Monthly Review

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Review and Outlook

by

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1951 was a year of achievement for the United States. This nation and its allies gained strength and position for the free world, a net result of fair progress in Western Europe and Japan, losses in the Middle East, and perhaps some small net gain in Asia. The outlook thus is a little less dark than a year earlier.

Stability was the keynote of the domestic economy in 1951. Balance resulted mainly from (1) the productive capacity and production volume of the American economy, (2) the stabilization program, and (3) a high rate of consumer saving. Financial policy contributed strongly to stability in 1951, through Federal Reserve action and through the Voluntary Credit Restraint Program.

Two primary factors will influence the course of domestic business in 1952: The scope and size of the defense program, and the extent and nature of consumer demand. In combination these could well produce more inflationary pressure. Continued restraint is the indicated policy in such a situation.

Inflation stems from imbalance between demand for and supply of goods and services. Purchasing power comes from income, savings and credit. Federal Reserve action is taken in the credit field and permits much freedom for individual lenders. Freedom of action is the cornerstone of our political system and has resulted in an efficient economic system.

1951 was a year of achievement for the United States.

The beginning of a new year is traditionally a time for stock taking and for resolutions. It is a time to look back on the record of the past twelve months, to view the year's events from a vantage point which gives some perspective. It is also a time to resolve to make greater efforts during the next twelve months to overcome deficiencies and to attain desired goals.

The practice of looking back over the entire year seems particularly useful in periods of great ferment—a characteristic of these middle years of the Twentieth Century. Viewed with the perspective of time, 1951 appears as a year of great achievement for the United States. This nation gave more evidences of growing maturity in international affairs. Its military strength showed a pronounced net gain. The domestic economy grew stronger and more productive. The enervating effects of inflation were largely arrested. In January, 1951 the outlook was most somber. While the state of the world today is cause for no particular optimism, the outlook appears less dark than it did a year ago.

This is not to say that 1951 showed uninterrupted progress for the United States either in world position or in national affairs. The record shows debit entries as well as credit entries. There were errors both of commission and of omission. But on balance 1951 should go down as a good year for the nation.

This nation and its allies gained strength and position for the free world, a net result of . . .

In the international arena the gains, losses and shifts seem to have netted out to some gain in the position of the United States and the free world as a whole. Here the credits were more nearly balanced by the debits, however, than was the case in the field of national affairs.

. . . fair progress in Western Europe and Japan, . . .

In Western Europe progress was made toward strengthening that region's capacity and will for military defense. At the close of the year especially some progress also was apparent in the movement toward greater European unity both politically and economically. While the strain of rearming has been great and has put heavy pressure on the civilian economies of the Western European states, thus giving rise to a new set of problems, there seems to be little question but that this area is in better shape to contribute to the struggle against aggression than was true a year ago. In the Pacific, a new Japan gained strength in 1951 and represented a growing factor in the global position of the free nations.

. . . losses in the Middle East, . . .

The record in the Middle East was in direct contrast to that in Western Europe and Japan. The free world lost through death some strong friends there. The rising tide of nationalism kept the area in ferment and led to growing hostility toward the western world. At year end there was no cause to view the future in the Middle East with any optimism; tensions might well increase in 1952 and lead to even more serious situations than developed in 1951.

. . . and perhaps some small net gain in Asia.

The record in Asia in 1951 was mixed, and it is particularly difficult to total up developments there to a net plus or minus. As this article is written, Korean peace negotiations are still in progress and the results are still in doubt. But regardless of the outcome of the negotiations the free world position in Korea at the close of the year was better than it was twelve months earlier. In Malaya and Indo-China the British and French positions of strength had improved, although the basic problems there still seemed far from settlement. The factor of growing nationalism throughout Southeast Asia led to continued distrust of the western powers and to continued opportunity for Communist power penetration. At year end India, traditionally friendly to the United States, seemed farther away from the west than in January, 1951.

The outlook thus is a little less dark than a year earlier.

Taking all developments together, there seems to have been progress in our international position during 1951. The big question, however, still is unanswered as 1952 begins. Will there be global war between the free world and the Communist powers? Certainly the free world now is better prepared to fight if war should come than it was a year ago. A year from now its strength should be substantially greater. On balance the outlook at the beginning of 1952 seems a little less dark than it was twelve months before.

Stability was the keynote of the domestic economy in 1951.

The key fact about the domestic economy in 1951 was the remarkable stability which characterized it despite the strains of a major defense program. As the year began there was much cause for belief that 1951 would be disrupted by shifts from non-defense to defense output and by continued strong inflationary forces. However, the production shifts were made quite smoothly and only for a short time early in the year were inflationary pressures substantial. Thus, while there was considerable diversity in important areas of demand and markets, for the bulk of the year stability and balance were the keynotes.

Various basic statistics indicate the stability which characterized the year's activity. Employment rose but average hours worked per week dropped off slightly. Total production increased enough so that the defense program take did not impinge appreciably on total civilian supply (although supplies of durables and housing declined). In fact, production probably could have been larger than it was had demand been stronger. The gross national product was at an annual rate of $319 billion in the first quarter of 1951 and about $330 billion in the last quarter. Industrial production in the second half was actually smaller than in the first half (by about 2 per cent). Farm output was larger than in 1950.

On the whole, prices were fairly stable during the year. Basic commodity prices fluctuated appreciably, but general wholesale prices and consumer prices were more stable. Wholesale prices at year end were a little lower than twelve months earlier. There was an upturn earlier in 1951, followed by a downturn, and then an almost horizontal movement. Consumer prices increased in the year by about 3 per cent, reflecting partly some earlier cost increases.

Balance resulted mainly from (1) the productive capacity and production volume of the American economy, . . .

The balance which prevailed was the product of several forces operating in the economy. First and most important, the existing productive capacity and power of the American economy was very great and very adaptable. In addition capacity was increased tremendously. This base permitted the American genius for production to come into full play. The net result was that both guns and butter were produced in volume. Actually, there was more than enough butter to take care of civilian demand when inventories were considered.

In part this situation reflected the fact that the defense program in terms of goods (as contrasted with capacity to produce) turned out to be smaller than most people visualized it would be at the beginning of 1951. In turn this reflected both conscious policy aimed at avoiding economic dislocation and unforeseen difficulties in reaching goals in terms of certain defense goods.

. . . (2) the stabilization program, . . .

Second, the general stabilization program took hold and worked reasonably well during the year. The key factors here were fiscal policy, which resulted in a cash surplus for the Treasury, and monetary policy, which resulted in restricting total credit growth and led to channeling of credit away from less essential to more essential uses. These factors, plus the adequacy of available supply of goods, permitted the direct controls over wages and prices to operate under less pressure than in World War II.

. . . and (3) a high rate of consumer saving.

Third, consumers increased savings and thus curtailed demand, a situation which made available supply more adequate. The fact of the stabilization program gave some assurances that prices would not rise rapidly, and together with the presence of large supplies of goods (and the allocations program for industry) curtailed large-scale anticipatory buying.

Financial policy contributed strongly to stability in 1951 . . .

The financial system of the United States did an excellent job in 1951. It provided needed financing for essential activities, particularly defense and defense supporting activities, and at the same time held down the growth in total credit outstanding. The factors responsible for this record of achievement were: a policy of credit restraint, both general and through selective credit regulations, carried on by the Federal Reserve System, and a complementary policy of voluntary credit restraint effectively carried out by the private financial system.

. . . through Federal Reserve action . . .

Following the Treasury-Federal Reserve accord announced early in March, the Federal Reserve System regained some primary control over the volume of reserves available to the commercial banks. Lessening of availability of reserves, and resultant increases in cost of reserves, influenced the commercial banking system to curtail further credit extension.

. . . and through the Voluntary Credit Restraint Program.

Very shortly thereafter, the financial community, including the commercial banks, acting under authority in the Defense Production Act, embarked on a program of voluntary credit restraint which resulted in more efficient channeling of available credit into more essential uses and away from less essential uses. As a measure of the effectiveness of the two factors, total loans at commercial banks rose less than $5.8 billion in 1951, in contrast to a gain of over $9.3 billion in 1950. Essential activities were financed adequately; curtailment took place in the less essential lines.

This kind of program, combined central bank and private financial community cooperation, is in keeping with the best traditions of American life. Bankers and other financial leaders can look back on the record of 1951 with pride.

Two primary factors will influence the course of domestic business in 1952: . . .

The outlook for the domestic economy in 1952 is clouded by some major uncertainties. The two primary factors in the outlook are the scope and size of the defense program and the extent and nature of consumer demand. The first factor will be influenced by the state of international tensions and in turn will have some influence on consumer demand. Business demands also will be important, of course, but are likely to reflect actions of the key factors rather than to determine them.

. . . The scope and size of the defense program, . . .

Public statements by responsible authorities indicate that the defense program will increase sharply throughout 1952. If it proceeds as scheduled, Government expenditures for defense will rise considerably and the Treasury will run a cash deficit in 1952 instead of a surplus. Furthermore, a program of the size and scope scheduled would press much more heavily on total goods supply, reducing the total volume available to the civilian economy and changing considerably the "mix" of goods and services available. Allocations of scarce materials already announced for the first quarter of 1952 will result in further declines in output of various consumer durable goods.

Whether the defense program is carried through as presently scheduled remains to be seen. Failing a complete agreement with Russia and her satellites, a most improbable development, there is every reason for this country and its friends to keep on working toward greater military strength. But full peace in Korea and relaxation of tensions elsewhere could reduce military demand somewhat in 1952 and result in pushing the peak target date for military output further into the future. In such event the total civilian supply and the "mix" of that supply would be changed less than present plans would indicate. Thus one major factor to watch in 1952 is the size and scope of the defense program and its relation to presently announced schedules.

. . . and the extent and nature of consumer demand. In combination these could well produce more inflationary pressure.

The second key question for 1952 has to do with consumer demand, spending and saving. Again, if the defense program proceeds as announced, there will be a continued rise in consumer income without an equivalent rise in goods available. Even if the defense program were to be somewhat smaller there still would be a probable gap between consumer income and supply. And that income could be reinforced by greater use of past savings and further credit extension. If consumers maintain or increase their present rate of saving, total consumer demand can be equated roughly with total consumer supply. If the saving rate is reduced, potential inflationary forces can become real and strong.

Continued restraint is the indicated policy in such a situation.

Given the uncertainties which confront us at the present time, it would seem most unwise to proceed on any assumption other than that inflation still is a danger. This means continued efforts to "pay as we go," to maintain a policy of credit restraint, to continue the direct economic controls and to forestall any actions which would disturb the present delicate balance in the economy. With such policies consumer spending can be held down, the rate of saving maintained and inflationary pressures minimized.

Inflation stems from imbalance between purchasing power and goods supply.

In connection with this subject it seems desirable to stress certain primary facts which do not always obtain complete and widespread understanding.

First, inflationary forces result basically from a relatively more rapid increase in purchasing power than in available supply of goods and services. Thus the basic cure for inflation is to attempt to balance purchasing power with goods supply. In periods like the present and prospective future, that balance necessarily has to be achieved mainly through curtailing growth in purchasing power rather than in increasing goods supply. It is extremely difficult to increase the supply of goods appreciably over a short period when the economy is operating at close to full capacity.

Purchasing power comes from income, savings and credit.

Second, purchasing power comes from current income, from the use of past savings and from increased credit. To bring the level of purchasing power down, if it needs to be reduced, action can be taken to limit current income (through higher taxes), to inhibit the use of past savings, and perhaps to increase the savings rate (through programs aimed at promoting savings habits and practices), and to curtail credit growth (through restrictive action on the part of the monetary authorities).

Federal Reserve action is taken in the credit field and permits much freedom for individual lenders.

Third, the Federal Reserve System is charged with the responsibility of influencing the supply, cost and availability of credit in the interests of stable values, high employment and a rising standard of living. In a period of inflation or of potential inflationary danger, Federal Reserve policy aims at restricting credit growth. Basic Federal Reserve action in this field takes the form of making bank reserves less available and more costly. By so doing it sets a sort of over-all ceiling on credit expansion. Under that ceiling individual lenders determine how and where their credit flows. Ideally the credit flows to the more essential uses and the more efficient users. The important fact is that this kind of arrangement meets the basic issue and maintains a high degree of individual freedom of action.

This freedom of action is the cornerstone of our political system and has resulted in an efficient economic system.

Fourth, our democratic capitalistic system possesses two major virtues. It leads to a high degree of individual freedom, the cornerstone of our political system, and it has met the test of time as a most efficient economic system. Free choice has resulted in having more to choose from.

The major issue which divides the free nations of the world from the remainder is the degree of freedom permitted the individual. In periods of stress, individuals in free nations are willing to give up certain freedoms in the common interest, but it is of the highest importance that the maximum degree of freedom be maintained in the philosophical interest of preserving our kind of political system and in the more materialistic interest of maintaining long-run dynamic economic strength.

1952 will be a difficult year. To make it a successful year will call for continuation of the efforts which were made in 1951 and perhaps intensification of those efforts. It is vital that everyone realize that continued restraint is needed. We did a fairly good job in 1951; we should continue to do an equally good job in 1952 when the pressures may well be greater.

Survey of Current Conditions

At mid-December business activity in the Eighth District appeared to have leveled off after showing improvement in recent months. The current rate of activity remained high but, allowing for seasonal factors, no over-all improvement was displayed over a month ago. While retail trade increased moderately and production of shoes and certain garments showed signs of recovering from their recent low levels, construction volume was down and industrial production was off slightly.

To some extent early winter weather probably was responsible for the leveling off. But to a large extent the hesitation in the recovery of business activity mirrors the "wait and see" attitude of a great many people and businesses. This caution stems principally from the fact that there is a growing area of uncertainty over what is ahead. Presently the question of armistice or more and bigger war still hangs fire in Korea and the future of the Government's economic stabilization program hinges to a large degree on the solution to the steel wage negotiations. These key factors—one in the process of development for over five months, the other for almost a full month—are still unfinished business. But because solutions of one kind or another to both appear to be not far away, because the manner in which they may be settled will have an important bearing on our economic future, there has been a growing disposition on the part of consumers and most businesses to make only immediately necessary decisions until the situation clears. The net result appears to be an arresting of the gradual uptrend evident in district business during the months ending about mid-October and mid-November.

The national economy in early December appeared to have extended for another month the rough high-level balance between diverse trends in various activities. The Federal Reserve Board's index of industrial production for October and November was 218 per cent of the 1935-39 average as compared with 219 per cent for September. Employment in the nation decreased seasonally between October and November largely as a result of declining farm operations. Retail sales in November showed a more than seasonal increase, but in terms of physical units were probably still below last year. Loans increased less than seasonally in November and early December and bank interest rates increased again in December, reflecting the tight reserve position of member banks. Weekly wholesale prices remained steady in the first part of December. Since mid-July this price index has fluctuated within a very narrow range.

EMPLOYMENT

Total employment in the nation decreased seasonally between October and November. A drop in the number of workers on farms, construction projects and in seasonal manufacturing industries more than offset additional employment in defense manufacturing, trade and service employment. Unemployment did not increase as much as the reduction in employment since many of the laid-off workers temporarily left the labor market. Unemployment in November was estimated at 1.8 million, up some 200,000 from the previous month, but still about 400,000 below the level of a year earlier.

The average work week, 40.3 hours at mid-November, dropped slightly from October and was nearly one hour less than a year ago. Durable goods industries were working longer hours than other industries.

Some temporary unemployment in certain areas of the district has been caused recently by curtailed production resulting from lagging demand or from restricted supplies of critical materials. So far these dislocations have not been corrected by increased employment in defense work. Many district defense production lines still are in process of being tooled up, and expansion of others has yet to be accomplished.

Two smaller areas in the Eighth District, Vincennes, Indiana, and Crab Orchard, Illinois, still have a substantial surplus of labor. The surplus in the Crab Orchard area is one of long standing due to the decline in the basic industry—coal mining. However, recent plant locations in the area should be helpful in reducing dependence on coal mining. And the steam electric power plants being constructed by TVA and Electric Energy, Inc., should help revive the coal mines in this area. The Vincennes area has been affected by the closing of a coal mine upon exhaustion of its working seams and the shutting down of a shoe factory. In a third area, Bedford, Indiana, a greater than seasonal decline in limestone quarries and a temporary shut down of a large aluminum foundry, recently caused a large increase in unemployment.

In St. Louis, November employment was off from October, largely as a result of fewer construction and government jobs and seasonal layoffs in shoe manufacturing. Gains in trade and defense jobs were not large enough to offset the decreases.

In Louisville, employment during 1951 has been stable, fluctuating less than one per cent from

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Nov.,'51	Oct.,'51	Nov.,'50	Nov., 1951 compared with Oct.,'51	Nov.,'50
All Commodities	178.3	178.2	171.6	+ 0.1%	+ 3.9%
Farm Products	195.2	192.4	183.7	+ 1.5	+ 6.3
Foods	188.8	189.5	175.2	— 0.4	+ 7.8
Other	166.9	166.7	163.5	+ 0.1	+ 2.1

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1935-39=100)	Nov. 15, 1951	Oct. 15, 1951	Nov. 15, 1950	Nov. 15, 1951 compared with Oct. 15,'51	Nov. 15,'50
United States	188.6	187.4	176.4	+ 0.6%	+ 6.9%

* New series.

RETAIL FOOD*

Bureau of Labor Statistics (1935-39=100)	Nov. 15, 1951	Oct. 15, 1951	Nov. 15, 1950	Nov. 15, 1951 compared with Oct. 15,'51	Nov. 15,'50
U. S. (51 cities)	231.4	229.2	210.8	+ 1.0%	+ 9.8%
St. Louis	242.2	239.3	221.2	+ 1.2	+ 9.5
Little Rock	225.4	224.4	211.7	+ 0.4	+ 6.5
Louisville	218.6	216.7	198.0	+ 0.9	+10.4
Memphis	237.7	238.0	218.3	— 0.1	+ 8.9

* New series.

WHOLESALING

Line of Commodities (Data furnished by Bureau of Census U.S. Dept. of Commerce*)	Net Sales November, 1951 compared with Oct.,'51	Nov.,'50	Stocks Nov. 30, 1951 compared with Nov. 30, 1950
Automotive Supplies	+ 5%	+ 2%	+19%
Drugs and Chemicals	— 4	+ 6	+ 6
Dry Goods	—11	–0–	+ 7
Groceries	— 4	+ 4	+ 2
Hardware	— 4	+ 3	+16
Tobacco and its Products	—12	+ 4	— 5
Miscellaneous	— 6	+23	— 7
**Total All Lines	— 7%	+ 4%	+14%

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

month to month. November employment was at a peak for the year, 3 per cent over November 1950.

INDUSTRY

Over-all industrial activity in the Eighth District in November was about the same as in previous months, allowing for usual seasonal change. Industrial electric power consumption and coal production was greater in November than in October. Construction activity also improved slightly. Other important industrial activities, steel, lumber, and shoes, showed decreases from October.

Manufacturing—Industrial consumption of electric power on a daily average basis increased 5 per cent in major district manufacturing centers during November from both October, 1951 and November, 1950. Every center, except Evansville, showed an increase over October.

Production of steel ingot in the St. Louis area was down to 91 per cent of capacity in November, the lowest monthly production in over a year, and continued at an even lower rate in early December. The decline reflected the shutdown of furnaces producing primarily for nondefense markets. Defense production continued full-blast with mills using scrap faster than it was being received.

Lumber production showed a moderate decline from October to November and was about 10 per cent lower for both soft and hardwoods than in November, 1950. Some improvement was reported in the hardwood market which has been weak in recent months. December, generally a quiet month in production and sales, was expected to follow that pattern this year.

District production of shoes has continued to lag according to latest reports.

Livestock slaughter in the St. Louis area in November increased 9 per cent over October and was 7 per cent over that of November, 1950. The monthly gain was in line with past seasonal experience. The gain over November a year ago was due to a large increase in hog slaughter, which was expected to peak in early December.

Virtually no change in the volume of whiskey production during November was indicated by the fact that only one less distillery was operating at month's end than 30 days earlier. Late fall and holiday sales of whiskey are reported as satisfactory. There is usually a decline in sales after the first of the year. It may be more than seasonal in 1952 because of the pinch of higher taxes and prices on consumers and due to consumer reserve stocks accumulated to beat the November 1 liquor tax hike.

Mining—The daily average production rate of crude oil in November and the first week of December showed very little change from that of the prior month or the month a year ago. New drilling activity continued vigorously in the four district oil producing states.

Coal production, according to the preliminary November adjusted index for the district, was at its highest level since last April. On a total production basis, district production was also high, showing an absolute gain of 4 per cent over the prior month, though slightly lower than November, 1950.

Transportation—Railroad freight interchanges at St. Louis during November declined 12 per cent from October and were down 4 per cent compared with November, 1950.

Construction—The value of new construction put in place during November in the nation was $2.5 billion, reflecting a slightly less than seasonal decline from October. The total value of work contracted for in the district in November amounted to $64.8 million, compared with $67.9 million in October and $54.8 million in November, 1950.

The value of construction contracts in the district awarded in the first eleven months of 1951 were $1.2 billion, or 51 per cent higher than in the comparable period of 1950.

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
Nov.,'51	Oct.,'51	Nov.,'50	Nov.,'51	Oct.,'51	Nov.,'50
186.1*	162.7*	164.8	169.2*	152.1*	149.8

*Preliminary.

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	Nov., 1951 K.W.H.	Oct., 1951 K.W.H.	Nov., 1950 K.W.H.	Nov., 1951 compared with Oct.,'51	Nov.,'50
Evansville	13,948	15,629	14,057	—10.8%	— 0.8%
Little Rock	14,013	14,440	14,292R	— 3.0	— 2.0
Louisville	82,737	84,191	77,757	— 1.7	+ 6.4
Memphis	32,145	33,566	30,159	— 4.2	+ 6.6
Pine Bluff	11,075	11,440	8,815	— 3.2	+25.6
St. Louis	101,401	107,544	99,938R	— 5.7	+ 1.5
Totals	255,319	266,810	245,018	— 4.3%	+ 4.2%

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Nov.,'51	Oct.,'51	Nov.,'50	First Nine Days Dec.,'51	Dec.,'50	11 mos. '51	11 mos. '50
110,176	121,009	115,346	34,407	35,200	1,279,368	1,244,180

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Nov., 1951	Oct., 1951	Nov., 1950	Nov., 1951 compared with Oct.,'51	Nov.,'50
Arkansas	76.5	77.3	81.5	— 1%	— 6%
Illinois	164.8	168.9	173.9	— 3	— 5
Indiana	32.0	33.1	30.1	— 3	+ 6
Kentucky	33.9	32.8	29.9	+ 3	+13
Total	307.2	312.1	315.4	— 2%	— 3%

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Nov., 1951 compared with		11 mos.'51 to same period '50	Nov. 30,'51 comp. with Nov. 30,'50	Jan. 1, to Nov. 30,	
	Oct.,'51	Nov.,'50			1951	1950
8th F. R. District...	+ 8%	+ 7%	+ 3%	— 3%	3.05	3.56
Ft. Smith, Ark.[1].....	+ 6	+12	+ 8	+ 3	3.06	3.50
Little Rock, Ark....	+18	+10	– 0 –	— 7	3.00	3.37
Quincy, Ill.............	+ 5	+ 3	+ 3	+14	2.89	3.15
Evansville, Ind.......	+26	+14	+ 7	— 2	2.82	3.37
Louisville, Ky........	+17	+12	+ 2	—10	3.53	3.85
St. Louis Area [2].....	+ 5	+ 4	+ 2	+ 1	2.91	3.59
Springfield, Mo......	—14	+ 5	+ 4	+ 2	2.68	3.07
Memphis, Tenn......	+11	+ 7	+ 3	— 6	3.46	3.62
All Other Cities*....	— 1	+18	+ 9	— 7	2.59	2.84

* Fayetteville, Arkansas; Harrisburg, Mt. Vernon, Illinois; Vincennes, Indiana; Danville, Hopkinsville, Mayfield, Paducah, Kentucky; Chillicothe, Missouri; Greenville, Mississippi; and Jackson, Tennessee.

[1] In order to permit publication of figures for this city, a special sample has been constructed which is not confined exclusively to department stores. Figures for any such nondepartment stores, however, are not used in computing the district percentage changes or in computing department store indexes.

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

Outstanding orders of reporting stores at the end of November, 1951, were 8 per cent smaller than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding November 1, 1951, collected during November, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith........	....%	53%	Quincy	24%	64%
Little Rock	20	50	St. Louis	22	53
Louisville	22	48	Other Cities......	15	56
Memphis	21	43	8th F.R. Dist...	22	50

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

	Nov., 1951	Oct., 1951	Sept., 1951	Nov., 1950
Sales (daily average), unadjusted [3]........................	130	111	111	125
Sales (daily average), seasonally adjusted [3]..........	109	105	105	106
Stocks, unadjusted [4]..	125	134	135	137
Stocks, seasonally adjusted [4]................................	114	119	127	124

[3] Daily average 1947-49=100.

[4] End of month average 1947-49=100.

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Nov., 1951 compared with		11 mos.'51 to same period '50	Nov. 30,'51 comp. with Nov. 30,'50	Jan. 1, to Nov. 30,	
	Oct.,'51	Nov.,'50			1951	1950
Men's Furnishings....	+14%	+ 3%	+ 2%	+ 9%	1.72	2.18
Boots and Shoes......	—17	+11	+10	+ 5	3.72	3.87

Percentage of accounts and notes receivable outstanding Nov. 1, 1951, collected during November:

Men's Furnishings................ 48% Boots and Shoes.................... 45%

Trading days: Nov., 1951—25; Oct., 1951—27; Nov., 1950—25.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	Nov., 1951 compared with		Nov. 30, 1951 compared with			
	Oct.,'51	Nov.,'50	Oct. 31,'51	Nov. 30,'50	Nov.,'51	Nov.,'50
8th Dist. Total[1]	— 6%	+ 4%	+ 1%	— 8%	24%	21%
St. Louis Area[2]	— 7	— 1	–0–	— 9	33	26
St. Louis......	— 9	— 2	–0–	— 9	33	26
Louisville Area[3]	—15	+15	+ 4	— 3	14	13
Louisville.....	—12	+14	+ 5	— 3	13	13
Memphis..........	+ 3	+33	— 4	—18	15	13
Little Rock.......	+ 2	+ 3	+14	—12	20	19
Springfield.......	—13	— 6	+ 3	+12	17	17
Fort Smith.......	— 4	+10	*	*	*	*

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

[1]In addition to following cities, includes stores in Blytheville, 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.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Nov.,'51	Oct.,'51	Nov.,'50
Cash Sales	15%	14%	16%
Credit Sales	85	86	84
Total Sales	100%	100%	100%

The migration to defense centers and military establishments has created housing problems in several areas in the Eighth District. To help meet this problem, credit restrictions of Regulation X have been relaxed for a specified number of home units to be erected by private builders in these areas. The areas of critical housing so far announced are: Fort Leonard Wood, Rolla, Sedalia, Missouri; Benton-Bauxite, Camden-Shumaker, and Pine Bluff, Arkansas; Fort Campbell, Fort Knox, and Paducah, Kentucky.

Public Housing in the Eighth District is active—5,411 dwelling units were under construction as of September 30, 1951, and 7,030 more were being planned.

TRADE

Reporting retail lines, with the exception of furniture stores, registered greater sales volume during November than in October. In comparison with November, 1950, all reporting lines except women's specialty stores experienced greater sales. Adverse shopping weather early in the month probably limited the increase of consumer spending. In the St. Louis area, for example, an extremely heavy snow early in the month impeded transportation for several days.

The fact that consumers would, and could, spend money was demonstrated by the success of special and seasonal promotions. In St. Louis, sales of television sets at department stores through the first nine months of 1951 were more than one-fifth below those in 1950. In October, extensive promotion with price cuts lifted sales about one-eighth over those in the like month of 1950. In November sales of television sets were 58 per cent larger than in November, 1950.

Inventories held by reporting retail lines on November 30 did not show much change from either a month or a year earlier. With inventory replacement problems at a minimum the value of outstanding orders at department stores on November 30 were not much different than on October 31 or November 30, 1950.

CONSTRUCTION

BUILDING PERMITS
Month of November

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1951	1950	1951	1950	1951	1950	1951	1950
Evansville...........	48	54	$ 61	$ 188	31	36	$ 16	$ 61
Little Rock..........	37	91	737	1,042	142	131	126	104
Louisville............	159	133	1,135	663	50	57	59	66
Memphis.............	1,807	1,898	1,713	3,560	115	180	123	129
St. Louis............	196	301	1,210	1,953	196	184	526	539
Nov. Totals.....	2,247	2,477	$ 4,856	$ 7,406	534	588	$ 847	$ 899
Oct. Totals......	3,183	3,171	$12,529	$10,226	874	928	$1,669	$1,346

Department Stores—For the district as a whole, department store sales in November totaled 8 per cent larger than in October and were 7 per cent above those in November, 1950. Seasonally adjusted daily average sales in the month were 109 per cent of the 1947-1949 average in comparison with 105 per cent in October and 106 per cent a year ago. Through November cumulative 1951 sales for the district were 3 per cent larger than in 1950. Preliminary reports through mid-December indicate that this rate of gain from last year may be maintained throughout the month.

Sales in all major district cities increased in November. As compared with October, sales gains, except in Springfield, ranged from 5 per cent in Quincy and the St. Louis area to 26 per cent in Evansville. As compared with November, 1950, sales increases ranged from 3 per cent in the St. Louis area to an average gain of 18 per cent in several small cities.

The retail value of inventories held by reporting department stores in the district on November 30 was 3 per cent less than October 31 and was 3 per cent below that on November 30, 1950. The dollar volume of outstanding orders at the end of the month was 8 per cent less than a month earlier but was 2 per cent larger than a year ago.

In St. Louis, women's specialty stores sales during November were slightly larger than a month ago but dropped about one-tenth below those last year. The retail value of inventories on November 30 was slightly larger than at the end of the previous month and a year ago.

At district men's wear stores November sales volume was 14 per cent larger than in October and was 3 per cent larger than in November, 1950. The value of inventories held on November 30 dropped 3 per cent below that on October 31, but was 9 per cent above that on November 30, 1950.

District furniture stores reported that November sales declined 6 per cent below those in October but were 4 per cent above those during November, 1950. The level of inventories on November 30 was not much different than a month ago, but was 8 per cent below that a year ago.

AGRICULTURE

Recently announced Department of Agriculture production goals for major crops highlight efforts to increase production of most crops and particularly of feed crops in 1952. In order to achieve this level of production, an additional three or four million acres will need to be planted. Three million acres of cropland remained idle in 1951 which it is hoped will be utilized in 1952.

The national acreage goal for corn is 89 million acres, or 3 per cent larger than the 1951 acreage. With normal yields this would result in a crop of 3,375 million bushels, 15 per cent more than the 2,941 million bushels produced in 1951. Corn acreage goals for Indiana, Illinois and Missouri all are 1 per cent above those of 1951 with somewhat larger percentage increases for other district states. The acreage goals established for district states for two other feed crops, oats and barley, exceed the acreage planted to these crops in 1951. But, nationally, the oats acreage goal is the same as for 1951.

Slightly larger wheat acreage goals are indicated for district states, although there is no increase nationally. The acreage goal for rice is higher in Mississippi but lower in Arkansas, compared with 1951 acreage. Increased acreages of cotton are asked for in district states but the national acreage goal remains approximately the same as the 1950 acreage. Less soybeans are called for in Illinois, Indiana, and Missouri than in 1951, but increases are called for in other district states.

ACREAGE GOALS FOR 1952
EIGHTH DISTRICT STATES

	Eighth District States		United States	
	1952 acreage goals (in thousands)	% change from 1951 acreage	1952 acreage goals (in thousands)	% change from 1951 acreage
Corn	26,390	+ 3%	89,000	+ 3%
Oats	7,685	+ 2	42,900	–0–
Barley	364	+21	12,865	+14
Wheat	5,903	+ 2	78,850	–0–
Rice	485	+ 1	1,950	— 1
Cotton	6,290	+ 3	28,000	–0–
Soybeans	7,610	— 1	13,000	— 1

Source: 1952 Production Goals Program (Preliminary) USDA Nov. 1951.

Final crop estimates for the 1951 crops reduced further expected production of two major crops. The cotton crop on December 1 was estimated at 15.3 million bales, a reduction of 481,000 bales during the month. The Arkansas crop was reduced 95,000 bales during the same period. Similarly, the

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Oct., 1951	Oct., 1951 compared with Sept., 1951	Oct., 1951 compared with Oct., 1950	10 month total Jan. to Oct. 1951	1951 compared with 1950	1951 compared with 1949
Arkansas	$130,983	+109%	+ 10%	$ 412,841	+27%	+ 8%
Illinois	264,249	+ 68	+ 29	1,671,160	+16	+15
Indiana	149,367	+ 31	+ 31	957,909	+21	+19
Kentucky	49,573	+ 30	+ 27	413,916	+ 9	+ 8
Mississippi	141,829	+146	+ 33	390,074	+40	+ 7
Missouri	165,592	+ 48	+ 23	988,872	+23	+22
Tennessee	77,551	+ 87	+ 11	373,143	+19	+12
Totals	$979,144	+ 68%	+ 24%	$5,207,915	+20%	+15%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Nov., 1951	Nov., 1951 compared with Oct.,'51	Nov., 1951 compared with Nov.,'50	Nov., 1951	Nov., 1951 compared with Oct.,'51	Nov., 1951 compared with Nov.,'50
Cattle and calves	100,966	—37%	— 6%	37,285	—54%	— 2%
Hogs	334,163	+15	+15	75,272	+ 5	+36
Sheep	36,159	—35	+10	8,254	—66	+86
Totals	471,288	— 7%	+ 9%	120,811	—32%	+23%

corn crop estimate for the nation was reduced 147 million bushels during November. The crop is now estimated at 2,941 million bushels. However, the feeding value of part of this amount is reduced due to frosting and high moisture content.

A bumper winter wheat crop has been estimated for 1952. The 918 million bushels estimate was 273 million bushels higher than 1951 production, and if realized, would be the third largest crop on record. Seeded acreage is slightly higher than for the crop year 1951. Although the prospective yield of 16.3 bushels per acre is substantially higher than the 11.6 bushel yield per seeded acre realized in 1951, this prospective yield has been exceeded in four years (1942, 1946, 1947, and 1948) out of the past ten.

BANKING AND FINANCE

In November loans rose less than seasonally in both district and nation. In both instances the increase went largely to finance marketing and processing of farm produce. Defense loans rose more rapidly in the nation than in the district. In early December the loan expansion at district weekly reporting banks was more than normal.

Our monetary gold stock increased substantially in the last half of 1951 reflecting such factors as larger net exports and reduction in foreign economic aid at a more rapid rate than foreign defense aid was expanded. About $750 million of gold flowed into this country, July to December 1951, reversing the sizable outflow in the nine months following Korea.

District Banking Developments—Loans rose $27 million at member banks in the Eighth District during November. Normally loans increase much more than this in November. By comparison loans rose $75 million in the same month last year. The increase this year resulted from a $34 million gain at the larger city banks offset in part by a net contraction at the smaller banks. The increase in loans at the larger banks went principally to commodity dealers and food manufacturers. Outstanding loans to textile, apparel and leather manufacturers, however declined substantially in the month. The decline in loans at smaller banks reflected repayments of agricultural loans. Investments jumped $55 million in November at all member banks, with three-fifths of the gain at the smaller banks.

In the first two weeks of December loans at the weekly reporting banks rose $26 million. Types of borrowers accounting for most of the increase were food manufacturers, sales finance companies and commodity dealers (largely to finance cotton at Memphis and tobacco at Louisville).

Gold Flows—The flow of funds between countries is the resultant of many factors. In addition to trade such transactions as investments, tourist spending and gifts (both private and governmental) shift ownership of funds across national borders. Furthermore, the exporting of gold provides a way of obtaining funds to spend, while the importing of gold is a way of investing surplus foreign funds. Thus, countries can build their balances in foreign centers or can help offset a net outflow of funds by exporting gold, and countries with surplus monetary balances abroad can choose between allowing these balances to accumulate or exchanging them for gold.

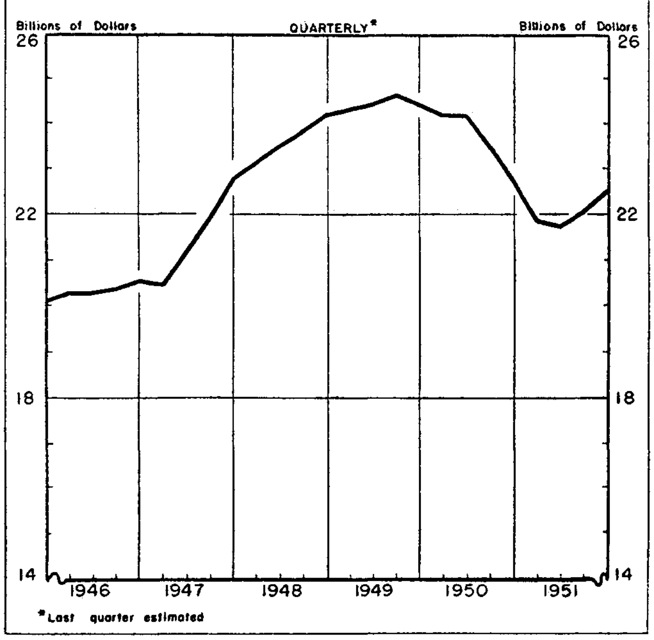
For four years after the end of the war, foreign governments sold gold to us on balance in order to buy goods in this country. However, by early 1950, the outside world had made large strides toward economic recovery, assisted in part by U. S. aid. Most foreign currencies were devalued to more realistic levels in September, 1949, and dollar earnings in world trade picked up. As a result governments abroad found themselves in a position to buy back a little of the gold they had previously sold to us.

After Korea, United States' trade surplus dwindled rapidly. Exports rose, but imports increased faster with a program of heavy stock-piling and re-armament driving prices of basic commodities up sharply. Therefore, foreign dollar earnings, particularly by less industrialized countries, ran

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Nov., 1951	Oct., 1951	Nov., 1950	Nov., 1951 compared with Oct.,'51	Nov., 1951 compared with Nov.,'50
El Dorado, Ark.	$ 27,633	$ 28,040	$ 23,075	— 1%	+ 20%
Fort Smith, Ark.	46,668	51,119	41,869	— 9	+ 11
Helena, Ark.	13,938	14,131	14,245	— 1	— 2
Little Rock, Ark.	150,674	176,007	149,716	—14	+ 1
Pine Bluff, Ark.	48,099	49,235	48,266	— 2	-0-
Texarkana, Ark.*	16,108	18,930	11,102	—15	+ 45
Alton, Ill.	28,896	29,797	26,508	— 3	+ 9
E.St.L.-Nat.S.Y., Ill.	138,155	166,382	129,227	—17	+ 7
Quincy, Ill.	35,429	40,078	32,130	—12	+ 10
Evansville, Ind.	139,638	147,762	137,459	— 6	+ 2
Louisville, Ky.	666,605	726,651	581,706	— 8	+ 15
Owensboro, Ky.	42,515	46,718	40,746	— 9	+ 4
Paducah, Ky.	32,808	30,184	15,609	+ 9	+110
Greenville, Miss.	31,969	34,843	38,676	— 8	— 17
Cape Girardeau, Mo.	12,866	13,930	12,676	— 8	+ 1
Hannibal, Mo.	9,906	11,516	9,435	—14	+ 5
Jefferson City, Mo.	57,034	65,501	48,779	—13	+ 17
St. Louis, Mo.	1,873,676	2,046,665	1,786,980	— 8	+ 5
Sedalia, Mo.	11,421	12,630	10,937	—10	+ 4
Springfield, Mo.	66,706	82,991	63,354	—20	+ 5
Jackson, Tenn.	24,287	29,069	24,773	—16	— 2
Memphis, Tenn.	833,825	823,921	850,753	+ 1	— 2
Totals	$4,308,856	$4,646,100	$4,098,021	— 7%	+ 5%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $37,374.



MONETARY GOLD STOCK OF THE UNITED STATES

high. Sizable grants of foreign aid funds added further to dollar holdings abroad.

Many countries with improved dollar holdings took the opportunity to restock their monetary reserves by exchanging dollars for gold. Also, rumors of upward valuation of foreign currencies led speculators (both foreign and domestic) to transfer funds out of United States dollars into these foreign currencies. Ultimately, these transactions necessitated some residual settlement in gold.

In total our monetary gold stock declined $2.4 billion (10 per cent) in the nine month period. Over half of our gold decline went to the sterling area and most of the remainder was split between other European and Western Hemisphere countries.

Early in 1951, United States exports rose, as foreigners with larger dollar earnings and fewer currency restrictions abroad found it easier to acquire our goods. Also European countries in order to meet the requirements of re-armament, stock-piling and increasing production had to increase their imports, sharply. Furthermore, prices came down on items imported by the United States, partly due to cutbacks in our stock-piling program.

As a result, the gold outflow slackened in the second quarter of 1951. Since June, gold has again been flowing into the country. In the last half of 1951 this gold inflow amounted to roughly $750 million. Most of the inflow of gold in this period came from the sterling area.

At the end of 1951, the country's gold stock stood at roughly $22.5 billion, far in excess of legal requirements for monetary purposes, and comprising about two-thirds of the world's monetary gold supply outside Russia.

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	Nov., 1951	Oct., 1951 to Nov., 1951	Nov., 1950 to Nov., 1951	Nov., 1951	Oct., 1951 to Nov., 1951	Nov., 1950 to Nov., 1951	Nov., 1951	Oct., 1951 to Nov., 1951	Nov., 1950 to Nov., 1951
1. Loans and Investments	$4,276	$+ 89	$+207	$2,518	$+ 58	$+116	$1,758	$+ 31	$+ 91
a. Loans	1,936	+ 27	+ 84	1,315	+ 34	+ 45	621	— 7	+ 39
b. U. S. Government Obligations	1,966	+ 55	+116	1,028	+ 22	+ 75	938	+ 33	+ 41
c. Other Securities	374	+ 7	+ 7	175	+ 2	— 4	199	+ 5	+ 11
2. Reserves and Other Cash Balances	1,445	— 73	+183	885	— 54	+107	560	— 19	+ 76
a. Reserves with the F. R. bank	716	— 11	+119	467	— 12	+ 80	249	+ 1	+ 39
b. Other Cash Balances[3]	729	— 62	+ 64	418	— 42	+ 27	311	— 20	+ 37
3. Other Assets	53	+ 1	+ 4	31	–0–	+ 2	22	+ 1	+ 2
4. Total Assets	$5,774	$+ 17	$+394	$3,434	$+ 4	$+225	$2,340	$+ 13	$+169
Liabilities and Capital									
5. Gross Demand Deposits	$4,346	$— 3	$+327	$2,671	$— 15	$+194	$1,675	$+ 12	$+133
a. Deposits of Banks	785	— 9	+ 82	736	— 9	+ 77	49	–0–	+ 5
b. Other Demand Deposits	3,561	+ 6	+245	1,935	— 6	+117	1,626	+ 12	+128
6. Time Deposits	990	— 2	+ 30	483	— 2	+ 6	507	–0–	+ 24
7. Borrowings and Other Liabilities	75	+ 23	+ 8	68	+ 21	+ 7	7	+ 2	+ 1
8. Total Capital Accounts	363	— 1	+ 29	212	–0–	+ 18	151	— 1	+ 11
9. Total Liabilities and Capital Accounts	$5,774	$+ 17	$+394	$3,434	$+ 4	$+225	$2,340	$+ 13	$+169

[1] Includes 13 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.

Revised Indexes of Eighth District Department Store Sales and Stocks

Indexes of Eighth District department store sales and stocks have been revised to conform to the new standard definition of "department stores" and to the benchmark data on all district department stores made available by the 1948 Census of Business. In addition, adjustments have been made for changes in the seasonal patterns of consumer buying and retail business policies. Revised indexes have also been prepared for sales in four cities: St. Louis, Memphis, Louisville, and Little Rock. A complete discussion of the changes which have been made throughout the Federal Reserve System is contained in the *Federal Reserve Bulletin,* December, 1951.[1]

The revision of monthly sales and stocks indexes was accomplished according to procedures developed by Reserve System representatives. The principal features of the revision are:

1) The reporting store base of the index has been changed. Some stores have been dropped from the sample to conform to the revised standard definition of department stores; others have been added to maintain the representativeness of the sample.

2) The sales indexes, based on sales reports from a sample of department stores, have been adjusted to agree with sales volume of all such stores as indicated by the latest (1948) Census of Business.

3) The comparison base period for the sales and stocks indexes has been changed from 1935-1939 to 1947-1949, and all of the indexes have been recalculated on this base. The change in base period is considered desirable in connection with the System's indexes mainly because comparisons with a more recent period are probably more useful to users of the indexes than are comparisons with periods in the more distant past. In addition, all indexes published by the Federal Government probably will be converted to the 1947-1949 base and uniformity will be helpful in making comparisons.

4) Seasonal adjustment factors have been reviewed for the period 1940 to date and have been revised where necessary.

[1] Revised Eighth District indexes and a description of techniques used, together with a reprint of the *Federal Reserve Bulletin* article are available upon request from the Research Department, Federal Reserve Bank of St. Louis, St. Louis 2, Missouri.