Frederick L. Deming

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INCOME MEASURES AND THEIR PURPOSE

Income dropped slightly in 1949 in the Eighth District and in the nation. Estimates of national and districtwide income are important, but fail to reveal striking regional differences.

Breaking down national and statewide averages into small area averages creates useful tools for sales managers and market analysts: a new measure of purchasing power —patterns of consumer preferences, determined by size of family, location and income levels—a measure of where income is to be spent, and when.

Although "economic welfare" is an elusive concept, a careful study of the income variations between regions highlights the gap between the district's rural poor and the "average" American. Appraisal of regional differences in sources of income help guide economic development, particularly when tied to the area's total income growth and to its resource base.

The most important resource of any area is its people, their abilities and skills. People work with land and capital. Capital funds for economic development come from current income, from business reserves, from savings and bank credit. A more precise statement on the sources and uses of district funds is now in preparation.

Income dropped slightly in 1949 in the Eighth District

Eighth District income in 1949 was smaller than in 1948—smaller both in dollar amount and in terms of the amount of goods and services it would buy. The decline was not large by either measurement. But the drop was somewhat larger in dollar amount than in terms of "real income"—that is, income adjusted for price changes. When this adjustment is made, district income was off only about 1 per cent.

. . . and in the nation.

In the United States as a whole, the dollar amount of income also fell. The drop was relatively smaller than that in the district and was just about the same, percentagewise, as the decrease in consumer prices. Thus, from 1948 to 1949, "real income" at the national level held about constant.

The greater decrease in district income was due to a combination of two developments. This district, with its relatively heavy dependence on agriculture as an income source, was hit harder by the general decline in farm prices. In addition, the district experienced a poorer crop year than did the country as a whole, so the impact of the price decline was accentuated here.

Within the district, income losses were most severe in the farm sections—particularly in the cotton areas. In physical volume, the district cotton crop in 1949 was 21 per cent smaller than in 1948.

These are the bare bones of the district's income developments in 1949. A subsequent Review article will add some flesh to these bones by presenting a detailed discussion of income changes in the 97 areas within the district and of changes in income and expenditure composition and pattern. Meanwhile, this article explains the purposes and uses of income data with particular reference to market analysis, measurement of economic welfare, and the appraisal of economic development.

Estimates of national and districtwide income are important,

Figuring out methods of measuring economic activity in terms of income trends may appear to be an academic exercise that has little relationship to practical, everyday life. But many bankers, businessmen, farmers, labor leaders, and Government officials know better. They know that good business means new opportunities for most people —and that a general depression is bad news for most of us. They also know that they must keep a weather eye on the state of the economy—and that measures of economic activity are essential to the successful conduct of their affairs.

Practical men have come to regard income and expenditure statistics as significant measures of economic activity. The reason is that these figures are perhaps the most comprehensive measures of broad economic changes that are available. Against the background of such data, changes in the general indexes of production, employment, sales and so on can best be appraised.

Over the years, various measures of income and expenditures have been developed. Each of these is particularly useful for one or more purposes. In terms of aggregate or total income and expenditures, three basic concepts are widely used—the Gross National Product (GNP), National Income, and Personal Income. Each of these measures provides a somewhat different view of the income total for the nation as a whole.*

. . . but fail to reveal striking regional differences.

All of these data together with more detailed information on components and sources of income are published regularly by the Department of Commerce for the nation as a whole. But national data, obviously, are of limited usefulness in describing developments in smaller areas. Some sections are growing faster than the national-average rate, some slower, and some are actually declining. Thus, it is useful to have measures of regional or local-area income to go along with the over-all data on economic activity for the country as a whole.

A great variety of information on local economic activity has been collected for some time. For example, each Federal Reserve Bank has developed a number of business indexes for its district and

*The *Gross National Product* (often referred to as the GNP) is a measure of the market value of all goods and services currently produced including capital goods, commodities and services available for current consumption, and changes in inventories. It is therefore a very comprehensive measure of the output of the economy. No deduction is made for depreciation charges. The value of materials incorporated in final products is deducted, however, in order to avoid double counting. Thus receipts of farmers for sales of tobacco are included in the Gross National Product, but are not counted again as part of the price of cigarettes. In addition to currently produced goods and services actually marketed, the GNP includes estimated expenditures in kind such as food produced and consumed on farms and imputed expenditures such as the estimated rental on owner-occupied homes. No allowance is made, however, for the unpaid serv-

parts of its district. But small-area income data are not generally available.

This bank's income study is designed to fill this gap—at least in part—for the Eighth Federal Reserve District. In the following sections of this article, certain specific uses of regional and local income data are discussed. Two points should be noted in connection with this discussion.

First, not all of the data referred to are generally available at present. For example, as was pointed out earlier, even total and per capita income figures are lacking for most small areas of the nation. Also, details with respect to income composition, source, size distribution, expenditure pattern, and so on, are available only to a limited extent.

Second, income data do not constitute the one and only key to explaining economic behavior. These figures are very useful, but they must be correlated with other available economic information to give maximum returns.

Breaking down national and statewide averages into small-area averages creates useful tools

The work being done by this bank in refining local-area income data and presenting such data in some detail is making additional useful information available for market analysis.

Some years ago Emerson wrote, "If you write a better book, or preach a better sermon, or build a better mousetrap than your neighbor, the world will make a beaten path to your door." Sales managers and salesmen have long felt that this statement is an oversimplification. Any product to be distributed in volume needs intensive sales effort behind it. Sellers are becoming increasingly convinced that the more accurately a market can be analyzed the more effective the sales effort can be.

. . . for sales managers and market analysts:

Today the sales manager and the market analyst (in many cases the same individual) attempt to learn as much as can be learned about the markets in which they distribute their products or services. Income data are a major source of information for this purpose and, since most concerns operate in markets smaller than nationwide, there is considerable demand for small-area income data. The fact that no one firm supplies everything demanded by the consumer has generated pressure for more detailed information on the income and expenditure patterns of various consumer classes.

. . . a new measure of purchasing power—

In many cases, the major stimulation for extension of income data has come from the desire of sales managers and market analysts for more concrete and current measures of purchasing power and its distribution. The regional income indexes developed by *Business Week* are designed to give current data (in index form) with respect to total income payments in each Federal Reserve district. *Sales Management* publishes annually its surveys of local buying power (figures on buying power for individual cities and towns). These and other materials of the same general nature are widely used in establishing sales potentials and attempting to forecast sales performance.

The type of income data most important to the individual sales manager depends naturally on the type of goods he markets. In the heavy goods industries, he is concerned particularly with figures on gross business investment—that is, construction expenditures and purchases of producers' durable equipment.

To the seller of consumer goods, disposable personal income (total income less taxes, etc.) is the

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ices of housewives. It should be stressed that the series is confined to goods and services currently produced. Hence, transfers of real estate or of other existing assets are not taken into account.

National Income is a measure of the factor cost of goods and services currently produced; i.e., it is a measure of the earnings of labor and property owners arising out of current production, and includes wages, rents, profits (both of corporate and unincorporated enterprise), and net interest. It excludes indirect business taxes (excise and the like) and depreciation since these are not payments to any of the factors of production, although they are included in market prices, and hence in the Gross National Product. Capital gains and losses arising out of exchanges of existing assets (i.e., not related to current production) are also excluded.

Personal Income is income actually received by individuals, and includes wage and salary receipts, other labor income, proprietors' and rental income, interest and dividends, and transfer payments. Part of the national income is not actually received by individuals, and is not included in personal income—for example, corporate profits except as paid out as dividends to individuals. Other types of national income not received by individuals include social insurance contributions. On the other hand, some income received by individuals is not a payment for current production and hence is not part of the national income. Such income is, however, included in personal income. These "transfer payments" include Government interest payments, unemployment compensation, pensions, relief payments, veterans' bonuses, and business transfer payments such as charitable contributions.

Disposal Income is what is left of personal income after income tax payments and other personal taxes. It is that portion of personal income which individuals may spend or save as they see fit.

most important single figure. But disposable income can be spent on a great variety of goods. Thus, it is important to know the size of total personal consumption expenditures, and also the trend for different types of goods.*

In the district, as in the nation, the strength of consumer demand in 1949 and so far in 1950 has been largely due to the heavy spending for automobiles, household equipment, and other consumer durable goods. Less money has gone for soft goods. In the nation as a whole, consumer expenditures for durable goods increased from $22.9 billion, in 1948 to $23.8 billion in 1949. Spending for soft goods decreased from $100.9 billion to $98.5 billion over the same period. There also has been a steady increase in purchases of services—from $53.7 billion in 1948 to $56.4 billion in 1949. This reflects larger expenditures for such items as housing, medical care, recreation and transportation.

. . . patterns of consumer preferences,

To the marketing analyst, it is important to understand the reasons for differences and shifts in expenditure patterns. Many shifts in local expenditure patterns follow national trends in consumer preferences. Thus, the unprecedented number of passenger automobiles sold in 1949, which permitted motor vehicle dealers to record an 18 per cent increase in dollar sales for the year, reflected the present availability of new cars after the long period in which families had to do with their old car, an experience common to all parts of the country. But different consumption patterns among various regions may be due to basic differences in income distribution and family composition.

. . . determined by size of family,

With the same per capita income, the expenditure pattern of a large family will differ from that of a small family. Many parts of the Eighth District have a predominance of large families. For the country as a whole in 1940, 23 per cent of the population were children under 14 years of age. In most of the district states, however, the proportion of small children was much higher. For example, the Monticello area in Kentucky—a rural community in the mountains—had 34 per cent of its population in the children's group. Thus, the expenditure pattern here and elsewhere in the district would be expected to differ from that nationally.

*Estimates of 1949 income-expenditure patterns within different parts of the district are being developed and will be published in an early issue of the Review.

. . . location

Different social groups also show different expenditure patterns. Most obvious are the differences in the way urban and rural families spend their money—even when they are in the same income class. A larger part of the farm family's consumption originates in the farm household. For example, food and fuel produced and consumed on farms amount to more than 10 per cent of total consumption in many rural areas of the district. This means that less money (relatively) need be spent on soft goods and services, and more of the farm family's dollar is available for the purchase of hard goods. Farm expenditures also may serve simultaneously both consumption and investment purposes. Thus, farm income-expenditure patterns owe some of their special features to the difficulty of making any sharp distinction between personal and business items in the accounting of farm families.

. . . and income levels—

Another important factor in explaining differences in regional expenditure patterns is the distribution of personal income by size. The average per capita income in an area indicates little about the income-size distribution within the area. Low-income families obviously have an expenditure pattern very different from that of high-income families. For the nation as a whole, 10 million American families received less than $2,000 during the highly prosperous year of 1948; of these, 4 million families received less than $1,000. The Eighth District has more than its share of these low-income families. This means that, in many district areas, a large proportion of all families have only a very limited amount of disposable income, with little left to spend at retail stores for anything over and above the necessities of life.

. . . a measure of where income is to be spent.

The sales analyst also is very much interested in knowing *where* income is likely to be spent. Data previously published in this Review have indicated the "net balance" between personal income and expenditures of district residents.** For the district as a whole in 1948, these figures indicated a net balance of $27 per capita. In other words, the typical Eighth District income recipient spent, net, $27 outside the district proper. The size of the net

**"Net balance" measures the difference between the amount spent "abroad" (outside the region) by persons living in a given area, and the amount spent within the region by "foreigners" (nonresidents who receive their income elsewhere). If the amount spent "abroad" is larger, the net balance is positive.

balance varies considerably among different portions of the district. It is greatest ($102) for southern Illinois, in part indicating the large amount of income spent by residents of that section in the trade center of St. Louis. It is largest in the opposite direction ($189) for western Tennessee, emphasizing the attraction of Memphis retail stores for income recipients in Arkansas and Mississippi.

This net balance is the more important the smaller the area. In a small rural community, a very large percentage of total income is likely to be spent in the adjoining trade center. But metropolitan areas like St. Louis or Memphis will attract a large amount of consumer dollars earned by nonresidents. The same holds for tourist centers, such as Hot Springs, and college towns, such as Fayetteville, Arkansas.

The relative importance of trade centers is also indicated by the sales-income ratio measuring the relation between per capita sales and per capita income in any given area. For the country as a whole, 63 cents of each dollar earned in 1948 was spent in a retail store, while the corresponding figure for the Eighth District was 65 cents. It should be noted that the sales-income ratio reflects two items: sales and income. Thus, a high ratio may be due either to low per capita income or to the presence of a trade center. Inversely, a low ratio may reflect the absence of trade facilities or relatively high per capita income. In Memphis, the 1948 ratio was as high as 89, indicating the attractions Memphis stores offer a wide trade area. In contrast, is the Mountain Home, Arkansas, area, where only 37 cents of each dollar earned was spent within the same area.

Chart I illustrates relationships of retail sales to income payments in certain district areas. The line indicates the typical relationship between sales and income for the nation as a whole. Points clustering around this line represent areas where the sales-income ratio is close to the national norm. The vertical distance of each point from the national sales-income line measures the relative importance of this area as a trade center. Points above the line indicate areas with a sales experience that is higher than the national sales-income ratio, while points below the sales-income line indicate areas without major trade facilities, where a less-than-national-average part of income earned is spent in retail stores of the same area.

Trade centers do not necessarily coincide with high-income areas. Thus, residents of rural sections like the Clarksdale, Mississippi, area may spend a considerable part of their income in an

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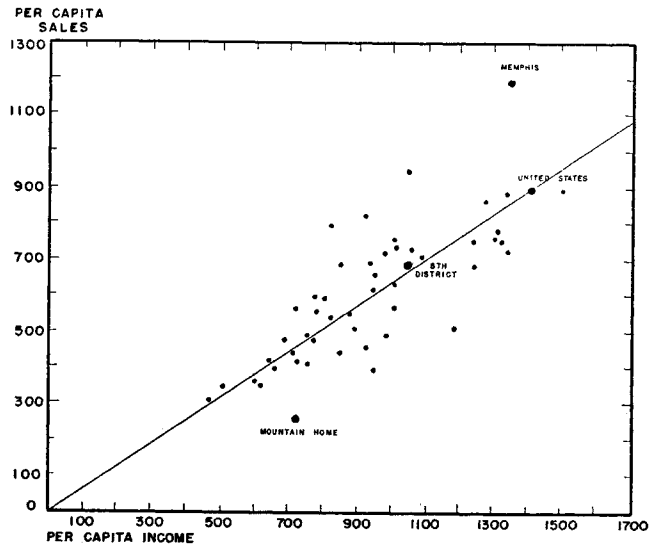
PER CAPITA INCOME AND SALES - 1948

SELECTED INCOME AREAS



adjoining urban center. An area of equal per capita income like Fayetteville, Arkansas, serves as an important tourist and student center and attracts trade.

. . . *and when.*

Finally, the sales manager likes to know *when* income is to be spent. Income currently saved is not directly available for current sales. The marketing analyst therefore wants to know how much disposable personal income will be spent on consumption. And that means disposable not only in the technical sense (income after tax payments), but it also means income that is freely disposable in the sense that it has not already been committed to the payment of debt, or to current saving and investment. (Of course, current sales may be financed out of past income whenever consumers are able and willing to draw on past savings. They also may be financed out of future income whenever consumer credit is made available for current sales.)

To understand some of these time relationships between income and expenditures, the Board of Governors of the Federal Reserve System conducts regular surveys of consumer finances. These are designed to give comprehensive data about consumer incomes, saving and dissaving, holding of liquid assets, and debt positions, together with information about consumer expectations and about plans consumers have for disposing of their income. The 1950 Survey of Consumer Finances indicates a willingness to use not only current but also ex-

pected future income for the purchase of houses, automobiles, and other selected durable goods. This survey, of course, reflects consumer expectations for the nation as a whole. But the findings are of equal interest for the Eighth District, since preliminary data indicate that consumers here, too, are willing to use past savings as well as consumer credit to maintain their purchases of hard goods.

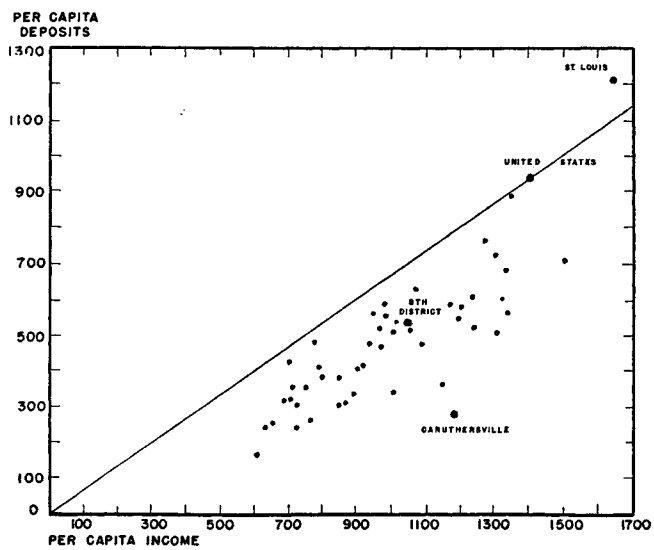
Relations between income, consumption, and saving are also indicated by relative movements of total deposits and their ownership. These measure the extent to which consumers add to their liquid savings by refraining from the expenditure of current income; they also show the availability and use of these assets in supplementing current income. The size of bank deposits in relation to income can be expressed as the ratio between per capita deposits and per capita income in each area. Illustrating the difference between a metropolitan banking center and an area with limited banking facilities are the figures for St. Louis, where the ratio was 68 in 1948, and Caruthersville, Missouri, where the ratio was 24.

These differences are shown in Chart II. The heavy line indicates the typical relationship between deposits and income for the country as a whole. Points above the line indicate banking centers where deposits are above the national deposit-income norm; points below the line indicate those with below-national-average ratios. It should be noted that Chart I shows a heavy cluster around the typical sales-income line, while Chart II illustrates a serious lag in the district deposit-income ratio. In other words, the income-expenditure patterns of the district are close to the national average, while income-deposit patterns in the Eighth District are below the national norm. This is primarily due to the relative absence of large corporate business accounts in this district, a fact that considerably complicates the comparison of personal income and bank deposits.

II

PER CAPITA INCOME AND DEPOSITS - 1948

SELECTED INCOME AREAS



To gauge the regional trend of savings and the use of liquid assets for current sales, it is necessary not only to have the deposit and income data for any given year, but also to compare the relative growth of personal income and individual deposits over a certain period of time. Recent district income shifts were highlighted in the deposit survey of 1949, showing the larger losses of deposits as coming in the rural areas heavily dependent upon cotton production. It is hoped that the data made available in connection with the next deposit ownership survey will permit further analysis of relationships between income and deposit movements in the Eighth District.

Although "economic welfare" is an elusive concept,

One of the most elusive concepts in the field of economics is that of "economic welfare." It is hard to define economic welfare in absolute terms. But it is even more difficult to compare levels of welfare among different regions or over periods of time. For example, is the farm family with a small cash income and the lack of many urban facilities actually worse off than the city family with higher income and all of the gadgets of city living? Or does the farm way of life make up for the difference? Do we live better today than our grandparents did? Such questions are hard to answer with any high degree of precision.

Admitting the difficulties of defining and comparing welfare levels, it still is necessary to make some sort of judgment as to differences in the state of well-being. Under our present institutional set-up, administrative decisions have to be made regarding allocations of Federal, state and local funds for welfare purposes. The general theory behind such grants-in-aid is that the "poor" sections should receive proportionately larger shares than the more well-to-do sections.

Income data provide approximate guides to such allocation problems. The Department of Commerce series on state income payments is used as a basis for allocating certain types of Federal grants-in-aid. But there is a growing demand for smaller area income data for use in allocating state and local funds.

. . . a careful study of the income variations between regions

Income comparisons as between counties or regions may be misleading because the state of development of the market differs. In one area, for example, most services may be purchased, whereas in another they may be provided in the household or community. Similarly, comparisons over periods of time face this same problem. Monetary market transactions today cover relatively much more of the goods and services produced than they did a century ago.

An example of this problem may be seen in comparing living levels of farm and city families having the same dollar income. As noted earlier, food and fuel produced and consumed on the farm make up about 10 per cent of total consumption in most rural areas of the district. In some low-income farm sections, it runs as high as 35 per cent of the total value of production. These items are valued at cost for the farm family, but the city resident buys them at retail. Also, urban people have to use some of their income for expenses not ordinarily incurred by farm families—more clothing and transportation costs and so on.

. . . highlights the gap between the district's rural poor and the "average" American.

These difficulties should properly be emphasized. But the wide gap between low-income rural areas within the Eighth District and the more industrialized communities remains impressive enough, even after adjustments for differences in the cost of living and in the market structure have been made. Per capita income in metropolitan centers is three times that of many rural areas, especially in the southern parts of the district.

Data on rural levels of living compiled from Census sources by the Bureau of Agricultural Economics highlight differences in housing standards and in the availability of household conveniences for different areas of the United States. This rural level of living index shows the close relation between living standards and the recorded per capita income. When the average rural level of living for all counties of the United States is taken as 100, the index shows a value of 144 points for the metropolitan area of Louisville and the surrounding Blue Grass region, as compared with an index of only 31 points for the Monticello area in the Kentucky hills. For the densely settled southern delta around McGehee, Arkansas, the index is as low as 19 points, while, for the sparsely populated livestock area around Quincy, Illinois, it is as high as 138. These data show that differences in monetary per capita income (even though they may need some adjustments to take into account differences in family composition and the market structure) are paralleled by extreme differences in the level of living between low- and high-income areas.

Several attempts have been made recently to adjust income data for differences in the cost of living and the market structure to make them more useful as an index of economic welfare. For the nation as a whole, these estimates suggest that "real" incomes of farm and nonfarm families differed by at least 25 per cent in most prewar years, while they averaged about equal in 1945, attesting the success of farmers in achieving income "parity." But this "parity" is only in terms of nationwide averages of income. Such limited regional data as are available indicate that, during the postwar years, farmers in certain parts of the western and north-central regions of the country may actually have been a good deal better off than nonfarmers. At the other end of the scale, particularly in certain parts of the South, the data show that farmers have remained at a substantial disadvantage, even during the farm prosperity of recent years.

This makes it evident that, for large parts of the Eighth District, there remains the problem of raising the living standards of the rural poor to a level closer to the prosperity enjoyed by the rest of the American people. As pointed out before, this goal can be achieved only where per capita productivity in agriculture is substantially increased. It also calls for the development of industrial employment so people can move out of agriculture into industry in order to raise their own productivity in industry as well as the productivity of those who remain on the soil.

The data on district income and the rural level of living index, quoted above, highlight the wide differences in economic welfare between areas of chronic low income—where too many people try to work on a limited resource base with outmoded production techniques—and areas where high per capita productivity, in farm and factory, makes for a high per capita income and a high level of living.

To forecast sales, disposable personal income is the most useful concept. To compare economic welfare, levels of living are an appropriate index. To appraise the challenge and promises of regional economic development, details on the structure and flow of income in a given area are needed.

Appraisal of regional differences in sources of income help guide economic development,

There is a wide difference between the income structure in the Eighth District and that in the nation. There also are differences among the income areas within the district. While payrolls make up 64 per cent of total income payments in the country as a whole, they account for only 51 per cent in the district. On the other hand, entrepreneurial income accounts for 33 per cent of district income as contrasted with a national average of only 20 per cent. Agriculture is more than twice as important a source of income in the Eighth District than in the nation.

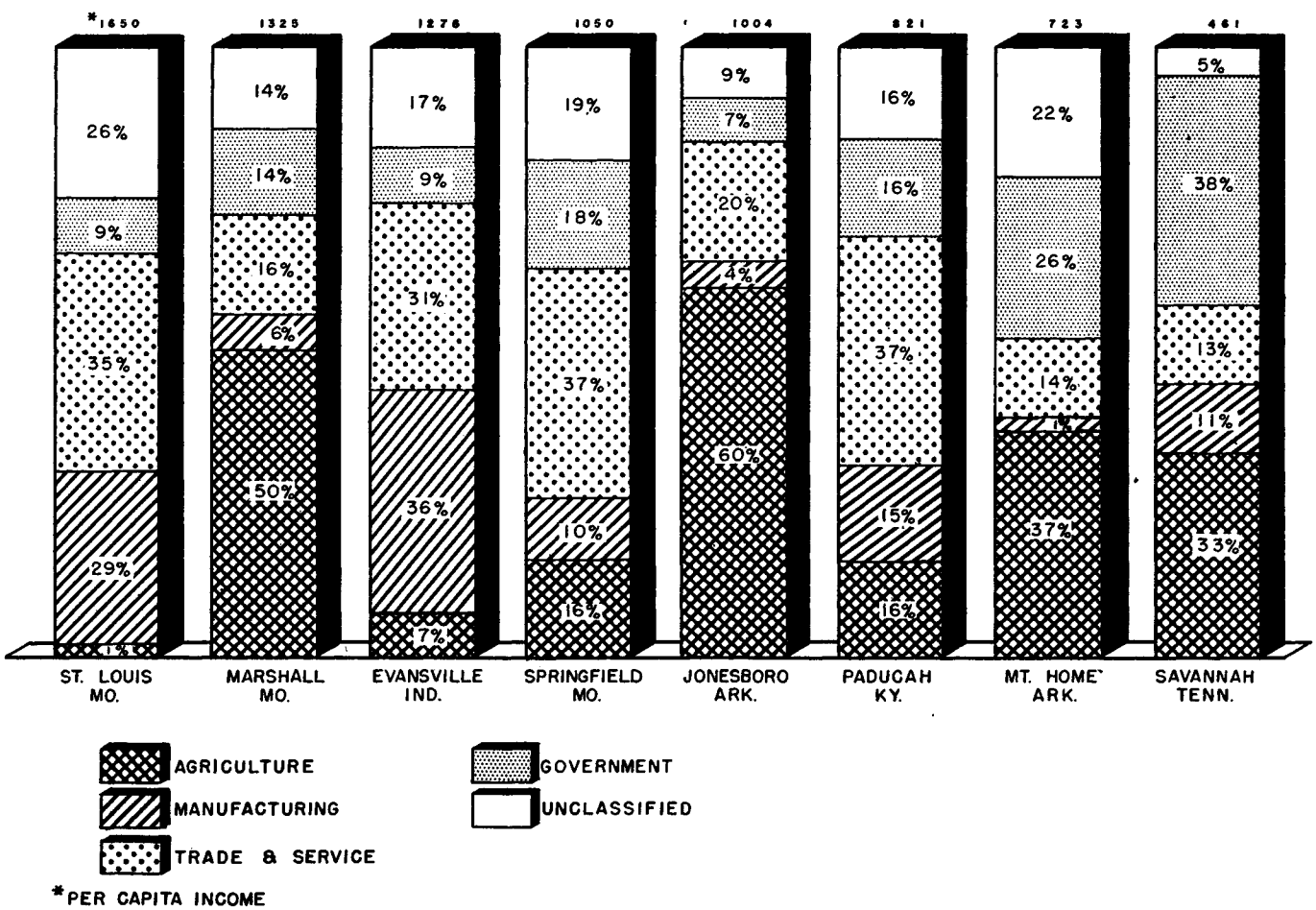
Within the district, some differences in the industrial income structure are illustrated in Chart III. In Evansville, Indiana, manufacturing accounts for 36 per cent of all income payments. This contrasts with but 1 per cent in Mountain Home, Arkansas. Agriculture produces more than 60 per cent of total income in Jonesboro, Arkansas, but less than 2 per cent in the metropolitan areas. Government paid 26 per cent of total 1948 income in Mountain Home, Arkansas, but only 7 per cent in Jonesboro, Arkansas.

These differences in the income structure must be interpreted with care. The high percentage of Government income in most low-income areas reflects mainly the lack of other income sources. Even small Government benefits loom large in the total picture in such areas. Temporary public works projects, such as the construction of Norfork Dam, may greatly influence the industrial distribution of income payments in any specific year. On the other hand, even where direct Government payments are relatively small, as in the Jonesboro area, Government may play an important indirect role through farm price support programs.

III

SOURCES OF INCOME - 1948

SELECTED INCOME AREAS



. . . *particularly when tied to the area's total income growth*

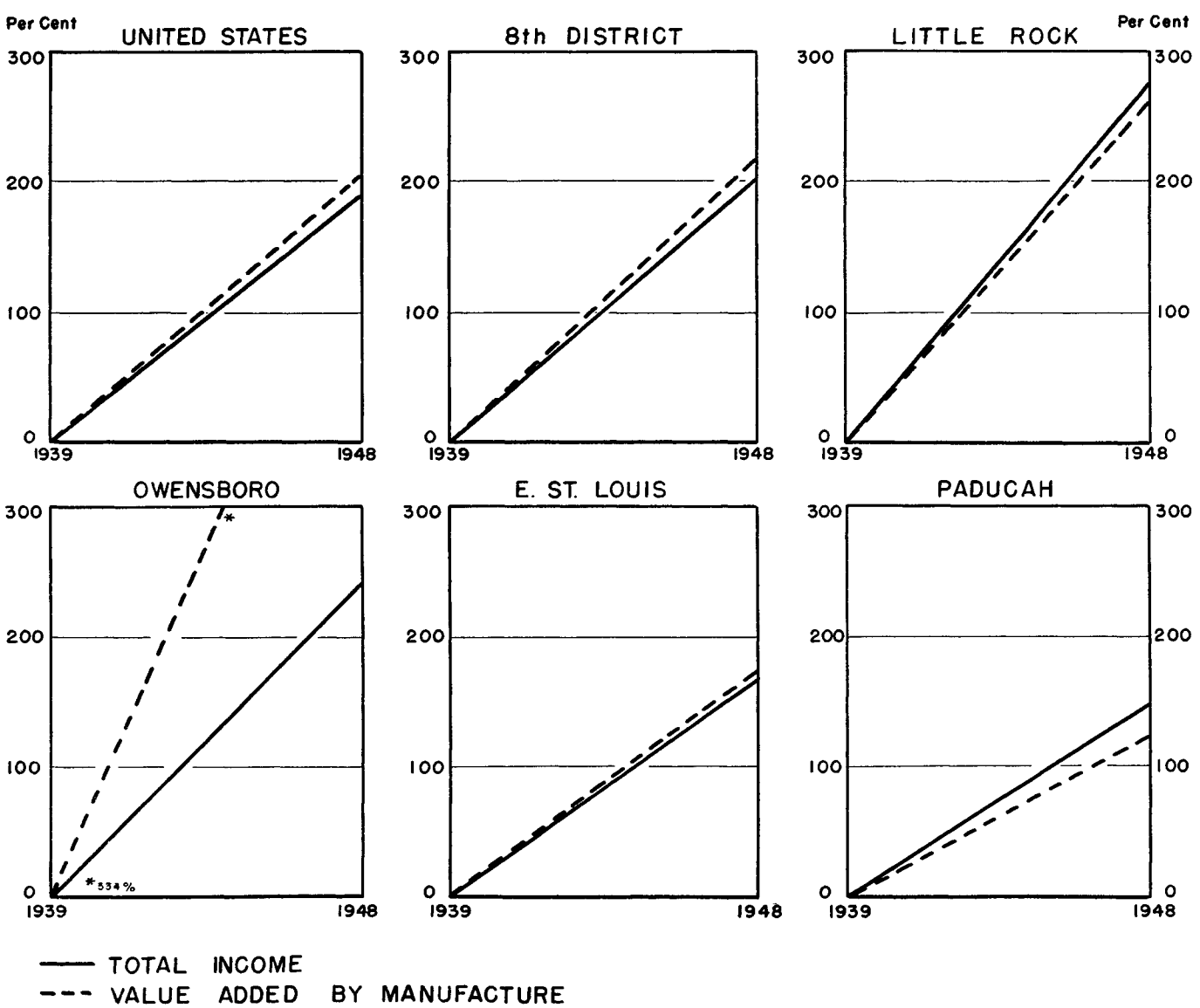
For any one year, differences in income structure, by themselves, offer little clue to understanding forces that determine regional economic development. More important is a knowledge of total income growth as it is related to the importance of specific income components and their movements over time. Thus, per capita and total income growth over the last decade have been most pronounced in areas where value added by manufacture has made greatest strides. Chart IV illustrates the close relationship between these two business indexes.

Manufacturing development is commonly associated with relatively high levels of income. This is because manufacturing provides not only direct job opportunities in an area, but also affords immediate markets for the products of the surrounding farms, forests, and mines. In addition, it gives rise to employment in trade and service activities. Manufacturing industries thus have a large "multiplier" effect on the remainder of the local economy.

IV

TOTAL INCOME AND VALUE ADDED BY MANUFACTURE

PERCENTAGE INCREASE 1939-1948



. . . and to its resource base.

To be more useful for an understanding of regional economic development, the income structure of an area should be related to its resource base. High per capita income may be associated with a predominance of farm income where the resource base permits profitable farming, and a limited number of farm operators assures high per capita productivity, such as in the livestock areas of the Missouri corn belt. On the other hand, low income may persist in some areas even where there is manufacturing activity. This may reflect the fact that the industrial development lacks proper relation to the resources available, or the original resource base has been depleted.

The most important resource of any area is its people,

The most important resource of any area is its people. Analysis of regional development should concentrate on forces that determine the effectiveness with which this basic resource contributes to income. Three factors affect this contribution: (1) the proportion of the total population participating in the labor force, (2) the continuity of employment, and (3) the degree of specialization permitted by the division of labor that emerges with industrialization.

There are striking differences in the proportion of the total population actively participating in the labor force of the district. In the metropolitan areas, 45 per cent of all residents are gainfully employed. In some of the hill sections, this ratio (including the self-employed) drops to as low as 30 per cent.

A low labor force participation may reflect a lack of employment opportunities. It also may reflect the age distribution of the population, with a large percentage of the total population below working age. In such a case, low per capita income may evidence the large number of people outside the labor force among whom the total income of the area has been distributed; and the area may contribute a large share of its total income to the education of the young, possibly to the benefit of other regions to which these children will migrate once they reach maturity.

Where the low labor force participation is due to a lack of employment opportunities, the area has a rich resource—its people—that is not being properly utilized. Under these circumstances, the expansion of factories, particularly in rural areas, may greatly increase the active labor force by drawing into full-time industrial employment those family members who formerly were on part-time work at low productivity on the farm.

. . . their abilities

Differences in regional development are determined also by the conditions that mold the abilities of the people to produce. With the same labor force participation, a given population of the same innate capabilities may be employed at very different rates of productivity. It is well known that per capita income differs widely among industries despite the fact that individuals may expend the same effort. To a large extent, the relatively low income of the Eighth District can be ascribed to the predominance of industries with a low rate of productivity. When the average per capita wage in all manufacturing industries for the nation as a whole is taken as 100, the district rate is only 85. In many district areas, it is less than half the United States average.

. . . and skills.

In this connection, the abilities that can be acquired by the population of a given area are of central interest. In June, this Review carried a survey of educational facilities in the Eighth District. It was shown how the quality of our schools is affected by economic progress in the community because this determines the community's ability to pay for educational facilities. At the same time, the extent to which economic development takes place is affected by the work accomplished in the schools. A full utilization of district resources presupposes the extension of educational opportunities to more and more people. It requires that the level of skills be pushed steadily upward. This process is one by which capital is "invested" in human agents to develop technical and managerial skills that will determine the long-run productivity of the district.

People work with land

In addition to the people and their skills, there are resources of land and capital. Differences in farm income and per acre productivity partly reflect differences in land fertility. Farm income is higher in the rich river bottom areas of the district than it is on the hills. Yet there are many areas with relatively poor lands where low income has been overcome by shifts in resource allocation. Here, again, the main problem is to make the best use of the resources that are available.

. . . and capital.

Productivity of any area may be greatly increased by capital investment. Farm income is closely related to the size of the investment in farm equipment. The number of farms using tractors may

serve as one measure of the trend toward greater mechanization—toward the use of capital. By this index, Arkansas is leading the nation in the rate of increase in farm mechanization, the number of farms (per 1,000 farms) reporting tractors having more than quintupled over the last two decades. This growth was accompanied by a tripling of Arkansas cash farm income from 1929 to 1948. Mississippi, on the other hand, starting with the same base, showed a 260 per cent increase in the number of farms using tractors and just doubled its cash farm income over the corresponding period.

Total income is closely related to investment in manufacturing plant and equipment which, as pointed out before, has a stimulating effect on the area as a whole. Value added per production worker may serve as an index of local investment in manufacturing facilities. When the national average is taken as 100, all the district's high-income areas show a value added per employee that is above the national average. Most of the low-income areas, on the other hand, have values below the national norm. It should be emphasized again, however, that the value of an industry, in terms of regional economic development, does not depend on its absolute labor productivity. Rather it depends on the extent to which it efficiently utilizes the available resource base.

Capital funds for economic development

Economic development in its various aspects has the common goal of raising productivity. Productivity, in turn, means the ability to produce and a chance to work with capital goods—with equipment and machines. Low income in any area results from a shortage of productive apparatus and from lack of skills to use "real" capital. Both can be overcome with the availability of financial resources to provide for modern equipment and for the education to use it.

Funds for economic development come from a number of different sources. The most important source is the current income that is spent by recipients on consumption and investment goods. Other nonfinancial sources are depreciation charges and related business reserves for the replacement of worn-out plant and equipment. Financial sources of funds for economic development may originate either in liquid savings or in new bank credit.

. . . come from current income,

Income payments are the largest single source of funds available to any community. This has prompted the great interest in a fuller understanding of the relations between income structure and income flows. Certain income shares are spent more readily for goods or services produced in the same area and therefore have a higher "multiplier" effect than others. As pointed out above, manufacturing payrolls are likely to cause the growth of related trade and service industries in the community to satisfy the demands of people engaged in the manufacturing process. All "market-bound" industries are directly stimulated by the industrialization of a region.

The extent to which current income payments will be used for the benefit of local economic development depends on where and when income will be spent by the income recipients. The Eighth District, as noted before, has a "net balance". This indicates that, on balance, the personal income earned in this district but spent outside is not matched by an equal flow of "foreign" income into the district. Current income payments, therefore, do not benefit the economic development of the district to the extent that they would if a larger percentage of these payments were used for expenditures within the district. This, of course, is not meant to suggest that residents of the district, in a narrow isolationism, should spend all their income at home. Rather it means that, just as district residents spend part of their income "abroad", the district should be able to attract more funds from outside. The point is not to discourage "imports" paid for out of district income. Rather it is to encourage more "exports" of the goods and services produced by the people of the district, to be paid for out of a larger share of the national income. The role of trade centers in attracting funds earned outside the area has been stressed before. Another promising development along these lines is the fuller utilization of the scenic resources of the district to attract more tourists.

. . . from business reserves,

For the nation as a whole, depreciation charges form a substantial source of business funds. Here, again, there is a relative absence of large business enterprise in many parts of the district. This has meant that this source of funds is available within the district only to a limited extent. Yet a promising factor here is the growing interest of national companies in erecting branch plants within the district. These branches are at least partly financed out of national depreciation reserves, and the extent to which the district succeeds in attracting new

plants will determine the availability of this source of funds.

. . . *from savings*

Availability of liquid savings is partly measured by the size of commercial bank deposits in relation to income. For the nation as a whole, at present, a dollar of current income is matched by 67 cents in a commercial bank deposit. The corresponding ratio for the district is only 51 cents. This suggests the extent to which the Eighth District is disadvantaged by a shortage of liquid asset balances. Obviously, deposits held outside the district may be owned by district residents and—whether owned by residents or others—spent in the district. To the extent that this is done, the district can draw on out-district funds for its economic development. But the fact remains that local funds are less readily available for the financing of business expansion in the district than they are in the nation as a whole.

. . . *and bank credit.*

One important financial resource for economic development is bank credit. The banking community of the district has the responsibility of wisely extending credit—under more "normal" conditions —so as to encourage further income growth. The opportunities for growth are there; the human and natural resources of the district await fuller utilization by equipping them with the knowledge and the machines to make all our citizens productive workers and to enrich our soil. The resultant income, in turn, will become the source of new funds available to the district economy.

A more precise statement of the sources and uses of district funds is now in preparation.

A more precise analysis of these financial relations is the goal of measuring regional income payments and tracing regional income flows. A statement on the sources and uses of funds within the Eighth District is now in preparation and should help to indicate more fully the role of the financial community in administering these funds for economic growth.

A statement on the sources and uses of district funds should also clarify the financial relations between the district and the national economy. To repeat, regional development does not imply a "closed economy". Fortunately, district lines are no barrier to "imports" and "exports"—to the outflow and inflow of funds. Regional development, rather than taking away opportunities from other areas, encourages that type of economic growth that is in the long-run interest of the region as well as the nation. It proceeds as a complementary rather than a competitive endeavor.

The relations of the district economy with the rest of the world are not limited to a consideration of the district and the national interest. In a period when this country is called upon to promote the growth of world trade which will help free nations remain free, regional economic development must be appraised in terms of how well it contributes to this world responsibility shared by all sections of the American economy.

Werner Hochwald
La Verne Kunz

Survey of Current Conditions

The district's economy, as well as the nation's, was operating at close to peacetime capacity levels in June—before the outbreak of hostilities in Korea. Eighth District manufacturing output was at or near a new postwar high; steel production was at a rate equalled only twice since 1944; construction was considerably over the volume in June, 1949, and employment was just under the postwar peak in 1948. Eighth District agricultural output was at high levels although below the 1948 and 1949 volumes. Consumer demand, in substantial volume as a result of the increased industrial output, was bolstered by expanding credit.

The outbreak of hostilities in Korea added to the demand for goods and commodities. One of the principal effects of the sudden increase in demand was on prices. Within the first three weeks of the outbreak of the Korean war, sharp increases occurred in certain basic commodity prices, in numerous wholesale prices and, to a more limited extent, in retail store prices. Many manufacturers and merchants attempted to build up their inventories and many consumers bought certain goods in excess of current requirements.

In addition to the strong private business and consumer demand, our participation in the Korean hostilities will accelerate military demand for some goods. While demand is being thus expanded further, need for more men and women in the armed services will reduce, to some extent, the labor force available to provide the goods and services.

Under the circumstances, which are inflationary, the President proposed legislative action to curb consumer credit and to divert to military use whatever goods and materials were necessary to prosecute the Korean defense successfully. Restrictions on the use of Government credit and guarantees in the real estate field were ordered.

While it is still too early to measure the full impact of the Korean war situation on the Eighth District economy, it is clear that the additional demand generated by the war has increased prices—primarily basic commodity prices—and that the credit restrictions ordered in the real estate field and suggested in the consumer credit field would exercise a restraining influence on the currently inflationary situation. Further restraint could be exercised by individuals and business and Government (in its nonmilitary domestic affairs) with equally helpful results in dampening the inflationary potential.

EMPLOYMENT

More people were working in June and for longer hours and higher wages than at any time since the peak of 1948. Fewer persons were looking for jobs and those with experience were having less trouble finding work than at this time last year. A few scattered labor shortages were beginning to appear in June for the first time in many months.

Nationally, total employment in June was the second highest on record. In the week ended June 10, the number of persons holding jobs was 61.5 million, or only 133,000 less than the record set in July, 1948, and 1.8 million more than in May, 1950. Average employment in the major Eighth District cities was also higher than in any month since late 1948.

The expansion in total employment in the nation between May and June was almost twice as large as last year due primarily to a substantial pick-up in the agriculture, manufacturing and construction in-

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	June,'50	May,'50	June,'49	June, 1950 compared with May,'50	June, 1950 compared with June,'49
All Commodities	157.3	155.9	154.4	+ 0.9%	+ 1.9%
Farm Products	165.9	164.7	168.5	+ 0.7	— 1.6
Foods	162.1	159.9	162.4	+ 1.4	— 0.2
Other	148.8	147.6	145.5	+ 0.8	+ 2.3

CONSUMER PRICE INDEX

Bureau of Labor Statistics (1935-39=100)	June 15, 1950	Mar. 15, 1950	June 15, 1949	June 15, 1950 compared with Mar. 15,'50	June 15, 1950 compared with June 15,'49
United States	170.2	167.0	169.6	+ 1.9%	+ 0.4%
St. Louis	169.7	167.4	169.8	+ 1.4	— 0.1
Memphis	169.9	169.4	173.5	+ 0.3	— 2.1

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	June 15, 1950	May 15, 1950	June 15, 1949	June 15, 1950 compared with May 15,'50	June 15, 1950 compared with June 15,'49
U. S. (51 cities)	204.6	200.3	204.3	+ 2.1%	+ 0.1%
St. Louis	212.4	208.4	212.8	+ 1.9	— 0.2
Little Rock	201.0	197.4	204.2	+ 1.8	— 1.6
Louisville	194.1	188.9	194.1	+ 2.8	-0-
Memphis	206.4	204.3	215.3	+ 1.0	— 4.1

WHOLESALING

Line of Commodities Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Net Sales June, 1950 compared with May, 1950	Net Sales June, 1950 compared with June, 1949	Stocks June 30, 1950 compared with June 30, 1949
Automotive Supplies	+10%	+ 7%	— 5%
Drugs and Chemicals	—15	—10	.....
Dry Goods	+ 1	+11	+37
Groceries	+ 2	— 1	+10
Hardware	+ 1	+22	+ 4
Tobacco and its Products	+ 5	+ 2	+ 4
Miscellaneous	+ 6	+14	—11
**Total All Lines	+ 1%	+10%	+17%

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

dustries. A major portion of this year's gain consisted of school-age persons, but employment of adults also edged upward.

Agricultural employment rose seasonally between May and June at a rate slightly higher than last year, but continued to be substantially lower than a year ago. During the first six months of 1950, the number of farm workers in the nation averaged almost 10 per cent below 1949. The same trend is believed to be true for the district.

None of the five major areas in the Eighth District had more than a moderate labor surplus in May, according to the classifications of the Department of Labor. Only three small areas (Cairo, Crab Orchard and Mt. Vernon, Illinois) were considered "critical" with a very substantial labor surplus; and only one area (Springfield, Missouri) had a substantial labor surplus. St. Louis and Memphis had a moderate portion of their labor force unemployed this May as well as a year ago. Employment conditions improved in Louisville and Little Rock during the year. The outstanding instance of labor market gains in this district occurred in Evansville. This area had a substantial labor surplus in January, 1950 and was only one step away from the "critical" classification. By May, however, an expansion in the manufacture of nonelectrical machinery and transportation equipment plus seasonal gains in construction had resulted in a change in classification to an area of balanced labor supply. This meant that in May less than 3 per cent of the Evansville labor force was unemployed as compared with over 8 per cent in January.

Unemployment rose in both this district and the nation between May and June, although not as much as normally would be expected. This rise was due primarily to school graduates and to students seeking summer jobs.

Probably more significant than the seasonal rise in total unemployment was the fact that long-term unemployment (persons out of work for four months or more) declined for the second successive month, following a steady rise for more than a year.

The number of persons collecting unemployment compensation in the district has been on the downgrade for the past several months (summer workers and school graduates generally are not eligible for compensation). In St. Louis, fewer compensable claims were filed in June than at any time since last October and the June volume of claims was less than three-fourths of the January peak. The biggest improvement occurred in Evansville, where the number of unemployment compensation claims in June was only one-fourth as large as in March.

INDUSTRY

Industrial activity in the Eighth District continued to expand during June, with most segments of the economy sharing in the gain. Production in the manufacturing industries probably reached a new peak, and the construction boom continued. Coal production and crude petroleum output, however, were off slightly in June. The consumption of electric power by manufacturers in the district's leading industrial areas in June was up slightly from May and was substantially higher (21 per cent) than last June.

Manufacturing Activity Higher in June

This district's manufacturing plants apparently produced more goods in June than in May, or in June of 1949. Preliminary figures indicate that manufacturing output in June may have reached a new postwar high. The recent gains have been strongest in the durable goods industries, with production in such industries as electrical machinery, stone-clay-glass, lumber, nonelectrical machinery, and steel more in June than in May. In the soft or nondurable goods field, several industries, including chemicals, shoes, textiles, and meat packing, suffered declines which were, however, partly seasonal in nature.

The basic steel industry in the St. Louis area was operating in June at 83 per cent of capacity, 7 points higher than in May and 23 points above the year-ago level. The June rate was equalled in only two months since 1944. During the first six months of 1950, the average rate of operations was 12 per cent above that of the same period last year.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	June, 1950 K.W.H.	May, 1950 K.W.H.	June, 1949 K.W.H.	June, 1950 compared with May, '50	June, 1950 compared with June, '49
Evansville	15,462	14,614	12,422	+ 5.8%	+24.5%
Little Rock	4,624	4,760	5,142	— 2.9	—10.1
Louisville	74,171	73,426	61,814	+ 1.0	+20.0
Memphis	27,763	30,056	24,782	— 7.6	+12.0
Pine Bluff	7,149	6,615	6,023	+ 8.1	+18.7
St. Louis	93,965	92,944	74,104	+ 1.1	+26.8
Totals	223,134	222,415	184,287	+ 0.3%	+21.1%

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

June,'50	May,'50	June,'49	First Nine Days July,'50	First Nine Days July,'49	6 mos. '50	6 mos. '49
110,339	112,550	103,244	29,561	29,647	641,200	630,155

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	June, 1950	May, 1950	June, 1949	June, 1950 compared with May, 1950	June, 1950 compared with June, 1949
Arkansas	79.1	79.3	76.4	—0—%	+ 4%
Illinois	172.0	175.0	176.5	— 2	— 3
Indiana	30.2	29.2	25.0	+ 3	+21
Kentucky	26.1	26.3	23.9	— 1	+ 9
Total	307.4	309.8	301.8	— 1%	+ 2%

The demand for lumber continued to be very strong during June reflecting both the construction boom and the expected record production in the furniture industry this summer and fall. During June, the Southern pine mills produced slightly less lumber than in May but about 8 per cent more than last June.

During the first half of 1950, production averaged considerably higher than in 1949. The reporting southern hardwood producers operated at 93 per cent of capacity in June as compared with 90 per cent in May and only 64 per cent in June, 1949. Since February, the southern hardwood producers have operated at greater capacity than in the corresponding month of last year.

The manufacture of shoes in the Eighth District was curtailed during May, although not nearly as much as last year. The drop in shoe production in this district between April and May was relatively much smaller than that for the United States as a whole. With the exception of the month of March, district shoe production has fallen off steadily so far this year. However, slightly more shoes were produced during the first six months of 1950 than in the same period of 1949.

Meat packing operations in the St. Louis area in June were reported to be at the lowest level since March. About 390,000 animals were slaughtered in June as compared with 419,000 in May and 409,000 last June. A substantial drop in the volume of hogs slaughtered was responsible for the May-June decline.

Less Coal and Oil Produced

Less coal and oil were produced in the district in June than in May, but production remained higher than in June of 1949. About 7.5 million tons of coal were mined in June—1.1 million tons less than in May but 4.3 million tons more than last June. Each of the three major coal producing areas, Illinois, Indiana and western Kentucky, mined less coal in June than a month earlier, but western Kentucky was the only one of the three which did not exceed its last year's output. During the first six months of 1950, coal production averaged about 11 per cent less than in 1949 due to the abnormally low output

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
June,'50	May,'50	June,'49	June,'50	May,'50	June,'49
139*	163*	109	147*	158*	116

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
May,'50	April,'50	May,'49	May,'50	April,'50	May,'49
123*	139	108	127*	137	112

*Preliminary.

CONSTRUCTION

BUILDING PERMITS
Month of June

(Cost in thousands)	New Construction Number 1950	Number 1949	Cost 1950	Cost 1949	Repairs, etc. Number 1950	Number 1949	Cost 1950	Cost 1949
Evansville.....	64	113	$ 223	$ 895	82	100	$ 188	$ 61
Little Rock.....	135	58	1,211	466	273	215	437	286
Louisville.....	215	299	1,611	964	90	76	76	80
Memphis.....	2,429	1,181	5,170	2,894	219	200	128	143
St. Louis.....	391	304	3,050	2,006	348	320	831	642
June Totals..	3,234	1,955	$11,265	$7,225	1,012	911	$1,660	$1,212
May Totals...	2,512	2,472	$17,075	$7,333	1,008	969	$1,553	$ 940

in the months of January and February. During the last four months, output has exceeded the year-ago level.

The average crude oil output in June of about 307,000 barrels per day was the smallest volume reported so far this year. The production of crude oil in June was fractionally less than in May, but was moderately above last June. During the first six months of 1950, output of oil has been consistently higher than in either 1948 or 1949.

Construction Continues to Break Records

Building activity continued at a high level in June. Construction during the first half of 1950 broke one record after another.

Building permits were issued for approximately $70 million worth of new construction in the first six months of this year in the five major district cities. This was twice the amount issued during the same period last year, with all cities except Evansville contributing to the increase. New construction authorized in June—$11 million—was substantially lower than in May, but was half again as high as a year ago.

The dollar volume of construction contracts awarded in the Eighth District totaled $82 million in June, bringing the total for the year to date up to $407 million. The June volume of contracts awarded, according to the F. W. Dodge reports, was down from May, but was considerably higher than last June. Both nonresidential and residential building contracts dropped during June, but public works and utilities construction gained. During the first half of 1950, the total dollar volume of construction was 44 per cent higher than in 1949, with residential showing an 82 per cent and nonresidential showing a 26 per cent gain.

TRADE

The picture of retail sales in the Eighth District for the first half of 1950 reflected continuing consumer eagerness to purchase durable goods. Soft goods retailers had to combat the weather and consumer preference for hard goods. But the life of retailers of durable goods was not bright in all lines.

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	June, 1950 compared with		6 mos. '50 to same	June 30,'50 comp. with	Jan. 1, to June 30,	
	May,'50	June,'49	period '49	June 30,'49	1950	1949
8th F.R. District	— 9%	+ 4%	— 1%	+ 3%	1.88	1.92
Ft. Smith, Ark.	— 5	+ 5	— 4	+ 4	1.83	1.96
Little Rock, Ark.	—20	+ 5	-0-	+15	1.86	2.00
Quincy, Ill.	— 8	— 1	— 2	+ 7	1.64	1.64
Evansville, Ind.	— 4	+15	+ 3	— 2	1.79	1.70
Louisville, Ky.	—10	+12	+ 2	+ 6	2.08	2.08
St. Louis Area[1]	— 5	+ 1	— 2	+ 2	1.87	1.90
St. Louis, Mo.	— 5	-0-	— 3	+ 2	1.88	1.91
Springfield, Mo.	— 6	+ 5	+ 1	— 4	1.67	1.59
Memphis, Tenn.	—19	+ 2	-0-	— 1	1.94	2.02
*All other cities	— 4	+14	+ 1	+ 4	1.54	1.52

*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 June, 1950, were 20 per cent greater than on the corresponding date a year ago.

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

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	...%	47%	Quincy	18%	53%
Little Rock	16	42	St. Louis	18	54
Louisville	17	50	Other Cities	13	55
Memphis	17	40	8th F.R. Dist.	17	49

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	June, 1950	May, 1950	April, 1950	June, 1949
Sales (daily average), unadjusted[2]	293	323	316	283
Sales (daily average), seasonally adjusted[2]	326	330	319	314
Stocks, unadjusted[3]	299	313	329	280
Stocks, seasonally adjusted[3]	299	313	329	280

[2] Daily average 1935-39=100.

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	June, 1950 compared with		6 mos.'50 to same	June 30,'50 comp. with	Jan. 1, to June 30,	
	May,'50	June,'49	period '49	June 30,'49	1950	1949
Men's Furnishings	— 6%	— 1%	— 5%	— 1%	1.25	1.27
Boots and Shoes	— 7	— 2	— 3	— 6	2.25	2.26

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

Men's Furnishings ..... 41% Boots and Shoes..... 42%

Trading days: June, 1950—26; May, 1950—26; June, 1949—26.

RETAIL FURNITURE STORES**

	Net Sales		Inventories		Ratio of Collections	
	June, 1950 compared with		June, 1950 compared with			
	May,'50	June,'49	May,'50	June,'49	June,'50	June,'49
8th Dist. Total[1]	— 3%	+12%	— 2%	+12%	21%	24%
St. Louis Area[2]	— 3	+20	— 1	+21	26	31
St. Louis	— 3	+20	— 1	+21	26	31
Louisville Area[3]	— 9	+20	— 5	+18	15	17
Louisville	—14	+19	— 4	+18	14	16
Memphis	-0-	-0-	— 2	—20	13	15
Little Rock	+ 4	+ 8	+ 2	+ 4	16	20
Springfield	—19	— 4	— 7	+ 2	17	20
Fort Smith	— 1	—20	*	*	*	*

*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.

**41 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

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

Sales of some lines of major appliances and furniture lagged, and competition grew keener and, in some instances, extended into the field of credit terms.

Percentagewise, the growth in instalment credit nationally, since the end of 1949, has been about three times that for total consumer credit outstanding. Automobile sale credit outdistanced other types substantially and at midyear was about one-sixth larger than at the end of 1949.

Of the reporting district retail trade lines, only furniture store sales were larger in the first half of the year than in the corresponding period in 1949. Department store sales were slightly under those last year. Women's specialty store sales were about one-sixth less and men's wear store sales were down 5 per cent.

Department Stores—June sales of reporting stores dropped seasonally from May but were 4 per cent larger than in June, 1949. In the district, seasonally adjusted daily average sales were 326 per cent of the 1935-39 average as compared with 330 per cent in May and 314 per cent in June, 1949.

St. Louis department store sales in June were unchanged from those a year ago. In contrast, all other district cities except Quincy registered increased sales. The largest gain occurred in Evansville where sales increased about one-sixth.

Sales of durables continued to contribute heavily to the strength in department store sales in June. Of the major divisions in St. Louis stores, only housefurnishings, small wares, and men's and boys' wear showed gains from last year. Sparked by sales of television sets, which had more than doubled, housefurnishings sales were 12 per cent larger than last year. Small wares divisions averaged slightly better than in 1949 with the major portion of the gain occurring in umbrella sales—up one-third from a year ago. Men's and boys' wear declined slightly in the upstairs divisions but the gain in basement sales was large enough to boost the total to slightly over last year.

Inventories, at retail value, of reporting district department stores on June 30 were 7 per cent less than on May 31 but were 3 per cent larger than on June 30, 1949. The value of outstanding orders on June 30 was about four-fifths larger than a month earlier and one-fifth larger than a year ago, possibly reflecting fear of future goods shortages plus a growing optimism concerning the level of sales for the remainder of the year.

Specialty Stores—Both women's specialty and men's wear store sales in June were less than in the previous month and the corresponding month in 1949. St. Louis women's specialty store sales were

about a third less than in May and 15 per cent less than in June, 1949. The retail value of inventories on June 30 was one-tenth less than on May 31 and 16 per cent under that a year ago.

Men's wear store sales in June declined 6 per cent from their May level and were 1 per cent less than a year ago. Inventories at the end of June dropped 7 per cent under those a month earlier but were slightly under those last year.

Furniture Stores—Reporting district furniture store sales were 3 per cent less than in May but were 12 per cent larger than in June, 1949. The retail value of inventories on June 30 was slightly less than on May 31, but was 12 per cent larger than on June 30, 1949.

AGRICULTURE

Generally, the prospects for 1950 crop production indicate a higher outturn of crops than for any year prior to 1942, but considerably lower than in 1948 and 1949. Corn production, for example, was estimated on July 1 at 3,176 million bushels, compared with 3,378 million in 1949—a 6 per cent reduction. However, a crop of this size would be 500 million bushels above the corn goal fixed at the outset of the crop season, 200 million bushels above the 10-year average, and the third largest crop of record.

Prospects for other district crops improved during the month. Wheat yields are exceeding earlier expectations in Missouri, Illinois and Indiana, where most of the district wheat is grown. The July estimate of total United States wheat production (957 million bushels) represented an increase of 12 million bushels over the June estimate. Similarly, the July estimate of the oats crop (1,395 million bushels) indicated an increase of 15 million bushels from a month earlier.

Crop prospects in district states varied from excellent to poor. In Missouri, corn production was estimated at 181 million bushels, 7 million higher than in 1949. Estimated corn production in other district states included in the commercial areas where allotments are in effect was less than in 1949. The declines ranged from 17 per cent in Illinois to 13 and 9 per cent in Kentucky and Indiana. In the other three district states, corn production was expected to increase.

Missouri soybean acreage was estimated at 1,136,000 acres, a record high, and 279,000 acres more than were planted in 1949. Soybean acreages in Mississippi, Arkansas and Tennessee were up 171, 72 and 50 per cent, respectively, from a year earlier. Although substantial acreage increases have been made in Indiana, Illinois and Kentucky, the proportionate increase has been smaller than the 31 per cent increase for the country as a whole.

Total cotton acreage on July 1 was estimated at 19 million acres, more than 7 million acres less than in 1949—a decline of nearly one-third. This would indicate a crop in the neighborhood of 10 million bales, compared with 16 million in 1949. In district states, the acreage decline averaged 29 per cent. The decline in Mississippi was 27 per cent, in Arkansas 34 per cent.

While crop prospects for all district states indicate a high level of production, it might be noted that the spring-sown crops are still dependent on weather during the remainder of the crop season. Dry weather in the second week of July was damaging the crop in some localities.

INDICATED 1950 CROP ACREAGES AND PRODUCTION
July 1, 1950

(Amounts in thousands)	Corn 1950 Production	Corn Per cent change from '49	Soybeans (for beans) 1950 Acreage	Soybeans (for beans) Per cent change from '49	Cotton 1950 Acreage	Cotton Per cent change from '49
Arkansas	34,032	+20%	500	+ 72%	1,720	—34%
Illinois	429,777	—17	3,865	+ 22	*	.....
Indiana	226,416	— 9	1,680	+ 17	—	—
Kentucky	77,875	—13	131	+ 10	*	.....
Mississippi	57,050	+20	293	+171	2,085	—27
Missouri	180,643	+ 4	1,136	+ 33	440	—27
Tennessee	69,960	+ 2	90	+ 50	650	—23
Eighth District States	1,075,753	— 8	7,695	+ 27	4,895	—29
United States	3,175,602	— 6	12,937	+ 31	19,032	—31

*Not reported separately.
Source: Crop Production, U.S.D.A.

Agricultural prices in mid-June were unchanged from a month earlier, following a rise from January to May. Prices paid increased 1 per cent in the month to mid-June. Prices of wheat and dairy products declined, but were offset by higher prices for cotton, fruit, poultry and eggs. However, since June 15, and with the outbreak of the Korean war, prices of agricultural products generally again moved upward. The Bureau of Labor Statistics weekly index of grain prices rose 2 per cent between June 27 and July 11. Livestock prices increased 12 per cent during the same period.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	May, 1950	May, 1950 compared with April, 1950	May, 1950 compared with May, 1949	5 month total Jan. to May 1950	1950 compared with 1949	1950 compared with 1948
Arkansas	$ 22,886	+33%	—13%	$ 104,685	—35%	—17%
Illinois	132,318	+28	+ 7	638,642	+ 1	— 5
Indiana	74,200	+21	+ 5	331,243	— 2	—12
Kentucky	27,559	+44	+ 3	203,991	+ 1	+ 9
Mississippi	13,308	—13	—36	69,717	—61	—47
Missouri	71,312	+35	+ 7	314,647	— 7	—10
Tennessee	25,466	+39	— 9	134,612	— 8	—17
Totals	$367,049	+28%	+ 1%	$1,797,537	—10%	—10%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts June, 1950	Receipts June, 1950 compared with May,'50	Receipts June, 1950 compared with June,'49	Shipments June, 1950	Shipments June, 1950 compared with May,'50	Shipments June, 1950 compared with June,'49
Cattle and calves	103,049	+13%	— 9%	34,889	+11%	—11%
Hogs	239,642	—18	— 4	97,298	+ 9	+24
Sheep	78,833	— 4	+35	44,553	—15	+95
Totals	421,524	— 9%	—0—%	176,740	+ 2%	+26%

The upward trend in bank activity in this district continued in June, 1950, although at a somewhat less rapid rate than in the earlier months of the year. The expansion in total loans at country banks —$7 million—was offset by the seasonal shrinkage in loans at the larger city banks. Combined total loan volumes at all reporting member banks showed a reduction of $14 million in comparison with a $42 million decline in June, 1949. In June, 1950, investments were reduced $16 million in contrast to an increase of $18 million in investments during June, 1949. Demand deposits were off $51 million and time deposits were off $4 million for the month. A year ago, in June, demand deposits declined about an equal amount and time deposits increased slightly.

The drop in loans at the larger city banks was occasioned by the declines in business loans and loans to banks ($19 million and $12 million) partly offset by gains in real estate, security and "other" (largely consumer credit) loans—$5, $1, and $4 million, respectively.

The year ending June, 1950, as a whole, was a moderately expansionary period in banking as well as in business generally. For all district member banks, total assets increased $232 million over the level of June, 1949. Earning assets increased even more—$270 million. (The greater increase in earning assets was primarily the result of the lowering of reserve requirements in August, 1949.) Gross demand deposits increased $192 million, time deposits $18 million and capital accounts $24 million.

Although both earning assets and deposits of all member banks in the Eighth District declined in the first six months of 1950, these declines were less than the average of the past three years. In other words, allowing for seasonal declines, the trend in bank earning assets and demand deposits was upward for the six-month period. This expansionary trend in earning assets and deposits of all member banks in the district can be seen from the following comparison.

CHANGES IN EARNING ASSETS AND DEPOSITS DURING FIRST SIX MONTHS, 1947-1950
Eighth District Member Banks

(In millions of dollars)

	1950	Av. '47, '48, '49
Loans	$—34	$— 69
U. S. Governments	—31	— 79
Other securities	+18	+ 10
Demand deposits	—41	—193

(It should be noted that a small part of the difference in demand deposits between 1950 and previous years might be accounted for by the change in the date of levying state taxes on bank deposits in Louisville from July 1 to September 1.)

PRINCIPAL ASSETS AND LIABILITIES
FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	July 19, 1950	Change from June 21, 1950	Change from July 20, 1949
Industrial advances under Sec. 13b	$	$	$ .....
Other advances and rediscounts	6,732	+ 690	— 6,288
U. S. securities	985,699	+10,534	—12,673
Total earning assets	$ 992,431	$+11,224	$—18,961
Total reserves	$ 719,367	$+ 872	$—50,542
Total deposits	659,312	— 382	—36,331
F. R. notes in circulation	1,044,379	+ 4,796	—28,927
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	July 19, 1950	Change from June 21, 1950	Change from July 20, 1949
Gross commercial, industrial and agricultural loans and open market paper	$ 477,048	$+ 947	$+ 15,517
Gross loans to brokers and dealers in securities	6,829	— 1,578	— 798
Gross loans to others to purchase and carry securities	24,115	+ 1,626	+ 3,069
Gross real estate loans	213,116	+ 6,743	+ 46,741
Gross loans to banks	4,482	+ 3,606	+ 3,837
Gross other loans (largely consumer credit loans)	240,825	+ 7,775	+ 29,104
Total	$ 966,415	$+19,119	$+ 97,470
Less reserve for losses	12,121	+ 96	+ 2,986
Net total loans	$ 954,294	$+19,023	$+ 94,484
Treasury bills	80,746	+15,338	+ 22,023
Certificates of indebtedness	77,853	—21,962	—119,141
Treasury notes	253,900	+ 1,855	+214,463
U. S. bonds and guaranteed obligations	680,097	+ 1,972	— 93,068
Other securities	189,056	+ 1,037	+ 37,127
Total investments	$1,281,652	$— 1,760	$+ 61,404
Cash assets	748,495	+33,251	+ 4,709
Other assets	26,164	+ 1,032	+ 1,876
Total assets	$3,010,605	$+51,546	$+162,473
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	$1,563,412	$+36,773	$+117,594
Interbank deposits	557,110	+24,235	— 3,797
U. S. Government deposits	65,077	— 981	+ 47,557
Other deposits	116,196	— 3,720	— 15,153
Total demand deposits	$2,301,795	$+56,307	$+146,199
Time deposits	493,324	— 1,685	+ 6,095
Borrowings	8,120	— 2,610	— 1,305
Other liabilities	20,588	— 1,144	+ 3,203
Total capital accounts	186,778	+ 678	+ 8,281
Total liabilities and capital accounts	$3,010,605	$+51,546	$+162,473
Demand deposits, adjusted*	$1,448,331	$+ 9,283	$+ 68,605

*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)	June, 1950	May, 1950	June, 1949	June, 1950 compared with May,'50	June, 1950 compared with June,'49
El Dorado, Ark.	$ 25,728	$ 22,985	$ 22,256	+12%	+16%
Fort Smith, Ark.	39,383	37,689	39,409	+ 4	-0-
Helena, Ark.	6,122	5,542	5,639	+10	+ 9
Little Rock, Ark.	130,005	122,100	117,955	+ 6	+10
Pine Bluff, Ark.	24,430	24,406	23,325	-0-	+ 5
Texarkana, Ark.*	10,447	10,640	10,294	— 2	+ 1
Alton, Ill.	26,750	23,953	24,677	+12	+ 8
E.St.L.-Nat.S.Y., Ill.	112,995	111,500	108,570	+ 1	+ 4
Quincy, Ill.	31,547	30,153	28,353	+ 5	+11
Evansville, Ind.	136,187	123,494	116,921	+10	+16
Louisville, Ky.	563,995	531,336	530,383	+ 6	+ 6
Owensboro, Ky.	31,856	31,577	29,136	+ 1	+ 9
Paducah, Ky.	16,566	14,223	16,046	+16	+ 3
Greenville, Miss.	18,474	18,422	16,050	-0-	+15
Cape Girardeau, Mo.	12,201	11,156	11,132	+ 9	+10
Hannibal, Mo.	8,758	8,476	8,020	+ 3	+ 9
Jefferson City, Mo.	39,368	45,673	34,619	—14	+14
St. Louis, Mo.	1,704,070	1,582,573	1,478,267	+ 8	+15
Sedalia, Mo.	10,148	10,256	10,374	— 1	— 2
Springfield, Mo.	61,641	58,567	53,419	+ 5	+15
Jackson, Tenn.	18,305	18,017	16,254	+ 2	+13
Memphis, Tenn.	524,088	533,671	435,705	— 2	+20
Totals	$3,553,064	$3,376,409	$3,136,804	+ 5%	+13%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $26,229.

From mid-June to mid-July, the rate of activity at district banks quickened. Total loans at larger city banks reporting weekly increased $19 million while in the corresponding weeks a year ago they increased $5 million. The expansion this year occurred in all categories of loans. Business loans were up $1 million for the four-week period. Real estate loans rose $7 million and "other" loans increased $8 million.

At mid-July, 1950, real estate loans had increased $47 million (28 per cent), and "other" loans $29 million (14 per cent) over their year-ago levels.

EIGHTH DISTRICT
MEMBER BANK ASSETS AND LIABILITIES
BY SELECTED GROUPS

(In Millions of Dollars)

Assets	All Member	Change from: May, 1950 to June, 1950	Change from: June, 1949 to June, 1950	Large City Banks [1]	Change from: May, 1950 to June, 1950	Change from: June, 1949 to June, 1950	Smaller Banks [2]	Change from: May, 1950 to June, 1950	Change from: June, 1949 to June, 1950
	June, 1950			June, 1950			June, 1950		
1. Loans and Investments	$3,864	$— 30	$+270	$2,232	$— 31	$+186	$1,632	$+ 1	$+ 84
a. Loans	1,497	— 14	+120	954	— 21	+ 87	543	+ 7	+ 33
b. U. S. Government Obligations	1,997	— 12	+ 96	1,089	— 8	+ 51	908	— 4	+ 45
c. Other Securities	370	— 4	+ 54	189	— 2	+ 48	181	— 2	+ 6
2. Reserves and Other Cash Balances	1,151	— 24	— 43	712	— 11	— 22	439	— 13	— 21
a. Reserves with the F.R. bank	563	+ 21	— 75	366	+ 15	— 35	197	+ 6	— 40
b. Other Cash Balances [3]	588	— 45	+ 32	346	— 26	+ 13	242	— 19	+ 19
3. Other Assets	44	— 8	+ 5	26	— 3	+ 1	18	— 5	+ 4
4. Total Assets	$5,059	$— 62	$+232	$2,970	$— 45	$+165	$2,089	$— 17	$+ 67
Liabilities and Capital									
5. Gross Demand Deposits	$3,713	$— 51	$+192	$2,261	$— 34	$+153	$1,452	$— 17	$+ 39
a. Deposits of Banks	563	— 16	+ 10	530	— 16	+ 7	33	-0-	+ 3
b. Other Demand Deposits	3,150	— 35	+182	1,731	— 18	+146	1,419	— 17	+ 36
6. Time Deposits	990	— 4	+ 18	500	— 2	+ 7	490	— 2	+ 11
7. Borrowings and Other Liabilities	28	— 9	— 2	21	— 10	— 3	7	+ 1	+ 1
8. Total Capital Accounts	328	+ 2	+ 24	188	+ 1	+ 8	140	+ 1	+ 16
9. Total Liabilities and Capital Accounts	$5,059	$— 62	$+232	$2,970	$— 45	$+165	$2,089	$— 17	$+ 67

[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.