. Funds are needed for working capital purposes—for inventory and to carry receivables. A good share of these needs are met by the use of owned liquid assets—in the case of new business almost all long-term capital needs are so met. But outside financing is required in many instances.

Apparently most enterprises, whether large or small, have encountered little or no difficulty in securing adequate outside financing for working capital purposes when they need it. Such exceptions as there are mainly represent very small and often new businesses. But from time to time there has been considerable comment that funds for fixed (long-term) capital needs were not conveniently and reasonably available to business—especially to small business.

Capital funds have been fairly adequate in postwar years,

In the postwar years such comment was not particularly widespread until recently. The war period saw a tremendous increase in liquid assets held by both individuals and businesses, and such liquid assets were quite widely distributed. For existing businesses, high profits and accumulated assets plus fairly easily available credit provided funds for both fixed and working capital needs. For the man founding a new business, the liquid assets he had at his disposal were usually sufficient for fixed capital, and he also usually had access to credit—either from private sources or through Government loan guarantee programs. As a result, more than 900,000 enterprises were added to the existing business population of the United States between 1944 and 1949. As noted, the net gain in this district alone was about 45,000 businesses.

. . . but recently the supply has become a matter of concern—

Lately, however, comment is again heard that business financing needs are not being met adequately. The Joint Congressional Committee on the Economic Report launched an investigation of this subject and new bills designed to make such financing more available have been introduced in the Congress.

Behind this preoccupation with the financial needs of small business are certain developments. The rate of growth in the business population tapered off in 1947 and after mid-1948 the number of firms declined. Fewer new businesses were founded and more were discontinued. The rate of business failures increased. (In the first quarter of 1950, Dun and Bradstreet reported 2,559 failures representing $76 million in liabilities as against 258 failures and $12 million liabilities in the first quarter of 1946. Comparable figures for the Eighth District are 75 failures in first-quarter 1950 and 6 in first-quarter 1946.)

Still another factor is the concern over the nation's ability to provide enough new job opportunities to absorb the annual growth in the labor force. The U. S. Chamber of Commerce estimates that capital investment needed per new job is about $10,000 on the average. Given an annual increment to the labor force of 750,000 (which seems to be conservative) the annual capital investment needed for new jobs alone would be $7.5 billion. And this makes no allowance for desirable increases in capital per worker now employed. In the past the rise in capital per worker has been a major factor in raising American production.

Tied in with the above is the fact that to begin or expand a business today requires considerably more capital than it did some years ago. Partly this is due to higher prices, but primarily it reflects the increasing complexity of business operations and methods of production.

Finally, changes taking place in the economy over the past quarter century have tended to reduce the flow of savings into risk or equity capital. This "shortage of equity capital"—one reason behind the concern over the financial needs of business—is the result of many factors. Among such factors are: the shift in savings from the wealthy toward the upper middle income group; the related institutionalization of savings; the higher tax rates which have made risk-taking less attractive; and the squeeze on profit margins between competitive selling prices and rising fixed costs.

. . . particularly the supply of long-term credit and equity funds.

It seems fairly evident that concern over the problem of financing business is confined largely to the area of long-term capital needs of smaller business. These may be met either through provision of equity funds or capital credit.

The basic sources of capital are individual saving

The basic sources of funds for this purpose are the savings of individuals and the retained profits of business. According to Department of Commerce estimates, personal saving ran at record levels in the war years—reaching as much as $35 billion in 1944. In the postwar period, the rate of saving dropped (as goods became more available) but saving remained quite high—about $12 billion in both 1948 and 1949.

Personal saving flows into a variety of uses. Some goes to reduce debt, some to purchase debt obligations of others. Some is held in liquid asset form, some in relatively nonliquid assets—including investment in business equities. At the close of 1949, individual savings in the United States held in the form of time and savings accounts (in commercial and mutual savings banks and savings and loan associations), U. S. Government savings bonds and life insurance company reserves alone totaled $169 billion—an all-time high. In the Eighth District, individual savings so held amounted to about $6.3 billion at that time. During 1949, more than $6 billion was added to the savings held in the forms noted above by individuals in the United States and about $250 million was so added by individuals in the Eighth District.

TABLE II

SAVINGS OF INDIVIDUALS IN SELECTED INSTITUTIONAL MEDIA, UNITED STATES AND EIGHTH FEDERAL RESERVE DISTRICT

Amounts Outstanding December 31, 1949
(Dollar Amounts in Millions)

	United States[1]		8th District[2]	
	Dollars	Percent	Dollars	Percent
Commercial Banks—Time Deposits	$ 35,100	20.8%	$1,272	20.4%
Mutual Savings Banks	19,270	11.4	....	......
Life Insurance Companies	50,000	29.6	2,250	36.0
U. S. Treasury Savings Bonds	48,600	28.8	2,000	32.0
Savings and Loan Associations	12,460	7.4	550	8.8
Postal Savings	3,300	2.0	175	2.8
Totals	$168,730	100.0%	$6,247	100.0%

[1] Compiled by Federal Home Loan Bank Board. For a description of the components and original sources see *Factors Affecting Volume and Stability of Private Investment*, Joint Committee on the Economic Report, Washington, 1949.

[2] Estimates by Federal Reserve Bank of St. Louis.

TABLE III

SAVINGS OF INDIVIDUALS IN 1949 IN SELECTED INSTITUTIONAL MEDIA

(In Millions of Dollars)

	United States	Eighth District[1]
Commercial Banks—Time Deposits	$ 130	$ 18
Mutual Savings Banks	885	....
Life Insurance Companies	2,861	129
Savings Bonds	1,100	45
Savings and Loan Associations	1,496	66
Postal Savings	— 142	— 8
Totals	$6,330	$250

[1] Estimates by Federal Reserve Bank of St. Louis.

. . . and business saving.

Similarly, Department of Commerce estimates of retained corporate profits indicate that they have been and are quite high in the postwar years. Retained earnings have provided a larger share of funds for business investment in the postwar than was characteristic of prewar years.

Some capital funds flow into business by way of direct investment.

Funds from the basic sources of saving—personal and business saving—are made available to business in part through direct investment. Already mentioned is the use of retained corporate profits. In addition, there is investment on the part of individuals who are beginning a business or expanding one and using their own funds for this purpose.

Two recent studies by the Department of Commerce reported that equity financing by the owners, primarily from savings, accounted for about two-thirds of the total source of funds in new manufacturing and new trade firms.

> *"About 59 per cent of the capital requirements of all new manufacturers was met by the equity capital investment of the entrepreneurs themselves. Another 7 per cent was also equity capital coming from parent companies and the capital markets — mainly the former. The remaining 34 per cent was debt financing, with the banks supplying 13 per cent (mostly mortgage loans), merchandise and equipment suppliers 9 per cent, and bond sales less than 1 per cent. Loans by individuals, parent companies and governmental agencies accounted for 11 per cent.*
>
> *"It is estimated that all manufacturers starting operations in the three years through 1948 transferred more than $1.2 billion of their accumulated personal savings into assets of their businesses. Approximately $550 million of this investment was channeled into new corporations in the form of stock subscriptions by officers and directors. The remainder represented the personal savings of noncorporate entrepreneurs. Thus, with the over $4.4 billion of personal savings invested in new trade firms, about $5.6 billion of the $8.5 billion total capital requirements of new manufacturing and trade firms in the three postwar years was met by the past savings of the entrepreneurs themselves."**

A good part of business need for capital funds is met by a variety of institutions now in being in this country. Commercial banks, life insurance companies and Government credit agencies are perhaps the most notable examples in this field.

Some are made available through commercial banks—

The commercial banking system has gone to considerable lengths to meet some business demand for capital credit—even though provision of such long-term credit, by tradition, has been outside the general scope of commercial banking operations. The term loan, tailored to the repayment possibilities of the individual borrower, has become an established part of bank lending procedure. Definite programs have been developed by a number of individual banks or by groups of banks to provide credit to small business. While most such programs are confined to loans with maturities somewhat less than considered necessary for very long-term capital requirements, they are well beyond the bounds of typical short-term bank credit. Examples of such developments are the programs of the First National Bank of Chicago and the Chase National Bank of New York.

The First National Bank of Chicago created a separate division within its organization to service the term credit needs of smaller businesses and set a five-year maximum on loans to be repaid in

*Lawrence Bridge and Lois E. Holmes, *Capital Requirements of New Manufacturing Firms*, Survey of Current Business, April, 1950, pp. 11-18.
The report on the sources of funds used in starting new trade concerns may be found in *Capital Requirements of New Trade Firms*, Survey of Current Business, December, 1948, pp. 18-24, by Lawrence Bridge.

monthly instalments. Vice President Walter M. Heyman, in describing the program in November, 1949, stated that the bank was

> *". . . prepared to make a contribution to the manufacturers and other businessmen of this community and, if necessary, assume some loss. . . . We found that many small firms needed capital funds to start them in business after the war period and most of these divisional term loans were definitely of a capital nature, quite beyond the bounds of a conventional commercial loan. We found this field of lending to be intensely interesting and very successful in every respect and while the loans for the most part were definitely of a risk nature, our experience has been excellent with almost negligible losses. I could recite a dozen or more instances of companies that we assisted in 1946, who, as a result of our loans to them, have been spectacularly successful. The record of this type of lending would afford many an interesting story. We did not advertise or publicize this facility but the business came to us as a result of the word being spread from one manufacturer to another."*

The Chase National Bank, in January of this year, authorized a loan fund of $10 million to be used in participation with its correspondent banks in extending loans to small businesses in their communities. All applications are made through the local banks which arrange the terms of the loan. Loans may be for as much as $25,000 and as long as three years.

While these definite programs of financial assistance to small business are noteworthy, it should be pointed out that the commercial banks as a whole have been serving small business well in both short-term credit and term loans for some time.

A survey of business loans by member banks of the Federal Reserve System showed that 673,000 loans, totaling $13 billion, were outstanding to the nation's business concerns near the end of 1946. This represented a loan outstanding at that time for one out of every five businesses. Approximately one-fifth of the number of loans, accounting for $4.5 billion of the $13 billion total amount, were term loans with maturities of over one year. Two-thirds of the number of term loans were for amounts below $5,000. And 90 per cent of the term loans were individually for less than $25,000 and averaged $3,700. In this district alone, member banks had outstanding about 29,000 loans aggregating $547 million. Ninety per cent of the number of loans represented advances to businesses with total assets of less than $250,000—nearly two-thirds to firms with assets of less than $50,000.

. . . supported by the Federal Reserve System,

In addition to direct commercial bank financing of business, the Federal Reserve System has had authority since 1934 under Section 13b of the Federal Reserve Act to make some credit available to business—directly and in cooperation with banks. The credit extended under Section 13b never reached very large volume, partly because of the legal limitations on maturity and type of credit and partly because the System made every effort to channel requests for loans through existing credit institutions. Nevertheless, the authority of the System to lend to business helps to supplement the commercial banking facilities.

. . . some come from insurance companies,

Life insurance companies are another important source of funds for business. As the amount of life insurance in force in the United States has grown, these companies have become the reservoirs of vast sums of individual net savings. Growth in their assets amounted to nearly $3 billion in 1949 alone, with over $100 million estimated to have come from the Eighth Federal Reserve District. The annual net addition of savings in this form and the maturing of investments previously made make up a large fund available in part to business enterprise.

Most insurance companies aggressively seek investment outlets for their funds. Public policy and opinion tend to restrict the scope of such investment so that insurance company funds flow mainly into debt obligations and equities of large concerns. Efforts have been made, however, to reach small business through a variety of types of credit extension, and, in general, such credit extension can be longer term than that from commercial banks.

One factor that has held down the more widespread dissemination of funds to small business is the relative high cost of individual loan investigation for an insurance company which has local credit organizations in relatively few places. Recently the Metropolitan Life Insurance Company announced a proposed program which would obviate this problem. It is willing to participate with commercial banks in term loans to business, with the local bank handling the investigation and servicing the loan.

In connection with this approach, it might be noted that there have been instances of insurance company-commercial bank cooperation in term loans of longer maturity than ordinarily handled by a bank alone. In such cases, the bank share represents an earlier maturity and the insurance company share a later maturity.

. . . some through supplier credit,

Finally, among private sources of business financing, concerns making machinery and equipment provide some credit to business, occasionally in long enough maturities to be considered capital credit. The study of new manufacturing concerns, noted above, indicated that about 9 per cent of the capital requirements was supplied by merchandise and equipment suppliers. For the most part, however, such credit is short-term and would not be forthcoming unless the equity capital and the long-term credit were provided initially by others.

. . . and some through Government credit agencies.

Under Title III of the Servicemen's Readjustment Act of 1944, as amended, the Veterans Administration guarantees and insures home, farm, and business loans made by private lending institutions to World War II veterans. Under this Act, through June 25, 1949, more than 1.6 million loans of all kinds had been reported closed. Of these, just 107,000 were business loans, involving guarantees and insurance of $127 million. Of the 280,000 loans reported closed and disbursed in fiscal 1949, 13,000 were for business financing. About 5,500 business loans to veterans, involving $7 million, were made in this district from the beginning of the program to June, 1949.

Several factors have tended to discourage the use of GI business loans: (1) The maximum interest rate allowed—4 per cent—has not been attractive; (2) the $2,000 maximum guarantee has limited usefulness except for very small businesses; and (3) there is no flexibility with respect to repayment schedules.

TABLE IV

ESTIMATED NUMBER AND AMOUNT OF VA GUARANTEED AND INSURED LOANS REPORTED CLOSED AND DISBURSED IN THE EIGHTH DISTRICT[1]

Cumulative through June 25, 1949
(Dollar amounts in thousands)

State	Number of Loans		Amount of Guaranty and Insurance	
	Total	Business	Total	Business
Arkansas	12,844	1,104	$ 20,535	$1,406
Illinois	7,929	525	21,271	600
Indiana	5,383	281	11,235	361
Kentucky	10,844	712	25,706	913
Missouri	29,944	2,476	69,775	3,106
Mississippi	3,469	212	7,030	344
Tennessee	7,845	211	17,169	285
Total	78,258	5,521	$172,721	$7,015

[1] Estimates by Federal Reserve Bank of St. Louis.

Based on *Annual Report,* Administrator of Veteran Affairs, Table 88, pp. 236-239.

More significant than the GI loan program has been the direct business loan program of the Reconstruction Finance Corporation, and its participation with banks in such loans. The RFC is authorized at the present time to lend to business: (1) to a maximum of ten years (plus the estimated time of construction, if the loan is for construction of industrial facilities); (2) only if the assistance applied for is not otherwise available on reasonable terms; and (3) if the loans are of sound value or so secured as to reasonably assure repayment. Its lending activity is conducted directly through 31 loan agencies, three of which are located in the Eighth Federal Reserve District: St. Louis, Louisville and Little Rock.

Between January 1, 1948 and March 31, 1950, the RFC authorized some 1,900 business loans, aggregating $112 million, in the seven states wholly or partly lying in the Eighth District. Approximately half the number and amount went to firms located in the district proper. Applications were more than double the number of loans authorized.

On a national basis, the RFC had outstanding early in June, 1950 some 6,300 direct loans to business. These totaled $524 million. In addition, there were some 5,600 loans totaling $125 million in which the RFC was participating with banks or other financial institutions.

Opinion exists that there is a gap in financing facilities.

Despite the fact that the capital requirements of business in general—and of small business—are being met to a considerable degree by existing private and public institutions, there is a substantial body of opinion holding that existing facilities are not completely adequate for this job. As noted earlier, concern over such inadequacy is confined largely to the area of long-term capital needs of smaller businesses. In other words, the problem centers about the provision of long-term credit or equity capital for expansion of existing concerns or the establishment of new ventures.

A study made for the Committee on Economic Development and the conclusions of the Subcommittee on Investment of the Joint Congressional Committee on the Economic Report both make this point. They go further and contend that there is some need for new types of financing agencies to meet this problem, particularly to meet the problem of channeling equity capital to small and medium sized enterprises.

In absolute terms the gap is not large,

Probably the absolute number of worthy enterprises without access to sufficient capital funds is not large, and probably the dollar amount of such funds needed is small relative to the amount now being provided by existing institutions. Experience of the various programs aimed at this end and sponsored by some of the large commercial banks of the country indicates a relatively small number of sound requests for capital credit. Experience of various local development corporations, both public and private, gives a similar indication.

. . . but it is important.

But this should not be taken to mean that it is unimportant to meet such worthy but unsatisfied demand as does exist for long-term capital funds. A major factor in the growth of this nation's productivity and in its standard of living has been the evolution of new methods and new products conceived by individuals who had to secure adequate funds from outside sources to carry out their ideas. The experience of the financing agencies noted above also indicates rather clearly that, where this fringe demand is cared for, a number of very worthy ventures come to realization. And their experience also indicates that not all such demand is satisfied. For example, one venture capital investment trust in the East believes that for every request it has fulfilled, nine other almost equally sound requests have been passed up because the trust has had insufficient funds to take in all sound requests.

Two programs could help: (1) expansion of industrial development programs

Among possible approaches to this problem, two may be noted here. One would involve expansion of the so-called industrial development corporation idea, and the other would involve Federal legislation fostering the establishment of private capital credit institutions to advance equity and long-term credit funds. These approaches may be viewed as complementary and not as mutually exclusive.

Nearly every city and town in the district has at least one civic group interested in the betterment of the community—such as a chamber of commerce or a service organization. Many of these groups attempt to achieve their goals of community betterment by assisting business, both established and new, in a variety of ways. Some groups indirectly obtain assistance for business in the form of free or near-free land, favorable rates on utility services and other concessions. In many cases, they may arrange for construction and lease-back on easy terms of a new plant for the industry. Some groups make loans to businesses or invest in them.

Two kinds of local development organizations are to be found: those with direct and those with indirect access to loanable funds. In the latter case, the local organizations operate as a middleman—bringing together the enterprise in need of funds and the individuals and institutions with funds to lend or invest. In the former case, the local development organizations are in effect industrial foundations with a fund of cash, usually subscribed or donated by the local citizens. In the postwar period, local development organizations have increased their use of the industrial foundation technique and have become of growing importance as a source of funds for business.

According to a recent survey made by the Tulsa Chamber of Commerce, there were 72 industrial foundations operating in the United States in 1948, while 32 other cities had similar but less formal programs.

The survey listed nineteen industrial foundations in operation in the Eighth Federal Reserve District (Table V). The list is not a complete record of all the industrial development foundations operating in the district, but does serve to indicate the extent of the postwar movement in the field.*

All but two of the foundations were started after the war; one was started in 1926 and the oldest in 1916. This latter, the Louisville Industrial Foundation, is one of the oldest and most successful community foundations in the entire country.**

Of the 19 Eighth District foundations listed by the Tulsa Chamber of Commerce survey, all but two reported paid-in capital, the amounts ranging below $50,000 in most cases, but exceeding $100,000 in three—with the Louisville Industrial Foundation reporting an original capital fund of nearly $900,000.

Two significant variations on the general theme of local community development programs have taken place in the past 15 years. The first is the use of county and municipal credit, in conjunction with private savings, as a source of funds with which to finance industries; the second is the postwar spread of area development programs in contrast to local community development programs.

*Several foundations in the Eighth District portion of Illinois, for example, are omitted: Herrin Industries, Metropolis Industrial Building Association, Murphysboro Industries, and others.

**The history of the Louisville Industrial Foundation to 1945 is reported in a publication by the Federal Reserve Bank of Atlanta, *The Louisville Industrial Foundation, A Study in Community Capitalization of Local Industries,* February, 1945.

TABLE V
INDUSTRIAL FOUNDATIONS
As of January 1949

City and State	Paid-in capital (in thousands of dollars)	Years in operation	Number of local firms aided	Number of new firms brought in	Population	Annual new payroll (in thousands of dollars)
Batesville, Ark.	$ 110	3	1	1	7500	$ 400
Bald Knob, Ark.	60	2	0	1	1700	400
Bowling Green, Mo.	40	3	1	1	2500	*
Carrollton, Mo.	23	2½	0	1	5000	30
Covington, Tenn.	25	2½	0	0	4500	*
Crocker, Mo.	20	1	1	1	700	72
Cuba, Mo.	39	2	1	1	1500	*
Fayetteville, Ark.	35	1	*	1	13000	*
Fort Smith, Ark.	150	3	1	1	53000	*
Hopkinsville, Ky.	30	21	*	*	15000	*
Houston, Mo.	44	3	*	1	2000	36
Louisville, Ky.	876	33	32	12	372500	*
Marceline, Mo.	40	2	0	1	4200	125
Marquand, Mo.	30	*	0	1	600	150
Newport, Ark.	*	3	0	35	7000	*
Pine Bluff, Ark.	50	2	1	2	42000	1750
Salisbury, Mo.	34	2	0	1	1800	150
Somerville, Tenn.	*	3	0	0	2000	0
Walnut Ridge, Ark.	50	3	0	2	2700	300

*Unknown.
Data compiled by Tulsa, Oklahoma, Chamber of Commerce.

From November, 1936 to June, 1940, the state of Mississippi engaged in a unique experiment in the development of new private industrial facilities, which combined the local community development program with a form of public subsidy. The program was reactivated in the postwar period.

Community subsidization of factories was not new. The noteworthy (and controversial) feature of Mississippi's BAWI (balance agriculture with industry) plan was that, with state approval, the counties or municipalities could use their credit to provide the funds for subsidy if a majority of the voters approved. An analysis of the BAWI plan stated:

> *"The raising of local funds was translated into terms of public bond issues and appropriations by city and county governments. The voters endorsed each local subsidy proposition and the taxpayers underwrote it. The manufacturing facilities that were made available to the private companies accordingly were publicly owned. As the centralizing feature, the state investigated and expressly authorized each act of city or county subsidization. This control was exercised through a powerful state industrial commission, which, first, inquired into each new manufacturing proposal in close detail and, second, upon being satisfied as to the soundness of each deal, authorized it by legal franchise — the familiar certificate of public convenience and necessity in a new and unprecedented application — issued to the local unit of government. Upon receiving the certificate, the local government did the rest.*"*

The plan was a practical attempt to solve the problem of post-depression unemployment in Mississippi (and has been utilized again in the postwar years). While it had controversial aspects, it marked a step in the evolution of local community financing of business. BAWI provided a new technique—combining local self-help with the power to tap public credit for the needed funds.

The second variation in development programs—the spread of the area development plan in conjunction with the individual city development plan—has been implemented in one part of the Eighth District by Southern Illinois, Incorporated. This nonprofit organization originated in the mid-1930's, acted in an informal way for a few years, and was incorporated in 1940 under a state charter. The bylaws stated that it was the purpose of the corporation:

> *"To coordinate the efforts of communities, local and regional organizations, civic groups, and individuals in Southern Illinois in an area-wide program of economic development."*

From experience, Southern Illinois, Incorporated found that, in many cases, efforts at community development undertaken by the civic leaders of the community were only partial solutions to the problems. Town organizations tended to emphasize business and omit agriculture, to treat the city or town in which they were primarily interested as something apart from its economic environs. The progress made by the private organization in southern Illinois toward this goal is noteworthy. The idea has taken root in northern Wisconsin and in southern Indiana.

Area development needs local community development organizations and funds. Financing a new enterprise located in southern Illinois, for example, is not attempted with SII funds. In other words, Southern Illinois, Incorporated is not an institution through which savings are directly moved into productive use in business. The corporation does

*Ernest J. Hopkins, *Mississippi's BAWI Plan, An Experiment in Industrial Subsidization*, Federal Reserve Bank of Atlanta, January, 1944, pp. 4-5.

act to bring together the lenders and those concerns in need of financial assistance, and in that way plays an important part in getting idle funds into productive use in business in the southern Illinois region.

Industrial development corporation activities have been subject to some criticism. It is said that their activity is limited and directed more toward bringing large-scale business activity to an area than in fostering new small enterprise and expanding existing small enterprise. Activity is limited—that much is obvious. Table V shows that, with the exception of two foundations—Newport and Louisville — the record of performance for the other seventeen dwindles to something very close to one firm aided or brought in per foundation. However, it should be pointed out that the great majority of these foundations are operating in small communities (the median population in the 19 cities was 4,200; somewhat larger today) where the addition of one new industry constitutes an important increase percentagewise in the town's industrial payroll.

Also, the criticism that industrial foundations tend to assist large-scale enterprise to locate a branch in a locality rather than help local industry grow or local enterprisers to start new ventures is refuted in part by Table V, which shows that roughly one-third of the successful results obtained by the foundations were in the direction of assisting local firms, the great majority of which would undoubtedly be small concerns. The record of the Louisville foundation shows nearly three-quarters of the number of firms aided were local firms; only somewhat over a fourth were outside firms.

It should be noted that the value of the financing activity of local industrial development organizations lies in filling a gap in the long-term credit and equity capital fields, and not in merely competing with banks and insurance companies for loans. The local development concerns utilize the financial aid of banks and insurance companies wherever possible in order to conserve their limited funds and usually put their funds to work (if used in financing at all) in the junior liens and equity shares to enhance the attractiveness of the bank or insurance company loans.

. . . and (2) establishment of Federally sponsored investment companies to lend to and invest in business and to insure business loans.

Several bills have been introduced in Congress recently for the purpose of meeting such gaps as may exist in business financing. Particular note should be made of the Lucas-Spence and the O'Mahoney Bills. These attempt to provide capital for business in two ways: (1) By establishing national investment companies (capital bank corporations in the case of the O'Mahoney Bill), the stock of which may be purchased by banks, other financial institutions or individuals. These companies are to have the authority to make loans directly to business or to participate with banks and other financial institutions in loans to business, or to make commitments to participate in such loans, and to invest in equity securities in existing business. (2) By insuring commercial banks against losses arising from loans to business. The companies would be privately owned corporations subject to the supervision of the Board of Governors of the Federal Reserve System, with the funds initially provided by the Federal Reserve System.

To sum up—

In summary, these points might be re-emphasized. Small and intermediate size businesses have several sources of long-term credit and some sources of equity capital open to them.

Privately—individual savings, which usually provide the lion's share of the equity capital, are at record levels and corporate profits are large. Commercial banks are caring for a portion of the long-term credit needs of business. Insurance companies likewise are caring for a part of these needs. Local industrial development corporations, particularly those equipped with a foundation of capital to lend to or invest in business and those coordinated by area organizations, have increased in number in the postwar period and are making a contribution to the problem of providing for equity capital needs of business.

Publicly—the Federal Government loan programs have played a part in making long-term credit available to business.

While the present facilities, public and private, provide a large amount of long-term credit and equity capital to business each year, there is some informed opinion that a gap in the institutional financial structure remains. This gap, while probably small, might be closed still further by expansion of local development organizations and by institutions created under Federal legislation now pending in the Congress.

Wm. J. Abbott, Jr.

Survey of Current Conditions

The nation's economy is operating at a close-to-capacity level as the second half of 1950 gets under way. Industrial activity, paced by the steel and automobile industries, is booming. Employment has climbed higher. The construction industry is setting records monthly. Consumers are buying more than ever before—and when current income, which is at near-peak levels, is not sufficient to finance their purchases, it is easy to buy on credit. Producers are stepping up their expenditures, too, in part to enable them to meet the demand for their products but partly to hedge against rising prices.

In this district, too, industrial and business activity is moving higher. In terms of production, the manufacturing and construction industries are showing most of the gains. In those district areas that are heavily dependent on agriculture, business volume in the past month or two has moved at a somewhat slower pace than it has in the industrial areas. And there is a similar contrast in the outlook for the industrial and agricultural portions of the district.

When business is booming, as it is at the present time, it is easy to minimize the potential dangers that develop in a rapidly expanding economy. Some of the characteristics of the current boom need to be kept in mind in appraising the present situation. For example, it must be remembered that an important part of the expansion in production, which has increased 20 per cent since last July, according to the Federal Reserve index, reflects the efforts made by automobile manufacturers to meet the record demand for their product. The all-time high level of activity in the residential construction field accounts for another sizable portion of the expansion in total economic activity to new peaks.

The importance of credit expansion also needs to be evaluated in appraising the rate at which production and consumption have increased. Easy credit terms have made possible a significant portion of the sales of automobiles and other consumers' durable goods and of housing—the three major sources of support for current levels of economic activity. A boom based to an important extent on the use of credit contains certain potential dangers which should not be taken lightly.

These forces—the heavy demand for automobiles and other consumer durables and for housing, together with easy credit—have played a major role in shaping economic trends so far this year. But there can be less confidence now than a month ago that they will play an equally important role in the second half of 1950. The developments in Korea have injected a major element of uncertainty into the picture. As this is written, it is impossible to know what the present crisis may lead to. It is evident, however, that the impact of decisions that will have to be made as events unfold in the Far East will strongly influence the economy in the remainder of 1950.

EMPLOYMENT

In the Eighth District, more people had jobs in May than at any time in almost a year. Most industries showed an increase in employment from April, but manufacturing and construction accounted for the major part of the gain.

Despite a considerable growth in the labor force during the past year, there was less unemployment in this district in May than at this time last year. The expansion in employment opportunities during the twelve-month period apparently was sufficient

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	May,'50	Apr.,'50	May,'49	May, 1950 compared with Apr.,'50	May, 1950 compared with May,'49
All Commodities	155.9	152.9	155.7	+ 2.0%	+ 0.1%
Farm Products	164.7	159.3	171.2	+ 3.4	— 3.8
Foods	159.9	155.3	163.9	+ 3.0	— 2.5
Other	147.6	146.4	146.7	+ 0.8	+ 0.6

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	May 15, 1950	Apr. 15, 1950	May 15, 1949	May 15, 1950 compared with Apr. 15,'50	May 15, 1950 compared with May 15,'49
U. S. (51 cities)	200.3	196.6	202.4	+ 1.9%	— 1.0%
St. Louis	208.4	202.5	207.8	+ 2.9	+ 0.3
Little Rock	197.4	194.6	201.9	+ 1.4	— 2.2
Louisville	188.9	183.4	189.4	+ 3.0	— 0.3
Memphis	204.3	201.3	215.6	+ 1.5	— 5.3

WHOLESALING

Line of Commodities Data furnished by Bureau of Census U. S. Dept. of Commerce*	Net Sales May, 1950 compared with Apr.,'50	Net Sales May, 1950 compared with May,'49	Stocks May 31, 1950 compared with May 31, 1949
Automotive Supplies	+10%	— 2%	— 4%
Boots and Shoes	—27	—14	+87
Drugs and Chemicals	+ 3	+ 9	....
Dry Goods	+ 8	+ 6	+27
Furniture	+15	+29	— 4
Groceries	+ 9	+ 4	+11
Hardware	+17	+12	+ 7
Tobacco and its Products	+14	+ 1	— 5
Miscellaneous	+10	+13	—15
**Total All Lines	+ 9%	+ 9%	+10%

* Preliminary.

** Includes certain items not listed above.

to absorb the new entrants into the labor force as well as some of the unemployed. While this picture is true districtwide, a few areas still have considerable unemployment. Crab Orchard, Mt. Vernon and Cairo, Illinois continue to be rated as areas with very substantial labor surplus.

One result of increasing employment is that June graduates are having less trouble finding jobs than was expected earlier in the year. In fact, employer competition is fairly strong for trainees in clerical and stenographic jobs. However, demand for graduates is smaller than in 1947 and 1948. Employers are more strict in their hiring specifications and starting salaries are generally lower than at the 1948 peak.

INDUSTRY

Manufacturing activity in the district continued to expand in May and there was a further increase in construction. In the mining industries, coal production was up slightly but the gain was less than seasonal. Daily average production of crude oil declined during the month. Consumption of industrial electric power in the district's major cities was up 7 per cent from April and was 26 per cent larger than in May last year.

Outlook Good For the Tourist Industry

A principal industry in the district, in some areas the major industry—recreation-travel activity—is just getting under way this year after a slow start. But reports from a number of sources indicate that another good year is expected. Total receipts in the current season may well top those last year. If these prospects materialize, it will mean a sizable amount of income for the people in the recreation areas—and the largest tourist business on record for the district.

In 1949, tourists spent upwards of $160 million in Arkansas, according to estimates made by the University of Arkansas' Institute of Science and Technology. More than $200 million was spent in Missouri, the State Resources and Development Commission estimates. In Indiana, where state parks are an important part of the recreation facilities, the number of people paying attendance at these parks totaled more than 1.5 million last year —10 per cent larger than in 1948. A 30 per cent increase was reported in state park attendance in Arkansas last year and a similar gain occurred at Kentucky Lake in Kentucky and Tennessee.

Currently, business is good in most of the recreation areas in the district. A wet and relatively cold spring season got the operators off to a bad start. In May, things began to pick up, however, and later reports indicate reservations are equal to those last year—larger in some places. Requests already received for accommodations at the state parks in Arkansas, where receipts in May were up 50 per cent from a year ago, point toward capacity operations this year.

The relative importance of the tourist business in the district is suggested by a few comparisons. The $160 million spent by tourists in Arkansas is equivalent to about 50 per cent of all wages paid to manufacturing workers in the state. The estimated $200 million of tourist expenditures in Missouri is equal to the total wage bill of manufacturing plants that employed almost one-third of the state's manufacturing employees.

Sizable as the district's tourist business is at the present time, a considerable amount of effort is being directed by private and public organizations looking toward further expansion of the industry. This would seem to be all to the good. Tourists' expenditures provide a significant part of the total income received by the people in some of the lower income areas in the district. Many of these areas are not particularly suited to industrial or agricultural development much beyond present levels. At the same time, they have scenery, lakes, streams and many of the attractions tourists enjoy. Thus, a concentrated effort to build up the recreation-travel industry might well do a great deal toward narrowing the gap that exists between income in these areas and in higher income communities.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	May, 1950 K.W.H.	Apr., 1950 K.W.H.	May, 1949 K.W.H.	May, 1950 compared with Apr.,'50	May,'49
Evansville	14,614	12,964	12,245	+12.7%	+19.3%
Little Rock	4,760	5,074	4,547	— 6.2	+ 4.7
Louisville	73,426	72,280	54,985	+ 1.6	+33.5
Memphis	30,056	28,610	25,774	+ 5.1	+16.6
Pine Bluff	6,615	6,767	4,629	— 2.3	+42.9
St. Louis	92,944	82,807	74,243	+12.2	+25.2
Totals	222,415	208,502	176,423	+ 6.7%	+26.1%

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

May,'50	Apr.,'50	May,'49	First Nine Days June,'50	June,'49	5 mos. '50	5 mos. '49
112,550	109,886	104,513	32,460	31,134	530,861	526,911

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	May, 1950	Apr., 1950	May, 1949	May, 1950 compared with Apr., 1950	May, 1949
Arkansas	79.3	80.3	80.3	— 1%	— 1%
Illinois	175.0	179.5	177.4	— 3	— 1
Indiana	29.2	28.0	24.5	+ 4	+19
Kentucky	26.3	25.7	23.7	+ 2	+11
Total	309.8	313.5	305.9	— 1%	+ 1%

Manufacturing Activity Up In May

Most of the district's manufacturing industries increased their operations in May. Gains relative to last year were even more pronounced since the trend at this time last year was down, with May output being close to the bottom for the year.

The steel industry in the St. Louis area lifted scheduled operations in May to an estimated 76 per cent of theoretical capacity—four points above the April level and 15 points higher than a year earlier. In terms of production, the margin over last year is understated somewhat by these comparisons since present capacity is some 10 per cent larger than that a year ago. One major producer—Granite City Steel Company—early in June announced a $2.6 million plant improvement project that will increase output of cold-rolled products from 25,000 to 40,000 tons monthly.

Wet weather in the lumber-producing sections of Arkansas made logging difficult and curtailed lumber output in May. There has been no slackening in demand, however. The huge amount of lumber going to the construction industry plus the heavy demand in furniture and other wood-using industries is putting considerable pressure on lumber manufacturers.

Southern pine production in the entire South was off about 3 per cent from April to May but was 11 per cent larger than a year ago. Southern hardwood producers stepped up their operations slightly—from 88 per cent to 90 per cent of capacity—but the increase was enough to lift operations to the highest level since late in 1948.

In other heavy goods industries, such as machinery, stone, clay and glass, and transportation equipment, output moved higher in May. In Evansville, the step-up in operations in nonelectrical machinery plants and in the transportation equipment and fabricated metals industries helped boost total employment in the area to 71,700 in mid-May. This was the highest that employment has been since December, 1948.

Increases in the soft goods industries were somewhat smaller and less widespread than those in the durable goods industries. Available reports, however, indicate production gains in food processing, chemicals, shoes, paper and paper products, printing and publishing.

The indicated increase in shoe production in May followed a larger-than-seasonal setback in April. Output in April is tentatively estimated at 6.9 million pairs as against 8.5 million in March and 7.3 million in April, 1949. The apparent increase in May was followed by an announcement early in June that one major producer was putting six of its 53 plants on an overtime basis to meet the heavy demand for fall lines of men's and boys' dress shoes.

In contrast to gains in these industries, operations in the district's textile products plants and in the distilling industry declined in May. At the end of the month, only 34 of Kentucky's 63 distilleries were in operation. A month earlier, when production amounted to 7 million tax gallons, there were 40 distilleries in production. Output in April was a little less than in March, but was up 11 per cent compared with that in April, 1949.

Coal Production Up—Oil Output Down

Coal production in the district in May was fractionally larger than in April, reflecting slight increases in Illinois and Indiana which were more than enough to offset declines in the other producing areas. A total of 8.6 million tons were mined in May—about 1 per cent more than in April but 10 per cent larger than production a year ago.

Crude oil output averaged just under 310,000 barrels per day—the lowest volume since last December. Production was slightly higher than that a year ago, but by the smallest margin since January.

Construction—Still Booming

New records are commonplace in the construction industry these days. The one that was established yesterday lasts only as long as it takes to buy a dollar's worth of building material today. Every time a permit is issued or a contract is signed, another record is broken and a new one goes on the books.

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
May, '50	Apr., '50	May, '49	May, '50	Apr., '50	May, '49
163*	145*	126	158*	223*	123

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
Apr., '50	Mar., '50	Apr., '49	Apr., '50	Mar., '50	Apr., '49
138*	149	139	135*	146	137

*Preliminary.

CONSTRUCTION

BUILDING PERMITS
Month of May

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1950	1949	1950	1949	1950	1949	1950	1949
Evansville	136	64	$ 354	$ 163	111	98	$ 103	$ 139
Little Rock	121	42	850	353	273	221	192	161
Louisville	182	152	827	831	117	91	121	54
Memphis	1,580	1,951	5,190	3,782	197	241	144	225
St. Louis	493	263	9,854	2,204	310	318	993	361
May Totals	2,512	2,472	$17,075	$7,333	1,008	969	$1,553	$ 940
April Totals	2,512	2,177	$17,474	$6,561	902	838	$ 966	$1,012

A lot of houses are being raised by this construction boom—and so are a lot of questions. How long can it last? What will happen when the boom stops booming? How sound are the mortgages on many of these houses—not at the present time but in the future when there might be a lower average income level? Right at the moment, however, builders and buyers seem to be less worried about the questions than about a threat of shortages that may hold down further expansion.

It seems likely that actual construction activity will be at a high level during the remainder of the year—or at least as long as weather conditions are favorable. Through May about 15,000 building permits were issued in the five major district cities. About 12,000 of these authorized new construction valued at $59 million—equal to about 70 per cent of the value of new construction permits issued in all of last year. Nearly three-fifths of the work authorized in the first five months this year came in April and May.

Much of this proposed construction already is taking shape. Available figures do not show how much. But in the district as a whole, contracts awarded through May total $324 million. In May, construction put under contract was valued at $91 million, of which $42 million was for residential and $49 million for nonhousing work, according to F. W. Dodge Corporation reports. Contracts for commercial, manufacturing and other nonresidential construction dropped off as they did between April and May in the past two years. But residential volume—for sale or rent or for owner occupancy—continued to climb. The residential work put under contract in May in the St. Louis territory lifted the year's total to a level that was 93 per cent larger than in the first five months last year in terms of dwelling units, 90 per cent larger in terms of floor area, and 88 per cent larger in contract value.

TRADE

When district consumers did their shopping in May, they continued to prefer furniture to footwear, appliances and automobiles to apparel. When the price tag was attractive, women's apparel did move—but it took heavy promotion of seasonal merchandise as well as clearance sales to do the job.

On preliminary evidence, total retail sales in the district in May topped those in April as well as those in May, 1949. Dollar volume in department and furniture stores was larger than in either the previous month or in the same month last year. Women's specialty store sales dropped off from April, and volume was below that a year ago. Men's wear stores did substantially more business than in

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	May, 1950 compared with		5 mos. '50 to same period '49	May 31,'50 comp. with May 31,'49	Jan. 1, to May 31	
	Apr.,'50	May,'49			1950	1949
8th F. R. District	+ 5%	+ 3%	— 2%	+ 3%	1.55	1.59
Ft. Smith, Ark.	+ 3	— 1	— 5	-0-	1.51	1.64
Little Rock, Ark.	+ 7	+ 9	— 1	+15	1.56	1.68
Quincy, Ill.	— 5	— 8	— 2	+ 4	1.35	1.34
Evansville, Ind.	+ 9	+10	-0-	— 2	1.46	1.40
Louisville, Ky.	— 2	+ 7	-0-	+ 6	1.72	1.74
St. Louis Area[1]	+ 5	-0-	— 3	+ 1	1.54	1.57
St. Louis, Mo.	+ 5	-0-	— 3	+ 1	1.55	1.57
Springfield, Mo.	-0-	+ 2	+ 1	+ 4	1.35	1.30
Memphis, Tenn.	+12	+ 4	— 1	+ 1	1.62	1.70
*All other cities	+ 2	+ 8	— 2	+ 7	1.25	1.26

*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 May, 1950, were 18 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding May 1, 1950, collected during May, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	47%	Quincy	17%	61%
Little Rock	16	48	St. Louis	18	59
Louisville	19	52	Other Cities	15	55
Memphis	20	43	8th F.R. Dist.	18	53

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	May, 1950	April, 1950	March, 1950	May, 1949
Sales (daily average), unadjusted[2]	323	316	285	328
Sales (daily average), seasonally adjusted[2]	330	319	297	335
Stocks, unadjusted[3]	313	329	317	296
Stocks, seasonally adjusted[3]	313	329	326	296

[2] Daily average 1935-39=100.

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	May, 1950 compared with		5 mos. '50 to same period '49	May 31,'50 comp. with May 31,'49	Jan. 1, to May 31	
	Apr.,'50	May,'49			1950	1949
Men's Furnishings	+ 8%	— 1%	— 6%	+ 1%	1.02	1.05
Boots and Shoes	—15	+ 1	— 4	+ 2	1.80	1.83

Percentage of accounts and notes receivable outstanding May 1, 1950, collected during May:

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

Trading days: May, 1950—26; April, 1950—25; May, 1949—25.

RETAIL FURNITURE STORES **

	Net Sales		Inventories		Ratio of Collections	
	May, 1950 compared with		May, 1950 compared with			
	Apr.,'50	May,'49	Apr.,'50	May,'49	May,'50	May,'49
8th Dist. Total[1]	+17%	+13%	— 2%	+11%	22%	25%
St. Louis Area[2]	+20	+17	— 1	+19	29	32
St. Louis	+21	+18	— 1	+19	28	32
Louisville Area[3]	+16	+ 9	— 2	+20	16	18
Louisville	+14	+ 9	— 2	+19	15	17
Memphis	+12	—10	+ 6	—19	13	16
Little Rock	— 3	+ 2	+ 1	+ 6	17	21
Springfield	+43	+42	—10	+ 5	19	21
Fort Smith	— 6	— 8	*	*	*	*

*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; Alton, Illinois.

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

** 42 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	May,'50	Apr.,'50	May,'49
Cash Sales	14%	15%	14%
Credit Sales	86	85	86
Total Sales	100%	100%	100%

April but not enough to lift the total above last May's volume.

A large part of May sales was entered on the retailers' credit books—not in his cash sales' accounts. In department stores, open credit as well as instalment sales represented a larger proportion of total sales in May than a year ago. Credit sales in furniture stores were considerably larger than last May.

Department Stores—Sales in the district were up 5 per cent from April and were 3 per cent larger than in May, 1949. The gain partly reflects the fact that May, 1950 had one shopping day more than either the previous month or the same month last year. After allowing for this and for seasonal factors, daily sales averaged 330 per cent (1935-39=100) as against 319 per cent in April and 335 per cent in May, 1949. Total sales for this year through May were off about 2 per cent from those a year ago.

In most district cities, sales last month were larger than in May, 1949. This was not the case in Quincy and Fort Smith, however, where volume dropped below that last year. The largest gains occurred in Little Rock and Evansville; most of the other shopping centers reported larger-than-district average gains from last year.

Year-to-date sales in Springfield totaled larger than in 1949. In St. Louis and Fort Smith, cumulative sales were off more than for the district as a whole. Stores in Louisville and Evansville have kept sales volume up to last year's level so far in 1950.

The preference for hard rather than soft goods is evident in the figures showing sales by departments in the St. Louis stores. The only major division to show a gain over last year was housefurnishings where sales were up 10 per cent. (Radio and phonograph sales were less than one-half as large as last year but this was the only department in the housefurnishings' division to show a decline.) Sales of women's and misses' accessories and apparel dropped 6 per cent below last year's volume.

Inventories of reporting district department stores declined during May but they were larger than a year earlier. Month-end stocks were valued at 4 per cent less than on April 30 but were 3 per cent larger than on May 31 last year. The value of outstanding orders was 7 per cent less than a month earlier but was almost one-fifth larger than on the comparable date last year.

Specialty Stores—Women's apparel store sales in St. Louis during May totaled 5 per cent less than in April and were 4 per cent smaller than in May, 1949. So far this year, sales are about one-tenth less than in the same period in 1949. The retail value of inventories on May 31 was 8 per cent less than a month earlier and 7 per cent less than on the same date last year.

Men's wear stores reported sales 8 per cent larger in May than in April but 1 per cent below those in May, 1949. In the first five months of 1950, total sales were 6 per cent less than last year. Inventories at the end of May were valued at slightly less than the stocks held on April 30 but were 1 per cent larger than they were on May 31, 1949.

Furniture Stores—Sales of reporting district stores during May totaled 17 per cent higher than in the previous month and were 13 per cent larger than a year ago. Inventories were off slightly relative to a month earlier but were 11 per cent larger than they were last year.

AGRICULTURE

Crop conditions in the nation as a whole improved during May but compared unfavorably with conditions a year earlier or with average conditions during the past ten years. On June 1, the estimate of winter wheat production was raised 21 million bushels from that of a month earlier. Spring wheat production was estimated at 245 million bushels or 10 million bushels less than in 1949. If these expectations are realized, the combined wheat crop will total 945 million bushels, compared with 1,146 million bushels in 1949, and will be the first crop in seven years to total less than a billion bushels.

Oats production was estimated at 1,380 million bushels on June 1, despite unfavorable planting conditions. A crop of this size, if realized, would be 4 per cent larger than that in 1949. Acreage is at a record high and yields are expected to be only slightly lower than in 1949. In district states, however, production is expected to be 4 per cent less than in 1949. Exceptions are in Mississippi where the crop is figured 47 per cent larger and Missouri where an increase of 10 per cent is indicated.

The corn crop was planted later than in 1949 but by June 1 it was in the ground in most areas. Conditions were favorable at that time but no estimate of production is made until July 1. Soybean planting also had been completed for the most part by the end of May.

Farm real estate values in all but one district state strengthened in the four months from last November to March. In Tennessee, there was no change. For the district states as a whole, farm real estate values on March 1 averaged 2 per cent higher than last November. Relative to a year ago, farm land values in Missouri and Illinois were up 1 and 3 per cent, respectively. In other district states, there were declines of 1 per cent in Indiana; 2 per cent in Mississippi and Tennessee; 4 per cent in Kentucky; and 5 per cent in Arkansas. The average for district states was a decline of 1 per cent. Nationally, values in the year to March 1 were off 3 per cent.

Volume of farm transfers continued to decline during 1949. Forced sales, although still unimportant in terms of total sales, were up slightly from 1948. Demand was good for better grades of land but some price cuts were necessary to move many of the lower grade farms.

Credit sales increased during 1949. The Bureau of Agricultural Economics reported 61 per cent of sales were credit-financed compared with 56 per cent for a similar sample in 1948. No significant change has occurred in recent years in the proportion of purchase price represented by a mortgage.

Agricultural prices continued to advance for the month ending May 15. The index of prices received on that date was 247 (1910-14=100), up 4 per cent from March and 6 per cent higher than in December, 1949. However, agricultural prices were 2 per cent lower than a year earlier and 19 per cent lower than in January, 1948. The price rise for the past month was due to higher prices for hogs and most meat animals, cotton, wool, soybeans and corn. Prices paid by farmers also edged upward in May, due to rather general increases in cost of production items as well as food, building, and other living costs.

AGRICULTURE

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	May, 1950	May, 1950 compared with Apr.,'50	May, 1950 compared with May,'49	May, 1950	May, 1950 compared with Apr.,'50	May, 1950 compared with May,'49
Cattle and calves	91,516	+ 9%	— 7%	31,506	+17%	+ 1%
Hogs	291,187	+12	+18	89,671	+41	+11
Sheep	82,534	+48	+37	52,494	+53	+36
Totals	465,237	+16%	+15%	173,671	+39%	+16%

CASH FARM INCOME

(In thousands of dollars)	Apr., 1950	Apr., 1950 compared with Mar., 1950	Apr., 1950 compared with Apr., 1949	4 month total Jan. to Apr., 1950	1950 compared with 1949	1950 compared with 1948
Arkansas	$ 17,155	— 8%	—42%	$ 81,799	—39%	—22%
Illinois	103,051	—21	—24	506,324	—0—	— 7
Indiana	61,107	—11	—14	257,043	— 4	—12
Kentucky	19,105	—19	—18	176,432	+ 1	+12
Mississippi	15,269	+27	—34	56,409	—64	—49
Missouri	52,778	—14	—14	243,335	—10	—12
Tennessee	18,348	—14	—15	109,146	— 8	—18
Totals	$286,813	—15%	—22%	$1,430,488	—12%	—12%

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	June 14, 1950	Change from May 17, 1950	Change from June 15, 1949
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	2,898	— 35	— 2,089
U. S. securities	975,954	+16,124	—75,738
Total earning assets	$ 978,852	$+16,089	$—77,827
Total reserves	$ 717,443	$—17,501	$—10,436
Total deposits	652,263	+ 7,221	—41,263
F. R. notes in circulation	1,043,182	— 7,400	—33,866
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	June 14, 1950	Change from May 17, 1950	Change from June 15, 1949
Gross commercial, industrial, and agricultural loans and open market paper	$ 477,780	$—13,579	$+ 897
Gross loans to brokers and dealers in securities	7,462	— 721	+ 1,883
Gross loans to others to purchase and carry securities	22,462	+ 1,657	+ 1,892
Gross real estate loans	203,576	+ 1,627	+ 39,020
Gross loans to banks	825	+ 570	+ 345
Gross other loans (largely consumer credit loans)	229,200	+ 1,723	+ 22,540
Total	$ 941,305	$— 8,723	$+ 66,577
Less reserve for losses	12,112	— 109	+ 2,429
Net total loans	$ 929,193	$— 8,614	$+ 64,148
Treasury bills	69,871	+ 6,040	+ 22,139
Certificates of indebtedness	103,292	—65,757	— 95,730
Treasury notes	254,977	+53,397	+207,297
U. S. bonds and guaranteed obligations	672,043	+13,809	— 77,759
Other securities	189,720	+ 148	+ 51,222
Total investments	$1,289,903	$+ 7,637	$+107,169
Cash assets	780,572	+24,735	— 13,586
Other assets	27,846	+ 231	+ 1,859
Total assets	$3,027,514	$+23,989	$+159,590
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	$1,565,846	$+42,054	$+ 82,864
Interbank deposits	573,507	— 9,779	+ 22,208
U. S. Government deposits	55,757	— 8,481	+ 34,289
Other deposits	125,820	+ 4,283	— 2,335
Total demand deposits	$2,320,930	$+28,077	$+137,026
Time deposits	495,658	— 696	+ 8,108
Borrowings	4,500	— 3,500	+ 2,200
Other liabilities	20,896	— 491	+ 4,585
Total capital accounts	185,530	+ 599	+ 7,671
Total liabilities and capital accounts	$3,027,514	$+23,989	$+159,590
Demand deposits, adjusted*	$1,441,113	$+31,186	$+ 67,512

*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)	May, 1950	Apr., 1950	May, 1949	May, 1950 compared with Apr.,'50	May, 1950 compared with May,'49
El Dorado, Ark.	$ 22,985	$ 22,571	$ 21,619	+ 2%	+ 6%
Fort Smith, Ark.	37,689	35,594	37,650	+ 6	—0—
Helena, Ark.	5,542	5,906	6,386	— 6	—13
Little Rock, Ark.	122,100	121,998	115,984	—0—	+ 5
Pine Bluff, Ark.	24,406	22,317	21,853	+ 9	+12
Texarkana, Ark.*	10,640	11,056	9,615	— 4	+11
Alton, Ill.	23,953	22,439	20,826	+ 7	+15
E.St.L.-Nat.S.Y., Ill.	111,500	93,390	100,600	+19	+11
Quincy, Ill.	30,153	27,358R	27,726	+10	+ 9
Evansville, Ind.	123,494	102,095	106,580	+21	+16
Louisville, Ky.	531,336	478,961	466,912	+11	+14
Owensboro, Ky.	31,577	31,523	26,061	—0—	+21
Paducah, Ky.	14,223	13,166	13,235	+ 8	+ 7
Greenville, Miss.	18,422	16,321	15,771	+13	+17
Cape Girardeau, Mo.	11,156	10,964	9,814	+ 2	+14
Hannibal, Mo.	8,476	7,707	7,094	+10	+19
Jefferson City, Mo.	45,673	51,270	51,387	—11	—11
St. Louis, Mo.	1,582,573	1,438,939	1,419,964	+10	+11
Sedalia, Mo.	10,256	9,485	10,140	+ 8	+ 1
Springfield, Mo.	58,567	54,073	50,946	+ 8	+15
Jackson, Tenn.	18,017	17,290	16,557	+ 4	+ 9
Memphis, Tenn.	533,671	566,302R	448,055	— 6	+19
Totals	$3,376,409	$3,160,725R	$3,004,775	+ 7%	+12%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $25,791.

R—Revised.

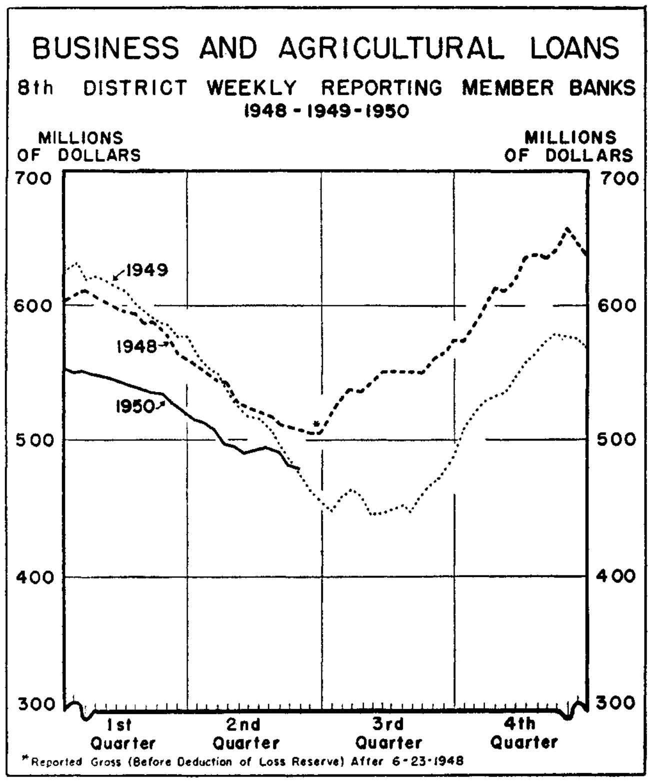
BANKING

Member bank reports in this district for May indicated that moderately expansionary trends continued. Deposits rose and loans and investments increased.

At the end of May, 1950, member bank gross demand deposits (other than interbank) were up $58 million from their April level and up $159 million from a year ago. The month's increase was limited largely to the bigger city banks; deposit volume at the smaller banks remained virtually unchanged. Likewise, the bulk of the gain for the full year period was concentrated in the large city banks. The seasonal decline in deposits (from year-end) characteristic of this district has been much smaller this year than last—$13 million as against $158 million in the first five months of 1949. The large city banks showed a gain of $30 million in this period of 1950 against a loss of $78 million a year ago; the smaller banks a loss of $43 million in contrast with one of $80 million last year.

Time deposits at district member banks increased moderately in May, 1950. During the five months of the current year the gain exceeded that of the corresponding months in 1949 by $5 million.

Loans of all district member banks combined showed a $22 million increase in May, 1950, shared about equally between the large and small banks.



At the large city banks the gain reflected mainly expansion in real estate, security, "other" (largely consumer credit) loans, partly offset by a seasonal drop in business loans.

EIGHTH DISTRICT
MEMBER BANK ASSETS AND LIABILITIES
BY SELECTED GROUPS

(In Millions of Dollars)	All Member	Change from:		Large City Banks[1]	Change from:		Smaller Banks[2]	Change from:	
Assets	May, 1950	Apr., 1950 to May, 1950	May, 1949 to May, 1950	May, 1950	Apr., 1950 to May, 1950	May, 1949 to May, 1950	May, 1950	Apr., 1950 to May, 1950	May, 1949 to May, 1950
1. Loans and Investments	$3,894	$+24	$+276	$2,263	$+17	$+195	$1,631	$+ 7	$+ 81
a. Loans	1,511	+22	+ 92	975	+12	+ 63	536	+10	+ 29
b. U.S. Government Obligations	2,009	— 1	+118	1,097	+ 3	+ 75	912	— 4	+ 43
c. Other Securities	374	+ 3	+ 66	191	+ 2	+ 57	183	+ 1	+ 9
2. Reserves and Other Cash Balances	1,168	+10	— 47	723	+16	— 29	445	— 6	— 18
a. Reserves with the F.R. bank	543	—20	—125	351	—12	— 74	192	— 8	— 51
b. Other Cash Balances[3]	625	+30	+ 78	372	+28	+ 45	253	+ 2	+ 33
3. Other Assets	43	+ 2	+ 4	29	+ 2	+ 4	14	—0—	—0—
4. Total Assets	$5,105	$+36	$+233	$3,015	$+35	$+170	$2,090	$+ 1	$+ 63
Liabilities and Capital									
5. Gross Demand Deposits	$3,756	$+33	$+183	$2,295	$+36	$+145	$1,461	$— 3	$+ 38
a. Deposits of Banks	578	—25	+ 24	546	—23	+ 22	32	— 2	+ 2
b. Other Demand Deposits	3,178	+58	+159	1,749	+59	+123	1,429	— 1	+ 36
6. Time Deposits	994	+ 1	+ 24	502	+ 1	+ 11	492	—0—	+ 13
7. Borrowings and Other Liabilities	37	— 1	+ 8	31	— 2	+ 6	6	+ 1	+ 2
8. Total Capital Accounts	318	+ 3	+ 18	187	—0—	+ 8	131	+ 3	+ 10
9. Total Liabilities and Capital Accounts	$5,105	$+36	$+233	$3,015	$+35	$+170	$2,090	$+ 1	$+ 63

[1]Includes 15 St. Louis, 6 Louisville, 3 Memphis, 3 Evansville, 4 Little Rock, and 4 East St. Louis-National Stock Yards, Illinois, banks.
[2]Includes all other Eighth District member banks. Some of these banks are located in smaller urban centers, but the majority are rural area banks.
[3]Includes vault cash, balances with other banks in the United States, and cash items reported in process of collection.