FEDERAL RESERVE DISTRICT 8

Monthly Review

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EIGHTH DISTRICT INCOME IN 1949

The year 1949 marked a moderate downward adjustment in economic activity before a new advance was started early in 1950 and was stepped up by global events.

Last year's downturn particularly affected agriculture; the Eighth District with its heavy dependence on farm income suffered more than the nation. Within the district, rates of change were markedly divergent. The poor showing of some district crops was balanced in part by maintenance of income from manufacturing and increases from other industries.

In most district areas, agriculture provides a large share of total income, while but few areas derive their main income from manufacturing payrolls.

Only three district areas were at par with the nation in per capita income. But while the Eighth District still is low ranking in terms of per capita income, there has been an appreciable narrowing of relative differences.

Industrialization and better farming have raised district per capita income from 65 per cent of the national average in 1939 to 73 per cent in 1949. Further strides in the fuller utilization of district resources will help this region to play a more vital role in the national effort to meet aggression in the world.

The year 1949 marked a moderate downward adjustment in economic activity . . .

Income payments to individuals in the United States declined 2 per cent from 1948 to 1949. In 1948, about $202 billion was received by individuals; this amount fell off to $198 billion in 1949. On a per capita basis, income dropped from $1,387 in 1948 to $1,330 in 1949. About half of the decline in dollar amount of income was offset by lower prices so that the decrease in purchasing power—in "real" income—amounted to just about 1 per cent.

The 1949 business recession was watched with great apprehension, but in retrospect it is evident that moderateness was its outstanding feature. Over the course of the downward adjustment, confined largely to the first half of the year, the gross national product dropped by an annual rate of $12 billion, or 4 per cent; but for the year as a whole the market value of the goods and services produced in the economy was only $3.5 billion below the record annual total for 1948.

THE YEAR 1949 MARKED A MODERATE DOWNWARD ADJUSTMENT . . .

	Total Income (Millions of Dollars)		Per Capita Income (Dollars)	
	1949	1948	1949	1948
United States	$197,524	$202,385	$1,330	$1,387
Eighth District	10,012	10,673	973	1,035
Arkansas	1,443	1,593	778	863
Illinois	1,381	1,559	1,048	1,123
Indiana	659	670	954	954
Kentucky	1,508	1,519	996	1,008
Mississippi	571	719	575	707
Missouri	3,611	3,751	1,224	1,288
Tennessee	839	862	862	915

. . . before a new advance was started early in 1950 . . .

During the initial quarter of 1950, following a period of stability after the business downturn, factors making for recovery came to the fore. Chief among these was the restoration of business buying—and with it, of production. This development was reflected primarily in a shift from substantial liquidation of business inventories, to moderate accumulation. At the same time, the 1949 downtrend in fixed business investment was arrested, and the home-building boom progressed. Consumer demand, which had continued high throughout 1949, was bolstered by the veterans' insurance dividends.

During the second quarter, the expansion of earned income generated by the sharp recovery of business investment reinforced the spending stream. Private domestic demand continued to rise, and the economy forged ahead on a broad front. Industrial production and employment increased rapidly, and the volume of new business placed with manufacturers continued strong. Unfilled orders rose despite the steady advance of manufacturers' sales.

. . . and was stepped up by global events.

The tempo of economic activity was stepped up further by our action to put down aggression in Korea. Since the outbreak of Korean hostilities, concern about future possible downward adjustments has been replaced by growing fear of inflation, reflecting the expectation that substantial expansion in war goods production, together with increasing demand for civilian goods, will be superimposed on an economy operating at practically full capacity.

Discussion of developments in 1949 in the district, thus, should be viewed against the background of new factors emerging in 1950. Little concern exists at the present time about employment opportunities for district resources. The 1949 data should serve, however, as a benchmark for better understanding of possible adjustments facing the district economy in the longer run future.

Last year's downturn particularly affected agriculture;

The drop in economic activity in 1949 struck rather hard at certain segments of the economy, notably agriculture. Actually, the decline of $4.5 billion (more than one-fifth) in income accruing to agriculture was equivalent to the net decrease in total income payments. The drop resulted mainly from sharply lower farm prices, which were affected adversely by accumulating supplies and by some lessening of foreign demand. While total physical volume of farm production for the country as a whole was smaller than in 1948, it still was of near-record proportions.

the Eighth District with its heavy dependence on farm income . . .

Income from agriculture in 1949 was twice as important to the district as to the nation as a whole. Only 8 per cent of the nation's income originated in agriculture as contrasted with 16 per cent for the Eighth District. The traditional wide swings in farm income go far toward explaining some of the more pronounced ups and downs in income in the district as a whole and in various of its areas. In the war and postwar years a number of district areas showed very sharp income gains which reflected in large part big crops and high farm prices. In 1949, many of these same areas suffered substantial income declines due to short crops and lower prices.

. . . suffered more than the nation.

District income in 1949 was 6 per cent less than in 1948 in contrast to a drop of 2 per cent for the nation as a whole. Pointing up the influence of farm income in the district, in 1948 income from agriculture accounted for 22 per cent of total district income; in 1949, as noted, only 16 per cent of the district total came from this source. For the country as a whole the drop (as a part of the total) was from 10 per cent to 8 per cent. It is evident that the district is not only more vulnerable to farm income declines than the nation is, but that the 1949 break in farm income was even more severe in the district than in the country as a whole. And in turn this reflects two factors: generally poor (relative to national production in 1949 or district output in 1948) crops in 1949 and greater dependence upon crops which were subject to price declines of more-than-average severity.

Within the district, rates of change were markedly divergent.

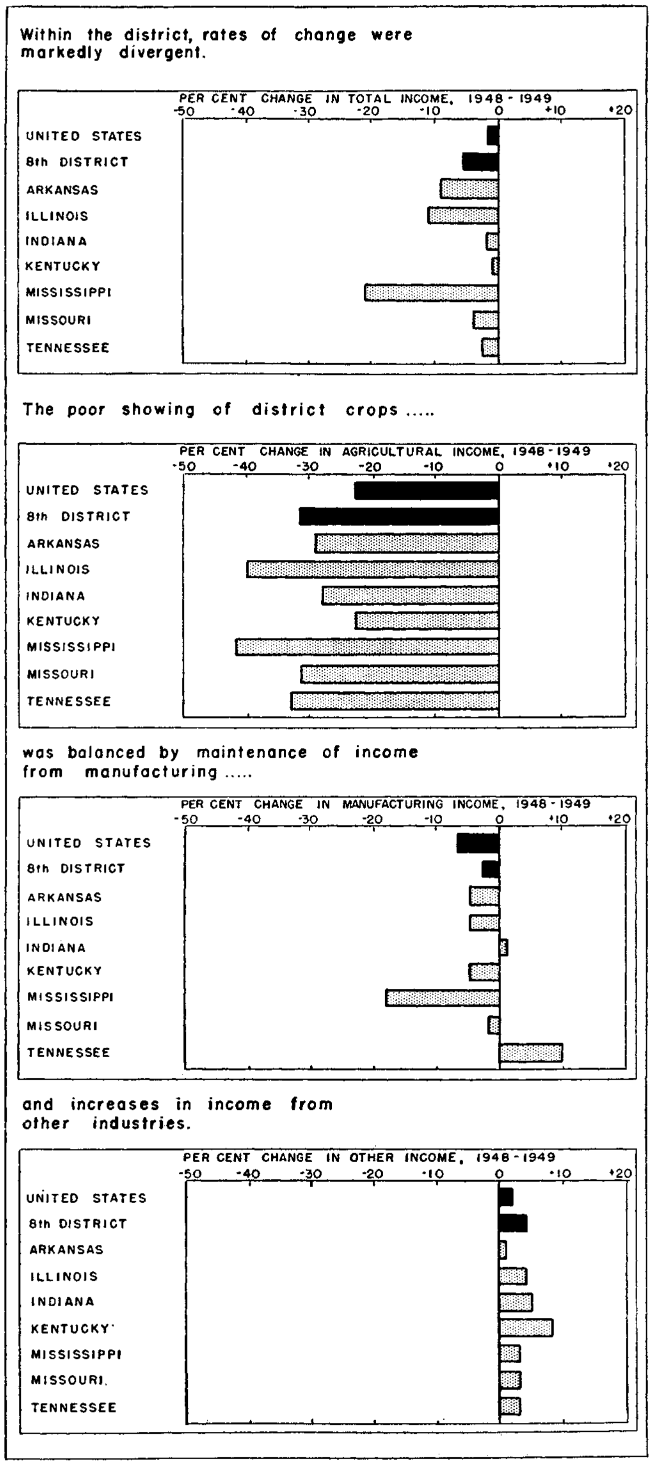
The general decline in 1949 district income was the net composite of many factors affecting production and prices of different crops and livestock products, in part balanced by more favorable showing of other district industries. Thus, the regional impact of sharp declines in the value of corn and oats production, as well as the short cotton crop in the Delta, accounted for heavy income losses in Arkansas and Mississippi. The relative importance of other industries softened this income loss in the remaining portions of the district.

The poor showing of some district crops . . .

As noted, the district suffered not only from its general dependence on farm production, but also from the fact that the crops most affected by national price breaks are of special importance here. And with district farm output off, particularly in cotton, the price decline effect on income was accentuated by smaller physical volume. Thus, the national downturn of 23 per cent in farm income was exceeded in all district states except Kentucky, with the largest decrease being 42 per cent in Mississippi.

. . . was balanced in part by maintenance of income from manufacturing . . .

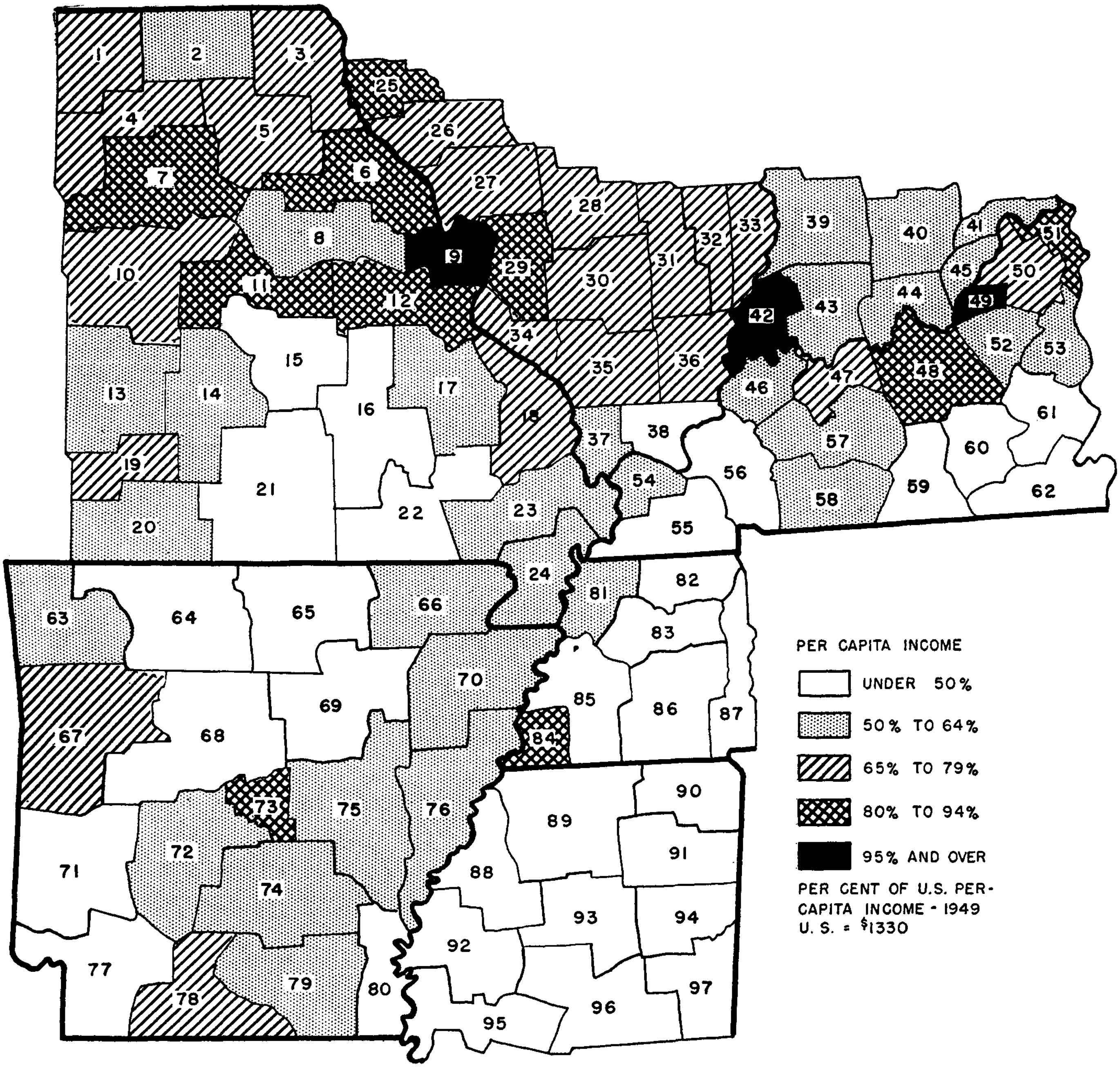
The district had a below-national-average record in farm income, but it did better than the nation in maintaining manufacturing payrolls. For the country as a whole, income from manufacturing declined by 7 per cent from 1948 to 1949, while the district decline was limited to 3 per cent, with payrolls actually increasing in Indiana and Tennessee. The district thus showed a greater resistance to the downward adjustments in manufacturing caused in general by more cautious inventory policies.



. . . and increases from other industries.

While income from agriculture declined sharply in most areas, and manufacturing took a minor dip, activity was maintained or even increased in other sectors of the economy. This was a broad reflection of the combined strength of consumer purchases and of business investment demand—other than for inventories. It benefited construction, public

Only Three District Areas At Par With Average For Nation-----



MISSOURI

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

ILLINOIS

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

INDIANA

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

utilities, and many service industries. Further, the total income paid out to individuals by Federal state and local governments increased 10 per cent in 1949 over 1948. Larger payrolls and transfer payments were elements in the strong influence of government on the economy in 1949.

In most district areas, agriculture provides a large share of total income . . .

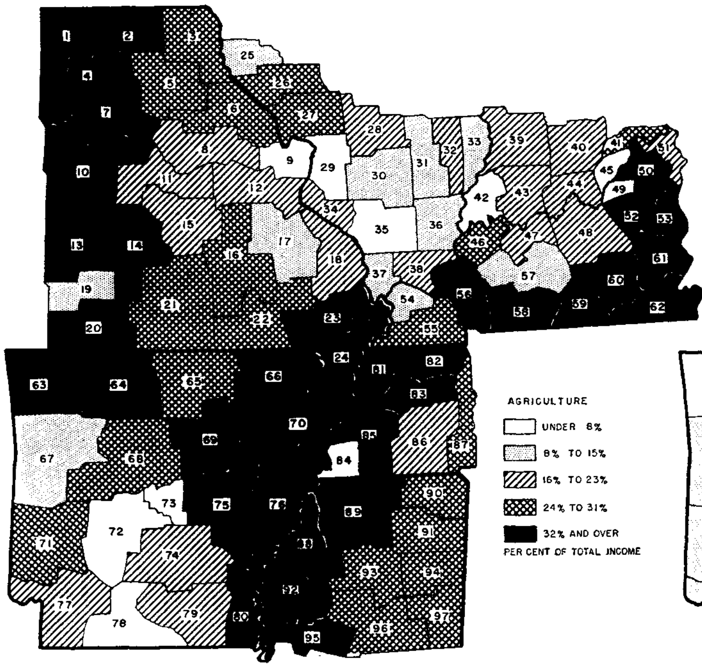
Heavy dependence on agriculture within Eighth District is illustrated by the map. For the nation as a whole agricultural income represented just 8 per cent of total income in 1949. The few district areas where agriculture accounted for less than this national average are shown in white. These include the metropolitan areas (St. Louis, Memphis, Louisville, Evansville, and Little Rock). Also included are two other areas in Arkansas—Hot Springs with its large tourist income and El Dorado where oil refining operations are of major importance—and one area in southern Illinois—West Frankfort, where mining predominates.

All remaining (shaded) areas of the district show a larger-than-national average dependence on farm income. The black areas on the map indicate the regions where income from farming accounted for more than 32 per cent of total income payments in 1949. Several district areas depended on agriculture for more than half of their income: Shelbyville, Kentucky, where livestock and tobacco play large roles; Stuttgart, Arkansas, with its concentration on rice production; Caruthersville, Missouri, and Jonesboro, Arkansas, where cotton is predominant.

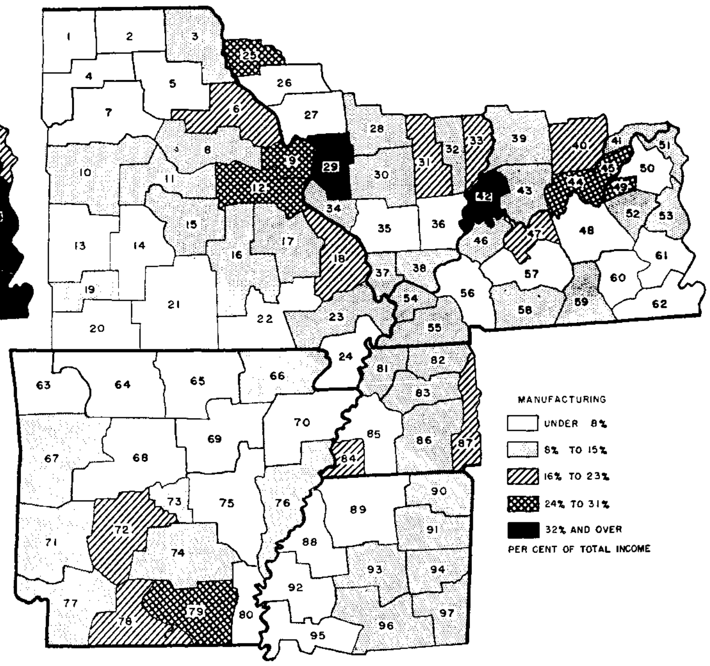
. . . while but few areas derive their main income from manufacturing payrolls.

The opposite picture is presented by the map showing the relative dependence on manufacturing as an income source. In 1949 only two areas (East St. Louis and Evansville) depended on manufacturing for more than 32 per cent of total income payments. While manufacturing is important in other metropolitan areas, it accounted for a smaller share

In Most Areas, Agriculture Provides A Large Share Of Total Income ......



... While But Few Areas Derive Their Main Income From Manufacturing Payrolls



KENTUCKY

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

ARKANSAS

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

TENNESSEE

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

MISSISSIPPI

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

of the total because other income sources—notably trade and service lines—were of even greater relative importance. Thus the St. Louis and Louisville areas, which are major manufacturing centers, showed less dependence on manufacturing as an income source because of the large role played by trade and service income. Manufacturing was even less important relatively in Memphis, which points up the fact that this city is a major trade metropolis in the South. Only 19 per cent of total income in Memphis in 1949 was derived from manufacturing, while 42 per cent originated in trade and service activities. Similarly, the trade centers of Little Rock and Springfield showed a relatively small proportion of income originating in manufacturing and a large proportion from trade and service.

Only three district areas were at par with the nation in per capita income.

In terms of per capita income, the Eighth District lags behind the nation. While the national average was $1,330 in 1949, the district average came to only $973. Only St. Louis ($1,674) and Louisville ($1,531) surpassed the nation; Evansville ($1,292) approached it. Memphis ($1,130), usually ranking with the major metropolitan centers of the district in terms of per capita income, was hurt in 1949 by the setback in farm income in the surrounding Delta areas.

Ten areas (including Memphis) had per capita incomes in 1949 which ranged from 80 to 94 per cent of the national average. These included the metropolitan areas of East St. Louis ($1,256) and Little Rock ($1,219), the rich Bluegrass country around Frankfort ($1,204), the area of Elizabethtown ($1,064) around Fort Knox, and some of the rich agricultural bottom lands along the Mississippi and Missouri Rivers, where livestock production predominates.

In the next class of areas, ranking from 65 to 79 per cent of the national average we find smaller urban centers, like El Dorado and Fort Smith, Arkansas, Springfield and Cape Girardeau, Missouri, as well as most of the rural areas in the northern part of the district.

But while the Eighth District still is low ranking in terms of per capita income . . .

The map's white areas show the wide stretches of the district where per capita income in 1949 was less than half of the national average. Many Ozark sections and the Kentucky hill areas fell in this category. Reflecting in large part the poor 1949 cotton crop, all of Mississippi and almost all of Tennessee also were in this low income group. Two areas, one in Kentucky (Monticello) and one in Tennessee (Savannah), had per capita incomes less than one-third of the national average.

. . . there has been an appreciable narrowing of relative differences.

Although most district areas thus continued to be low ranking in terms of per capita income, it should be emphasized that there has been an appreciable narrowing of the relative differences between this region and the rest of the nation. In a growing national economy all areas tend to advance, and the relative standing of an area must be viewed against the background of rapid absolute growth in the nation as a whole. Income in the national economy almost tripled over the last decade, so that even the greater relative advance in district income payments was not enough to change appreciably the ranking of the district. It grew as an integral part of the national economy, and its very growth in turn stimulated economic activities in other regions. The important point is not that the district continues to hold its low ranking; rather it is that income in this region has grown faster than in the nation. It is this faster rate of growth, evidenced by the narrowing of income differentials between it and the rest of the nation, that augurs well for the future.

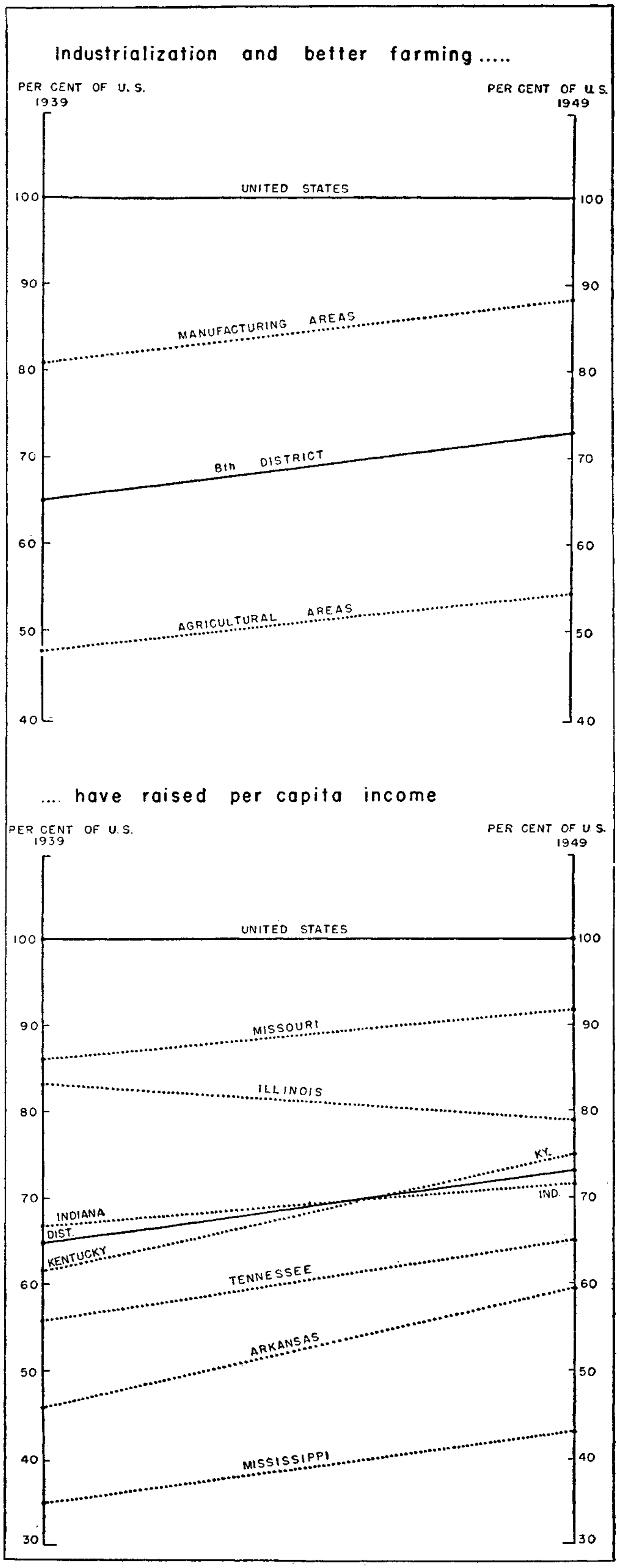
Industrialization and better farming have raised district per capita income.

While district per capita income was only 65 per cent of the national average in 1939, it had increased to 73 per cent by 1949. This increase was shared by most parts of the district. The major exception was southern Illinois, where the decline in coal mining activity led to a smaller income gain (relative income loss) than in the nation as a whole. While per capita income in southern Illinois amounted to 83 per cent of the national average in 1939, it had dropped to 79 per cent by 1949.

All other district portions of states showed greater-than-national average gains. The most pronounced growth was evidenced by Arkansas and Kentucky; both increased the ratios of their per capita incomes to the national average by 13 points. Other sizeable advances were registered by Tennessee (9 points) and Mississippi (8 points). Both of these would show up even more favorably but for the poor cotton crop of 1949.

Further strides in the fuller utilization of district resources . . .

As has been pointed out in other articles in this Review, the basic resources of the district could be



made to yield a much higher income to its people if combined with more capital and technical skill. The low income of many areas reflects the concentration of the labor force in pursuits of relatively low productivity and people do not have adequate opportunities to move into more promising work. The residents of these areas share the limited income now produced. If they could be drawn into new industrial activities, more productive farming on the part of those who remained on the land, as well as more productive utilization of labor skills on the part of those who entered the new industries, would be possible. Per capita income for all would be raised by the new resource allocation.

The improvements in district income over the last decade tell the story of new industries and better farming. Manufacturing payrolls in 1949 accounted for 17 per cent of total district income as against 15 per cent ten years earlier. While this was still considerably below the national average of 22 per cent, it indicates that many areas found ways to utilize their resources more efficiently. And it is noteworthy that the manufacturing areas of the district improved ratios of their per capita income to the national average from 81 to 88 per cent in the last decade.

In agriculture, a smaller labor force applied more productive methods of farming, accelerating the trend toward mechanization and diversification. Reliance on a single cash crop decreased and income from livestock production increased over the last decade. During that period the rural areas of the district improved their relative income status from 48 to 54 per cent of the national average.

. . . *will help this region to play a more vital role in the national effort to meet aggression in the world.*

Events of the last two months have emphasized the increased needs of the free world if there is to be a successful common effort to combat aggression and work for long run peace. The farms and factories of this country will be called on to play a major role in meeting these needs. The resources of this district constitute an important portion of the nation's strength. Wisely used they can contribute increasingly to the common effort.

Werner Hochwald
La Verne Kunz

Survey of Current Conditions

Eighth District business activity continues to boom, but the tone of the boom has changed somewhat. Production and employment are rising—primarily in response to civilian demand but also reflecting an increase in Government orders. Business demand for goods still is heavy, pointing to increased needs for capital equipment and to attempts to build up inventory. But the consumer buying fever that characterized the first six weeks of the Korean conflict has subsided a little.

The district's industries are operating at or above the advanced levels reached in midyear. Factory operations have been stepped up in response to the increased demand which in many cases coincides with a usual seasonal upswing. These increases in manufacturing activity are laregly responsible for the expansion in employment which, in the district's principal industrial centers, is near the postwar peak reached late in 1948. Construction activity still is at record levels where it seems likely to remain for the balance of 1950.

In agriculture, the latest reports indicate total output of farm products in the district will be smaller than in 1949, and there is danger from early frost damage since crops are late. In terms of farm income, however, higher prices will offset a substantial part of any decline in marketings. The fact that prices are moving up in the last half of the year is especially significant to producers in this area since they market a larger-than-average proportion of their output during the last six months.

The expansion that is taking place in the district closely parallels similar developments in the national economy. Industrial output in the nation in August climbed to 205 per cent of 1935-39, as measured by the Board's index, and probably continued at or above that level in September. Total employment has grown to more than 62 million, according to estimates by the Bureau of the Census, and nonfarm workers now total 54 million.

The increase in employment helps focus the spotlight on one of the major economic problems of the day—the problem of curbing inflationary pressures. Most of the workers added to payrolls during recent weeks are producing goods for civilian consumption. But many are helping to turn out war material. This means that, while consumer income has increased, the amount of goods available to consumers is not expanding proportionately. And as production for defense increases, this disparity between consumer income and available consumer goods will tend to widen and to build up the inflation potential.

The fact that the rise in current income is tending to outstrip the increase in supply of civilian goods is but one part of the story, however. The total amount of civilian purchasing power focusing upon the supply of goods is made up of current income, past accumulations of liquid assets and anticipations of future income—credit. Rapid credit expansion is taking place and there is appreciably greater use of past savings to finance present purchases. All of these developments point up the need for a vigorous fiscal policy designed to sop up as much "hot money" as possible and for accompanying moves in the monetary field to dampen credit expansion. In August the Federal Reserve System moved toward tightening credit through raising Reserve Bank discount rates and through actions designed to bring about some rise in short-term money market rates. At mid-September consumer

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Aug.,'50	July,'50	Aug.,'49	Aug.,'50 compared with July,'50	Aug.,'50 compared with Aug.,'49
All Commodities	166.3	162.9	153.0	+ 2.1%	+ 8.7%
Farm Products	177.5	176.0	162.3	+ 0.9	+ 9.4
Foods	174.6	171.4	160.6	+ 1.9	+ 8.7
Other	155.3	151.5	145.1	+ 2.5	+ 7.0

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Aug. 15, 1950	July 15, 1950	Aug. 15, 1949	Aug. 15,'50 compared with July 15,'50	Aug. 15,'50 compared with Aug. 15,'49
U. S. (51 cities)	200.0	210.0	202.6	— 4.8%	— 1.3%
St. Louis	221.9	223.8	210.6	— 0.9	+ 5.4
Little Rock	211.9	205.5	201.6	+ 3.1	+ 5.1
Louisville	199.2	199.8	192.4	— 0.3	+ 3.5
Memphis	220.2	212.0	214.3	+ 3.9	+ 2.8

WHOLESALING

Line of Commodities — Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Net Sales: August, 1950 compared with July, 1950	Net Sales: August, 1950 compared with Aug., 1949	Stocks: Aug. 31, 1950 compared with Aug. 31, 1949
Automotive Supplies	—12%	+ 3%	+ 3%
Drugs and Chemicals	+48	+13	....
Dry Goods	+66	+45	+30
Groceries	— 3	+14	+23
Hardware	+12	+75	—16
Tobacco and its Products	–0–	+ 4	+ 8
Miscellaneous	+30	+36	–0–
**Total All Lines	+25%	+40%	+16%

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

credit control was reimposed. While such moves are a necessary part of an anti-inflationary campaign, the basic need is for a tax program sufficiently strong to neutralize the inflationary impact of our increased defense program.

EMPLOYMENT

The nation's factories broke all hiring records in August, due in part to the Korean situation and in part to the general upturn in business evident since early this year. Never before had factory employment gained so much in a single month as it did in August when more than 600,000 additional workers were hired. This, plus smaller gains in nonmanufacturing industries, pushed total employment to the highest level ever recorded.

More than 62 million people had jobs in civilian industries in August and an additional 1.3 million persons were in the armed services. The total labor force (including the employed, unemployed and military personnel) of over 66 million in August was a peacetime high, but was about 2 million lower than the wartime peak.

Agricultural employment presented a direct contrast to the other segments of the employment picture. Fewer persons were working on farms this August than in any other August on record. During the first eight months of this year, agricultural employment averaged about 9 per cent lower than last year, while nonagricultural employment was about 3 per cent higher.

The exceptionally large employment increase between July and August was due primarily to a jump in manufacturing employment, but mining, construction, public utilities, trade, finance and Government also hired additional workers. In manufacturing, the July-August gain was fairly evenly divided between durable and nondurable goods. The nondurable goods rise was primarily seasonal and was about the same amount as last year. The growth in employment in durable goods lines, however, was substantially larger than last year and was spread out over most industries.

Unemployment dropped sharply between July and August to reach the lowest level since early 1949. Since the labor market is gradually shifting from an employers' to an employees' market, a pool of unemployed persons is now considered more of an asset than a liability to a city seeking defense work.

The volume of insured unemployment in the seven district states in August was lower than at any time during the past year and a half. About 150,000 fewer persons in the district states were collecting unemployment compensation for the week ending August 19 than for the same week of last year. All the district states have shared in the substantial reduction in the claims load during the year, with Indiana showing the largest proportionate decline. In the city of St. Louis, the number of claims in mid-August was less than half of the January peak and a third less than in July.

Employment in the St. Louis area followed the same general pattern as in the nation between July and August. Employment gains were widespread and occurred in both manufacturing and nonmanufacturing industries. Increased hirings in manufacturing industries accounted for the major portion of the rise, with practically all of the various industry groups sharing in the gains. Largest increases were in the fabricated metals, transportation equipment and apparel groups. Approximately 20,000 more people were working in St. Louis this August than a year ago, with almost three-fourths of the increase in manufacturing.

INDUSTRY

Industrial activity in the district moved up in August. Increases in manufacturing industries were coupled with production gains in coal and crude petroleum and a continued high level of activity in construction. Total consumption of electric power by industrial users in the reporting cities was up 8 per cent during the month, but daily average consumption was slightly less than in July.

Manufacturing Output Up in August

Most of the district's principal manufacturing industries increased their operations in August. Lumber production was up and gains were indicated in primary metals, chemicals, electrical machinery, transportation equipment and most other industries.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	Aug., 1950 K.W.H.	July, 1950 K.W.H.	Aug., 1949 K.W.H.	Aug., 1950 compared with July,'50	Aug., 1950 compared with Aug.,'49
Evansville	16,733	14,865	13,798	+12.6%	+21.3%
Little Rock	4,661	4,509	5,159	+ 3.4	— 9.7
Louisville	76,863	74,096	70,471	+ 3.7	+ 9.1
Memphis	28,205	26,651	25,045 R	+ 5.8	+12.6
Pine Bluff	7,463	7,152	4,160	+ 4.3	+79.4
St. Louis	102,797	92,314	80,941 R	+11.4	+27.0
Totals	236,722	219,587	199,574 R	+ 7.8%	+18.6%

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Aug.,'50	July,'50	Aug.'49	First Nine Days Sept.'50	First Nine Days Sept.,'49	8 mos.'50	8 mos.'49
126,713	115,863	105,285	33,290	29,801	883,776	837,984

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Aug., 1950	July, 1950	Aug., 1949	Aug., 1950 compared with July,'50	Aug., 1950 compared with Aug.,'49
Arkansas	82.0	80.3	73.1	+ 2%	+12%
Illinois	174.8	174.0	181.9	-0-	— 4
Indiana	31.4	30.7	27.4	+ 2	+15
Kentucky	27,9	28.8	23.0	— 3	+21
Total	316.1	313.8	305.4	+ 1%	+ 4%

The St. Louis basic steel industry scheduled operations at an average weekly rate of 76 per cent of capacity in September. This was 7 per cent below the August rate.

Production of southern pine increased 7 per cent in August over July and was at the highest level since April. This probably represents efforts of the mills to catch up on orders after their production was hampered in July by heavy rains. Southern hardwood mills operated at 106 per cent of rated capacity. This is well above the 93 per cent and 98 per cent recorded for June and July, respectively, and apparently is the highest level on record.

The district's shoe industry reported higher production in July, according to preliminary reports. Production is estimated at 7.6 million pairs, about the same as in the previous month but 13 per cent larger than a year ago.

Forty-seven of Kentucky's 61 distilleries were in operation at the end of August. This compared with 35 a month earlier and only 18 in August, 1949. The distilling firms find that demand is firm even though price increases have been made. The current shortage of glass, due to strikes in the chemical industries, has put bottling operations on a tight schedule. The industry anticipates that the Government's synthetic rubber program will soon result in large alcohol orders, although it is believed that whiskey production will remain adequate for present requirements.

Coal and Oil Output Up

Soft coal production in the district and the nation in August was the largest since March. National production increased 14.8 million tons during the month and Eighth District mines accounted for about 2 million tons of this increase. Larger production in Illinois was responsible for most of the district's increase. Total district output was 9.7 million tons—up 11 per cent from June and 46 per cent from July. The increase from July was larger than usually occurs in that period. As a result, the seasonally adjusted index in August climbed to 149 per cent of 1935-39 as compared with 122 per cent in July and 145 per cent in June.

Daily average crude oil production in the district states increased about 1 per cent in August. This increase placed daily average output at the highest level since March, 1947. Total district output, which averaged 316,000 barrels per day, was up 2 per cent in Arkansas and Indiana, and down 3 per cent in Kentucky. Illinois showed no change in average output.

Construction: Housing Contracts Up in August

The construction industry in the district was working at full speed in August and there was no sign of a let up in actual on-site activity. Contracts let for residential construction were up during the month and there was a slight increase in nonresidential work put under contract. But heavy engineering awards dropped to the lowest level since May.

Building permits issued in the major district cities in August showed a decline. The total value of construction authorized dropped to $13 million from the peak of nearly $26 million in July, which largely reflected permits for multi-family dwelling units authorized in that month in St. Louis. But in each of the five cities except Louisville residential awards were off from July—in terms of value and in the number of permits awarded. In some cases the drop followed a seasonal pattern which makes it difficult to appraise the significance of the decline.

The total value of construction contracts awarded in the district in August amounted to $104 million. This compared with $94 million in July. Residential construction placed under contract was valued at $41 million or 24 per cent more than in the previous month, while nonresidential awards totaled $64 million—5 per cent more than in July.

The value of contracts awarded in the St. Louis territory of the F. W. Dodge Corporation, which includes a substantial portion of the Eighth District, dropped from $79 million in July to $72 million in

PRODUCTION INDEXES

COAL PRODUCTION INDEX

1935-39=100

Unadjusted			Adjusted		
Aug.,'50	July,'50	Aug.,'49	Aug.,'50	July,'50	Aug.,'49
147*	106	113	149*	121	114

SHOE PRODUCTION INDEX

1935-39=100

Unadjusted			Adjusted		
July,'50	June,'50	July,'49	July,'50	June,'50	July,'49
154*	139	136	160*	135	141

*Preliminary.

CONSTRUCTION

BUILDING PERMITS

Month of August

(Cost in thousands)	New Construction Number 1950	New Construction Number 1949	New Construction Cost 1950	New Construction Cost 1949	Repairs, etc. Number 1950	Repairs, etc. Number 1949	Repairs, etc. Cost 1950	Repairs, etc. Cost 1949
Evansville.....	126	75	$ 320	$ 640	78	96	$ 87	$ 142
Little Rock....	105	90	1,790	584	234	274	168	128
Louisville......	260	164	1,336	1,685	108	90	110	69
Memphis........	2,589	2,480	5,346	4,692	226	186	234	223
St. Louis.......	390	271	2,745	1,773	285	325	659	532
Aug. Totals...	3,470	3,080	$11,537	$9,374	931	971	$1,258	$1,094
July Totals....	3,578	1,863	$24,311	$7,161	985	958	$1,414	$ 777

August. The decline was largely in heavy engineering construction. Commercial construction awards climbed to a new postwar peak and contracts for manufacturing plants were larger than in any month in two years.

The number of new single-family dwelling units put under contract for owner-occupancy in the St. Louis territory increased for the second consecutive month and was the largest on record. Speculative builders put more new one- and two-family units under contract in August than in July—but not as many as in the peak month of May. The expansion in August raised the total number of new owner-built single-family units put under contract in this portion of the district to 4,600 in the first eight months. This is one-third more than in the same period last year. The number of single-family units built for sale or rent totaled 11,300 through August for a gain of 70 per cent over last year.

TRADE

In both the nation and the district retailers' cash registers continued to ring often during August. The wave of emotional buying lessened but purchasing still was in volume. Anticipating consumer credit regulation, many buyers came into the market for major durables. Interest in nondurables stayed high and seasonal clearances and traditional promotions provided additional impetus to buying.

August sales volume in reporting retail lines in the Eighth District was larger than in July or in August last year. Instalment sales gains accounted for much of the increase, but a substantial gain also occurred in other sales.

Department Stores—Sales volume in the district in August was up 4 per cent from July and was 14 per cent larger than in August, 1949. The increase from July was less than normal, primarily because of the very heavy buying wave in July. Seasonally adjusted sales were 370 per cent of the 1935-39 average as compared with the record 418 per cent in July. A year ago sales were 326 per cent of the five-year average.

For the year-to-date, sales (dollar volume) through August were up 5 per cent from last year but were slightly smaller than in the peak year 1948. The trend of sales through mid-September, however, suggested that not only would the year's gain over 1949 be maintained but also that sales may come up to the 1948 level by the end of the month.

In St. Louis, buying continued heavy in several lines. Demand for housefurnishings reflected fears that durable goods items would become scarce—as

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	August, 1950 compared with		8 mos.'50 to same period '49	Aug. 31,'50 comp. with Aug. 31,'49	Jan. 1, to August 31,	
	July,'50	Aug.,'49			1950	1949
8th F. R. District...	+ 4%	+14%	+ 5%	+10%	2.58	2.54
Ft. Smith, Ark.......	+ 5	+20	+ 3	+10	2.53	2.61
Little Rock, Ark.....	+ 2	+ 9	+ 5	+24	2.50	2.66
Quincy, Ill..............	+11	+20	+ 3	— 3	2.32	2.18
Evansville, Ind.......	—10	+16	+10	+ 4	2.52	2.32
Louisville, Ky.........	+ 3	+21	+ 8	+15	2.88	2.76
St. Louis Area [1]......	+ 6	+12	+ 3	+10	2.56	2.53
St. Louis, Mo.....	+ 8	+13	+ 3	+10	2.58	2.53
Springfield, Mo......	— 8	+18	+ 7	+ 3	2.40	2.17
Memphis, Tenn......	+ 6	+14	+ 5	+ 5	2.62	2.61
*All other cities......	— 8	+14	+ 6	+ 7	2.16	2.04

*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 August, 1950 were 69 per cent greater than on the corresponding date a year ago.

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

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith....	....%	49%	Quincy..........	16%	61%
Little Rock....	15	42	St. Louis......	21	52
Louisville......	15	51	Other Cities..	13	55
Memphis........	17	43	8th F.R. Dist.	19	49

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Aug., 1950	July, 1950	June, 1950	Aug., 1949
Sales (daily average), unadjusted [2]..................	318	326	293	280
Sales (daily average), seasonally adjusted [2]....	370	418	326	326
Stocks, unadjusted [3]	322	295	299	288
Stocks, seasonally adjusted [3].............................	295	283	299	264

[2] Daily average 1935-39=100

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	August, 1950 compared with		8 mos.'50 to same period '49	Aug. 31,'50 comp. with Aug. 31,'49	Jan. 1, to August 31,	
	July,'50	Aug.,'49			1950	1949
Men's Furnishings.	+ 9%	+16%	— 3%	+ 9%	1.57	1.61
Boots and Shoes.....	+ 8	+11	-0-	— 2	2.89	2.84

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

Men's Furnishings .... 43% Boots and Shoes.................... 43%

Trading days: August, 1950—27; July, 1950—25; August, 1949—27.

RETAIL FURNITURE STORES**

	Net Sales		Inventories		Ratio of Collections	
	Aug., 1950 compared with		Aug., 1950 compared with			
	July,'50	Aug.,'49	July,'50	Aug.,'49	Aug.,'50	Aug.,'49
8th Dist. Total [1].....	+16%	+26%	+10%	+19%	26%	26%
St. Louis Area [2].....	+31	+44	+ 6	+16	60	53
St. Louis............	+34	+45	+ 6	+16	62	55
Louisville Area [3]....	+ 4	+24	+10	+24	15	16
Louisville...........	+ 6	+22	+10	+25	14	16
Memphis................	+ 1	+10	+19	— 5	13	14
Little Rock............	+ 3	— 7	+10	+23	16	19
Springfield............	+ 2	+50	+12	+35	16	15
Fort Smith.............	— 2	— 4	*	*	*	*

*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, 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

	August, 1950	July, 1950	August, 1949
Cash Sales...	13%	14%	13%
Credit Sales..	87	86	87
Total Sales....................................	100%	100%	100%

well as more difficult to pay for in view of impending credit controls. Women's and misses' coats and suits, and men's-boys' wear sales also contributed heavily to the month's gain.

Inventories (retail value) held by district department stores at the end of August were 17 per cent larger than on July 31 and 10 per cent larger than on August 31, 1949. Outstanding orders at district department stores increased somewhat less than normally from the end of July to the end of August. But the slight gain from the end of the previous month placed the value of outstanding orders at the highest point for any August since 1946. In comparison with a year ago, orders outstanding were up 69 per cent.

Specialty Stores—In August, both women's specialty and men's wear store sales gained over those in July and were larger than in August, 1949. Women's specialty shops in St. Louis sold two-thirds more merchandise in August than in July and their sales were slightly larger than in August last year. Sales in men's wear stores increased 9 per cent from the previous month and were 16 per cent larger than in 1949.

The value of women's specialty shop inventories was up 11 per cent during the month but at the end of August was 12 per cent less than a year ago. Men's wear store inventories were 22 per cent larger than a month earlier and were up 9 per cent from last August.

Furniture Stores—The month's sales were 16 per cent larger than in July and were 26 per cent over those in August, 1949. Publicized shortages (apparently confined mostly to specific items of name brand merchandise) also gave rise to some buying. There were some reports of merchandise being allocated to retailers. But judging by the increase in inventories, supplies were still generally available. Inventories at the end of August were 10 per cent larger (in value) than on July 31 and 19 per cent higher than at the close of August last year.

AGRICULTURE

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Aug., 1950	Aug., 1950 compared with July,'50	Aug., 1950 compared with Aug.,'49	Aug., 1950	Aug., 1950 compared with July,'50	Aug., 1950 compared with Aug.,'49
Cattle and calves	123,897	+16%	—20%	37,829	+18%	—35%
Hogs	218,205	+ 4	–0–	72,795	—13	—11
Sheep	80,974	+ 8	— 7	42,423	+23	+19
Totals	423,076	+ 8%	— 8%	153,047	+ 2%	—13%

CASH FARM INCOME

(In thousands of dollars)	July, 1950	July, 1950 compared with June, 1950	July, 1950 compared with July, 1949	7 month total Jan. to July 1950	1950 compared with 1949	1950 compared with 1948
Arkansas	$ 22,351	+10%	— 2%	$ 147,327	—28%	—15%
Illinois	156,828	+38	+ 7	909,172	–0–	—10
Indiana	84,322	+41	+ 5	475,196	— 2	—17
Kentucky	36,812	+25	— 3	270,204	–0–	+ 4
Mississippi	14,065	— 4	—21	98,380	—54	—41
Missouri	101,570	+43	+15	487,048	— 2	—15
Tennessee	27,335	+ 4	—11	188,146	— 8	—18
Totals	$443,283	+32%	+ 5%	$2,575,473	— 7%	—14%

AGRICULTURE

Despite unfavorable weather in August, crop prospects in the Eighth District remained generally good up to September 1. Estimates of district corn and soybean production on this date were higher than a month earlier, and the estimates of district tobacco and cotton production were down only slightly from a month earlier. Continued cool, wet weather, however, during the early part of September caused increasing concern among farmers and processors. An early frost could cause appreciable damage to cotton, corn and other crops.

For the country as a whole, the cotton crop deteriorated during August as a result of wet weather, below average temperatures, and insect damage. The crop on September 1 was estimated at 9,882,000 bales, 4 per cent less than the August 1 forecast and 39 per cent less than was produced in 1949. In the two important cotton producing states in this district, Mississippi and Arkansas, the September 1 forecast was the same as that of August 1. Relative to 1949 production, however, declines of 5 and 33 per cent were expected, respectively, in these two states. The crops in Tennessee and Missouri were estimated to be 24 and 35 per cent smaller than in 1949.

The prospective 1950 corn crop on September 1 was 3,162 million bushels, only 5 million bushels less than the August 1 estimate. The decrease in prospects occurred mostly in the northern corn belt. Prospects in district states were above the August 1 estimate. Expected production on September 1 in Illinois, Missouri, Tennessee and Arkansas was 19 million bushels higher than the August 1 estimate.

The corn crop is later than usual. A frost even by the average frost date would result in a much greater amount of soft corn than normal. Weather during early September has delayed maturity.

Some crop prospects were better in September than in August. The total wheat crop apparently will exceed the billion bushel mark slightly. The oat crop of 1,481 million bushels is 25 million bushels more than the August forecast. Soybean production will be highest in history. The September estimate was 275 million bushels, 3 per cent higher than a month earlier and 24 per cent above a year earlier. Estimates in all district states exceed the August 1 figure.

Tobacco production on September 1 was expected to be slightly higher than on August 1. Most of the increase, however, would be in flue-cured types not grown in district states. The estimate for burley production was the same as in August, and 11 per cent less than in 1949. The estimate for dark tobacco production on September 1 was smaller than a month earlier. Weather in August and September was not favorable for this crop either.

Agricultural prices continued to climb during the month ending August 15. At 267 the index of prices received by farmers was 4 points higher than in July and 23 points higher than a year earlier. Prices of cotton were sharply higher, and prices of eggs, dairy products, most meat (except beef), rice, and wool also were higher. Grain and soybean prices were somewhat lower. Prices that farmers paid also moved upward, causing the parity ratio to remain unchanged.

BANKING

Bank credit (total loans and investments) continued to expand in August and early September. Loans increased at an above-normal rate and this gain more than offset some net decline in the volume of investments held.

The rise in the total money supply (currency plus deposits) coupled with the high degree of liquidity on the part of business and individuals has added appreciably to the inflation potential. In July and again in August the money supply increased sharply—reflecting in part rising bank loan volume.

In the last half of August the Federal Reserve System took action aimed at slowing down bank credit expansion. All of the Federal Reserve Banks increased their discount rates and System open market operations were conducted so as to bring about higher short-term interest rates. The sensitive money market rates reacted almost immediately following August 18. In the Government security market the average rate on new Treasury bills was 1.17 per cent in the first part of August and by mid-September was 1.31 per cent.

One result of the Federal Reserve action was to make the rate on the Treasury refunding issue (a 1¼ per cent, 13-month note) offered in exchange for the September 15 and October 1 maturing certificates and called bonds unattractive to investors. Thus the great bulk of these maturing or called securities were sold in the market before the refunding date, and Federal Reserve support operations

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Sept. 13, 1950	Change from Aug. 16, 1950	Change from Sept. 14, 1949
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	17,159	+ 9,837	+ 13,313
U. S. securities	1,051,610	+44,309	+119,390
Total earning assets	$1,068,769	$+54,146	$+132,703
Total reserves	$ 634,667	$—42,509	$—130,304
Total deposits	662,109	+10,372	— 27,766
F. R. notes in circulation	1,041,419	+ 2,334	— 28,800
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	Sept. 13, 1950	Change from Aug. 16, 1950	Change from Sept. 14, 1949
Gross commercial, industrial and agricultural loans and open market paper	$ 546,144	$+34,083	$+ 83,574
Gross loans to brokers and dealers in securities	5,664	— 1,655	— 618
Gross loans to others to purchase and carry securities	24,369	— 109	+ 3,813
Gross real estate loans	224,759	+ 4,866	+ 46,958
Gross loans to banks	4,977	—11,720	+ 3,105
Gross other loans (largely consumer credit loans)	265,725	+12,380	+ 50,198
Total	$1,071,638	$+37,845	$+187,030
Less reserve for losses	12,143	+ 33	+ 2,979
Net total loans	$1,059,495	$+37,812	$+184,051
Treasury bills	56,297	+10,513	— 29,823
Certificates of indebtedness	35,974	—23,742	—213,808
Treasury notes	308,615	+59,404	+263,994
U. S. bonds and guaranteed obligations	610,485	—71,661	—170,049
Other securities	194,656	+ 2,997	+ 35,198
Total investments	$1,206,027	$—22,489	$—114,488
Cash assets	802,351	+41,975	+ 53,577
Other assets	29,911	+ 1,432	+ 2,510
Total assets	$3,097,784	$+58,730	$+125,650
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	$1,637,092	$+41,922	$+118,234
Interbank deposits	541,342	— 9,125	— 45,762
U. S. Government deposits	71,919	+ 6,889	+ 25,920
Other deposits	116,951	— 317	— 16,099
Total demand deposits	$2,367,304	$+39,369	$+ 82,293
Time deposits	490,426	— 203	+ 4,347
Borrowings	22,845	+12,695	+ 21,625
Other liabilities	28,209	+ 5,672	+ 8,358
Total capital accounts	189,000	+ 1,197	+ 9,027
Total liabilities and capital accounts	$3,097,784	$+58,730	$+125,650
Demand deposits, adjusted*	$1,473,152	$+14,066	$+ 52,745

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

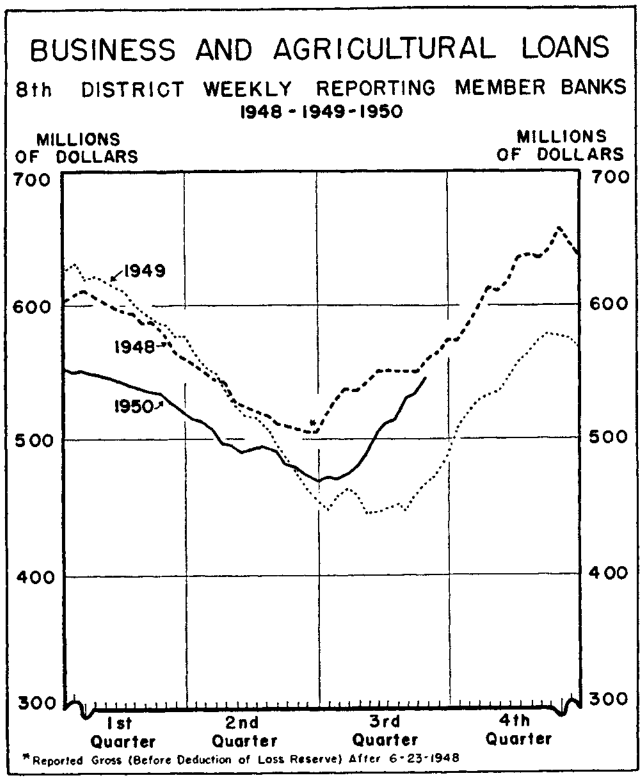
DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	August, 1950	July, 1950	August, 1949	August, 1950 compared with July,'50	Aug.,'49
El Dorado, Ark.	$ 24,117	$ 22,547	$ 20,806	+ 7%	+16%
Fort Smith, Ark.	41,905	38,782	36,749	+ 8	+14
Helena, Ark.	6,131	6,099	5,777	+ 1	+ 6
Little Rock, Ark.	130,844	123,269	108,766	+ 6	+20
Pine Bluff, Ark.	25,167	25,819	22,248	— 3	+13
Texarkana, Ark.*	10,796	11,217	9,505	— 4	+14
Alton, Ill.	25,871	25,008	22,420	+ 3	+15
E.St.L.-Nat.S.Y., Ill.	126,890	115,495	113,014	+10	+12
Quincy, Ill.	31,767	29,890	26,540	+ 6	+20
Evansville, Ind.	144,305	143,688	117,919	–0–	+22
Louisville, Ky.	637,109	535,054	479,288	+19	+33
Owensboro, Ky.	40,935	36,700	30,147	+12	+36
Paducah, Ky.	16,555	15,324	12,605	+ 8	+31
Greenville, Miss.	18,362	17,063	15,372	+ 8	+19
Cape Girardeau, Mo.	12,514	12,985	11,701	— 4	+ 7
Hannibal, Mo.	9,099	9,061	7,808	–0–	+17
Jefferson City, Mo.	47,354	47,428	47,014	–0–	+ 1
St. Louis, Mo.	1,718,468	1,654,271	1,453,767	+ 4	+18
Sedalia, Mo.	10,979	10,860	9,546	+ 1	+15
Springfield, Mo.	68,889	63,180	54,769	+ 9	+26
Jackson, Tenn.	19,106	18,505	16,534	+ 3	+16
Memphis, Tenn.	646,815	526,422	426,315	+23	+52
Totals	$3,813,978	$3,488,668	$3,048,610	+ 9%	+25%

*These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $27,479.

led to very heavy System purchases of these securities. In large part, however, the funds received by investors from these sales were employed to purchase other Government securities supplied mainly by the System so that the net addition to System holdings (and consequently the net addition to bank reserves from this action) was relatively small. As far as the commercial banks are concerned, the net result has been a shift out of Treasury certificates and bonds into Treasury bills and long notes, with some decline in the total volume of Government securities held. As of September 13, Government security portfolios of the weekly reporting banks in this district showed an increase relative to August 16 of $11 million in bills and $59 million in notes, more than offset by a decline of $24 million in certificates and of $72 million in bonds.

Loans at all district member banks rose $79 million in August, considerably more than the typical advance in that period in former years. Most of the increase was in business loans. The gain in this category since the middle of 1950 has been even sharper than occurred in the comparable period in 1948 (and much sharper than in 1949) and has been much more pronounced than in most other years for which records are available. Both real estate and consumer credit loans also increased appreciably in August and early September.



EIGHTH DISTRICT
MEMBER BANK ASSETS AND LIABILITIES
BY SELECTED GROUPS

(In Millions of Dollars)	All Member			Large City Banks [1]			Smaller Banks [2]		
		Change from:			Change from:			Change from:	
Assets	Aug. 1950	July 1950 to Aug. 1950	Aug. 1949 to Aug. 1950	Aug. 1950	July 1950 to Aug. 1950	Aug. 1949 to Aug. 1950	Aug. 1950	July 1950 to Aug. 1950	Aug. 1949 to Aug. 1950
1. Loans and Investments	$3,926	$+ 20	$+168	$2,279	$+ 18	$+ 83	$1,647	$+ 2	$+ 85
a. Loans	1,617	+ 79	+248	1,053	+ 67	+185	564	+ 12	+ 63
b. U.S. Government Obligations	1,930	— 62	—123	1,031	— 54	—137	899	— 8	+ 14
c. Other Securities	379	+ 3	+ 43	195	+ 5	+ 35	184	— 2	+ 8
2. Reserves and Other Cash Balances	1,157	— 4	+ 8	722	+ 5	+ 36	435	— 9	— 28
a. Reserves With the F.R. Bank	571	+ 5	— 16	370	+ 2	— 9	201	+ 3	— 7
b. Other Cash Balances [3]	586	— 9	+ 24	352	+ 3	+ 45	234	— 12	— 21
3. Other Assets	48	+ 6	+ 7	28	+ 2	+ 1	20	+ 4	+ 6
4. Total Assets	$5,131	$+ 22	$+183	$3,029	$+ 25	$+120	$2,102	$— 3	$+ 63
Liabilities and Capital									
5. Gross Demand Deposits	$3,751	$— 6	$+120	$2,284	$— 5	$+ 83	$1,467	$— 1	$+ 37
a. Deposits of Banks	536	— 27	— 36	505	— 26	— 35	31	— 1	— 1
b. Other Demand Deposits	3,215	+ 21	+156	1,779	+ 21	+118	1,436	–0–	+ 38
6. Time Deposits	985	— 2	+ 14	497	— 1	+ 6	488	— 1	+ 8
7. Borrowings and Other Liabilities	64	+ 30	+ 24	57	+ 29	+ 22	7	+ 1	+ 2
8. Total Capital Accounts	331	–0–	+ 25	191	+ 2	+ 9	140	— 2	+ 16
9. Total Liabilities and Capital Accounts	$5,131	$+ 22	$+183	$3,029	$+ 25	$+120	$2,102	$— 3	$+ 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.

V Loan Program

On September 27, 1950, the Board of Governors of the Federal Reserve System announced a program of guaranteed loans to facilitate the defense effort. The program is patterned after the so-called V Loan Program of World War II. It was inaugurated under authority of the Defense Production Act of 1950 and the President's Executive Order No. 10161 of September 9, 1950.

The statement made by the Board in connection with announcement of this program is reproduced in part below.

The guaranteeing agencies of the Government named in the executive order are the Department of the Army, the Department of the Navy, the Department of the Air Force, the Department of Commerce, the Department of the Interior, the Department of Agriculture, and the General Services Administration. The program, adopted after consultations among the various guaranteeing agencies and the Board of Governors of the Federal Reserve System, will again be administered through the agency of the Federal Reserve Banks.

Under the Defense Production Act, each of the guaranteeing agencies is authorized to guarantee loans made by banks and other lending institutions to individuals and private corporations for the purpose of financing contracts and other operations which the guaranteeing agency considers necessary for the procurement of materials and the performance of services for the national defense. In the administration of this program, special attention will be given to the financing requirements of small business enterprises engaged in operations relating to the defense effort.

The twelve Federal Reserve Banks are designated in the executive order as fiscal agents of the United States to act on behalf of the guaranteeing agencies in the making of guarantees; and the executive order authorizes the Board of Governors, after consultation with the guaranteeing agencies, to prescribe regulations governing the operations of the Federal Reserve Banks as such agents, rates and fees to be charged with respect to guaranteed loans, and the forms and procedures to be utilized in connection with the making of such guarantees.

In connection with the establishment of the new program, the Board of Governors, after consulting the guaranteeing agencies, has revised its regulation V, effective September 27, 1950, to govern the general operation of the program. A standard form of guarantee agreement has been prescribed. Except for a few minor changes it is identical with the form of the 1944 V-Loan Guarantee Agreement which was in use at the close of World War II. Likewise, the procedures for the handling of guarantees will follow generally and to the extent applicable those which were in effect when the wartime V-Loan Program terminated in 1945.

The maximum rate of interest which may be charged with respect to a guaranteed loan has been set at 5 per cent.

In any case in which there is need for a guaranteed loan to finance a contractor or subcontractor engaged in operations relating to defense production, the contractor should contact his local bank or other financing institution. If the financing institution is in agreement, it should in turn contact the Federal Reserve Bank or Branch of its district and file with the Reserve Bank or Branch an application for a guarantee of the loan by the appropriate guaranteeing agency. Financing institutions should direct all inquiries with respect to the program to the Federal Reserve Bank or Branch of the appropriate Federal Reserve District.