Monthly Review

FEDERAL RESERVE BANK OF ST. LOUIS

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Eighth District INCOME IN 1951

***Income payments** to district residents amounted to $12.5 billion, or $1,180 per capita, in 1951, as production and prices moved up under the impetus of expanding demand. Total district income increased 32 per cent since 1947, reflecting a four-year period of growth in the civilian economy, overshadowed by a new defense effort. Over this same period, district per capita buying power in real terms advanced 7 per cent despite higher taxes and price increases.*

Agriculture provided a somewhat smaller share of total district income but retained its importance as a leading source of district exports. Manufacturing showed the largest expansion of all district industries, especially in defense-connected lines. Government payments reflected large increases in Federal employment. Trade and service income benefited from high levels of economic activity.

Per capita income presented a wide variation among district areas, ranging from over $2,000 in St. Louis to less than $500 in some of the hill sections. Growth of total income since 1947 followed a more uniform pattern, with most areas approximating the national rate of expansion. Here, too, however, the rate of growth varied, ranging from less than 10 per cent in some areas to more than 100 per cent in parts of western Kentucky. Closer study of these variations emphasizes the role of the local community in regional and national development.

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Income payments to district residents amounted to $12.5 billion, or $1,180 per capita, in 1951, . . .

INCOME PAYMENTS to individuals in 1951 increased throughout the United States as production and prices moved up under the impetus of expanding demand. Total income payments in the nation rose from $218 billion in 1950 to $243 billion in 1951—an increase of 12 per cent. Eighth District income rose from $11 billion to $12.5 billion—an increase of 13 per cent. An upsurge in farm income and defense activities was the primary factor in the income expansion.

For the country as a whole, per capita income (total income payments divided by total population) expanded 10 per cent from 1950 to 1951 and reached the record level of $1,584. Growth in per capita income usually lags behind total income growth because of concurrent increases in population.

District per capita income increased to $1,180 or 74 per cent of the national average, as compared with 73 per cent in 1950. This district gain continues the tendency, evident over the past decade, for district per capita income to catch up with the national average. It reflects not only above-national-average gains in total income but also below-average gains in population. In 1951, 10.6 million people lived in the Eighth District, 0.9 per cent more than in 1950. This compares with a population gain of 1.4 per cent for the country as a whole. As the birth-rate in the Eighth District is higher than in the nation, the smaller population growth means that, on balance, people still leave the Eighth District in their search for economic opportunities.

. . . as production and prices moved up under the impetus of expanding demand.

Higher 1951 income payments in the United States reflected both the higher level of production and higher prices. Industrial production was 10 per cent above 1950. Farm production was about equal to the previous high in 1949. Marketings of livestock and products were the highest since the end of the war. The tobacco crop was the largest in several years.

Industrial activity in the Eighth District during 1951 kept up with the national trend. Farm production, though larger than in 1950 and an important factor in raising total district income, was held down somewhat as a result of floods and adverse weather. District cotton output showed a gain of 21 per cent, far short of the 53 per cent increase recorded for the nation. Corn production was off 8 per cent, compared with a 4 per cent decline nationally.

Prices of all commodities at wholesale, which had advanced rapidly in the rush of buying after June, 1950, were in 1951 at a level 11 per cent above the preceding year. Consumer prices had also risen at a rapid rate following the Korean outbreak and were in 1951 about 8 per cent above the 1950 level. Higher income, therefore, stemmed from higher prices as well as from gains in real output; any evaluation of 1951 income data must distinguish these two factors.

Demand for 1951 district output expanded in most sectors of the economy. Federal expenditures for national defense and related purposes more than doubled in 1951 though the direct impact of procurement contracts on this region's industries was somewhat less pronounced than was true for the nation as a whole. In non-Federal sectors, both expansive and contractive forces were at work. Expanding influences were the record expenditures for producers' durable equipment as well as increased outlays for private industrial building and defense construction. Moderating influences, especially in the latter part of the year, were large consumer savings, higher income taxes, changes in the business inventory situation, as well as smaller private outlays for residential construction. Underlying this reduced urgency of consumer and business demand was growing confidence in the nation's productive capacity to meet military and civilian needs plus an expectation of more stable prices. All these forces combined to mark 1951 as a year of transition from strong inflationary trends to relative economic stability at high levels of activity.

Demand for district output was made effective by funds originating in current income, in past savings, and in credit extension. Current income in 1951 was, as usual, the largest single source of

THIS ARTICLE continues the series of reports on Eighth District income payments which have been published annually in the October issue of the MONTHLY REVIEW. It presents estimates of 1951 total and per capita income payments for 99 district income areas. These small areas have been redefined to correspond more closely with the state economic areas used by the Bureau of Census.

Eighth District income estimates are based on state income payments data developed by the National Income Division of the United States Department of Commerce. The Bank wishes to acknowledge the help of many Federal and State agencies in the preparation of these estimates.

funds to buy the goods and services produced by the income recipients of the district, in a self-perpetuating flow of money and income between individuals, areas, and industries. As outlined in the May, 1952, issue of this REVIEW, borrowing from banks and other lenders supplied vital additions to current income as a source of district funds, highlighting the important role of financial institutions, particularly the commercial banks, in the process of creating income.

Total district income increased 32 per cent since 1947, . . .

Income data for 1951 present a most impressive demonstration of the growth of our economy. In 1947, which can be taken as a year fully reflecting postwar demobilization, Gross National Product, at constant (1951) prices, was 50 per cent above 1939. Thereafter, up to Korea, there was further expansion, despite the 1949 recession. And since Korea—with a defense program far short of total war—we have reached a new high in national production of goods and services. The most striking fact is that Gross National Product in 1951, in real terms at constant prices (1951 price level) exceeded even that of the peak year of 1944 by nearly 13 billion dollars. Clearly this country has grown in economic size and strength.

In dollar terms, Eighth District income increased 32 per cent since 1947, compared with 31 per cent for the country as a whole. The apparent similarity of district and national movements covers up wide differences in the rate of growth within the Eighth District. Kentucky surged ahead by 43 per cent while Mississippi lagged behind with a growth of only 20 per cent. These variations are even more striking for smaller areas (map, page 141).

In any comparison of growth rates over time, the selection of a single year as the base may be somewhat misleading for areas depending largely on a single crop or industry. Thus, Mississippi could show a more favorable rate of growth if a poor cotton year would have been selected instead of 1947 as the base year. The data do show beyond doubt, however, significant variations in the growth rate of individual states, during the war and in the postwar period. During the war, the entire mid-South benefited from marked improvements in farm prices and large Federal expenditures. In the postwar years, the movements have been much more selective, showing the most consistent gains of total income in areas of rapid industrialization.

. . . reflecting a four-year period of growth in the civilian economy, overshadowed by a new defense effort.

Over this four-year period, national output has increased at an impressive rate. This national growth has been accomplished with the help of Eighth District producers, but it also emphasizes that "it takes all the running" each area "can do, to keep in the same place" as far as its relative position to the national economy is concerned.

While the country raised civilian output to record levels and added substantially to its capital equipment, it more than doubled its defense expenditures. Federal outlays for national security in 1951 were 178 per cent above 1947. The impact of this mobilization effort on the district economy has been described in the July, 1952, issue of this REVIEW. Its most dramatic aspect is the district's role in the expansion of atomic energy which has led to a more than twofold increase of income payments in the area of Paducah.

Over this same period, district per capita buying power in real terms advanced 7 per cent . . .

A national population gain of 7 per cent, a record expansion of new plant and equipment, a more than twofold increase in the flow of arms, and a large amount of foreign aid, all were accomplished without lowering living standards. Per capita personal income in current dollars advanced 25 per cent from 1947 to 1951, and real disposable (after taxes) income advanced 7 per cent.

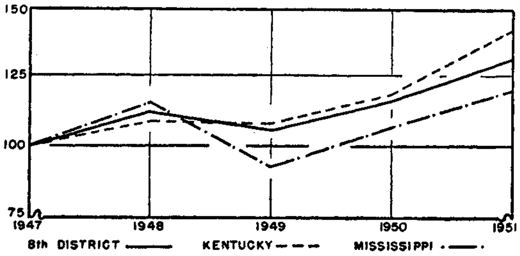
. . . despite higher taxes . . .

Per capita buying power in real terms, or per capita real disposable income, is growing at a slower rate than total dollar income for several reasons. First, population is increasing at a fast rate so that the total national income must be shared by more people. Second, taxes are higher. Individual income taxes have increased 35 per cent over the last four years. This factor was of special importance in 1951 when personal income after taxes was rising at a much slower rate than income before taxes.

1951 INCOME PAYMENTS TO DISTRICT RESIDENTS AMOUNTED TO $12.5 BILLION, OR $1,180 PER CAPITA

	United States	Eighth District	Arkansas	Illinois	Indiana	Kentucky	Mississippi	Missouri	Tennessee
Wages and Salaries (Millions of Dollars)	$162,639	$ 7,192	$ 887	$ 927	$ 501	$1,281	$ 258	$2,691	$ 647
Proprietors Income (Millions of Dollars)	40,938	3,231	607	422	215	414	361	958	254
Property Income (Millions of Dollars)	25,650	1,185	111	251	68	172	46	453	84
Other Income (Millions of Dollars)	13,720	889	165	110	48	128	76	280	82
Total Income (Millions of Dollars)	242,947	12,497	1,770	1,710	832	1,995	741	4,382	1,067
Per Capita Income (Dollars)	1,584	1,180	926	1,281	1,169	1,278	708	1,443	1,082
Percent of U. S. Per Capita Income	100%	74%	58%	81%	74%	81%	45%	91%	68%

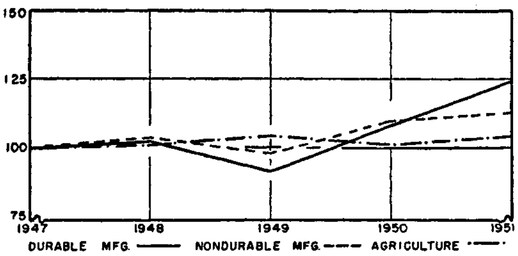
Total district income increased 32 per cent since 1947 . . .



1947 = 100

	1948	1949	1950	1951
United States	109	106	117	131
Eighth District	113	106	117	132
Arkansas	115	105	115	129
Illinois	116	103	115	127
Indiana	108	106	119	134
Kentucky	109	108	118	143
Mississippi	116	92	107	120
Missouri	114	110	121	134
Tennessee	103	101	115	129

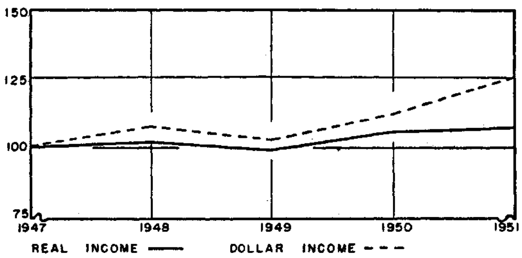
. . . reflecting a four-year period of growth in the national economy.



1947 = 100

	1948	1949	1950	1951
Total Industrial Production	103	94	107	117
Durable Manufacturing	102	91	108	124
Iron and Steel	107	96	117	133
Machinery	100	85	98	122
Non-ferrous Metals	103	86	111	111
Lumber	101	91	110	109
Non-Durable Manufacturing	103	98	109	113
Textiles and Products	104	90	112	107
Manufactured Food Products	101	104	104	105
Petroleum and Coal	113	108	119	139
Chemicals	101	96	105	118
Minerals	104	91	99	110
Agriculture	101	104	101	104
Livestock	95	100	102	104
Meat Animals	92	96	97	99
Dairy Products	97	100	101	100
Poultry and Eggs	97	108	110	124
All Crops	113	109	100	103
Food Grains	96	84	75	73
Feed Crops	158	143	134	122
Cotton (Lint and Seed)	126	137	85	130
Truck Crops	102	103	104	113
Tobacco	94	94	97	108
Oil-Bearing Crops	122	113	131	117

Over this same period district buying power in real terms advanced 7 per cent.



1947 = 100

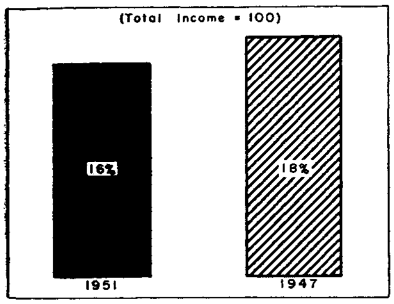
	1948	1949	1950	1951
Per Capita Income:				
In current dollars before taxes	108	103	112	125
In current dollars after taxes	110	106	114	125
In constant dollars before taxes	101	97	104	107
In constant dollars after taxes	102	99	106	107

. . . and price increases.

Third, prices are higher. The average American has paid part of the cost of defense mobilization through taxes, and he has paid part of the cost through inflation. Consumers' prices increased 16 per cent from 1947 to 1951, lowering per capita buying power in real terms by about 14 per cent. Most of this inflation occurred in the early part of the period, when the pent-up postwar demand became effective, and again in the months following the outbreak of hostilities in Korea. During the latter part of 1951, the major share of the defense burden was borne by higher taxes rather than price increases.

It should be realized, of course, that these data represent averages and obscure the differential impact of inflation on personal income. Some incomes have increased faster than prices, while others have seriously lagged behind. Among the latter group, many fixed income recipients, such as pensioners, may be worse off now than in 1947.

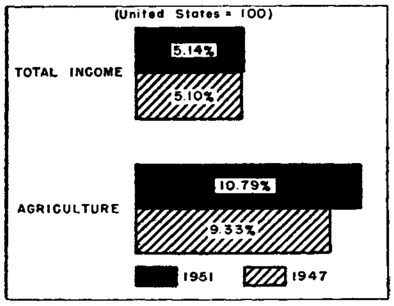
Agriculture provided a somewhat smaller share of total district income . . .



(Total Income = 100)

	Total Income		Agriculture		Government		Manufacturing Payrolls		Trade and Service		Unclassified	
	1951	1947	1951	1947	1951	1947	1951	1947	1951	1947	1951	1947
United States.	100	100	8	10	15	15	24	23	26	26	27	26
District	100	100	16	18	16	15	19	17	26	26	23	24
Arkansas	100	100	25	28	18	17	11	10	24	25	22	20
Illinois	100	100	13	12	14	14	21	19	30	29	22	26
Indiana	100	100	13	15	14	13	27	24	26	26	20	22
Kentucky	100	100	12	17	18	16	19	18	22	24	29	25
Mississippi	100	100	40	46	19	17	8	7	23	21	10	9
Missouri	100	100	12	12	15	15	21	20	28	27	24	26
Tennessee	100	100	14	17	17	16	17	14	26	29	26	24

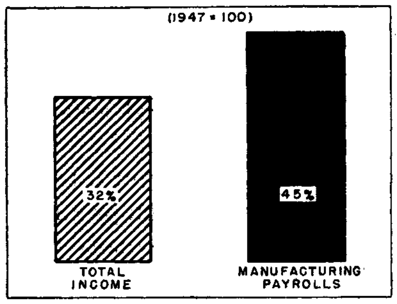
. . . but retained its importance as a leading source of district exports.



(United States—100)

	Total Income		Agriculture		Government		Manufacturing Payrolls		Trade and Service		Unclassified	
	1951	1947	1951	1947	1951	1947	1951	1947	1951	1947	1951	1947
United States.	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
District	5.14	5.10	10.79	9.33	5.39	5.36	3.97	3.78	5.24	5.07	4.37	4.56
Arkansas	.73	.74	2.38	2.11	.85	.87	.33	.31	.69	.69	.59	.58
Illinois	.70	.73	1.19	.86	.64	.72	.62	.60	.81	.79	.57	.73
Indiana	.34	.33	.56	.51	.32	.30	.39	.35	.35	.33	.25	.28
Kentucky	.82	.75	1.32	1.33	.97	.81	.63	.58	.71	.68	.87	.72
Mississippi	.31	.33	1.62	1.58	.39	.40	.10	.10	.27	.27	.11	.11
Missouri	1.80	1.77	2.91	2.18	1.72	1.76	1.59	1.57	1.97	1.82	1.57	1.73
Tennessee	.44	.45	.81	.76	.50	.50	.31	.27	.44	.49	.41	.41

Manufacturing showed the largest expansion of all district industries.



(1947 = 100)

	Total Income	Agriculture	Government	Manufacturing Payrolls	Trade and Service	Unclassified
United States	131	102	137	138	128	135
District	132	118	138	145	133	130
Arkansas	129	115	134	145	127	138
Illinois	127	140	122	143	133	106
Indiana	134	114	146	153	135	118
Kentucky	143	101	165	150	134	163
Mississippi	120	104	134	135	131	133
Missouri	134	136	135	140	139	123
Tennessee	129	109	136	159	115	136

Agriculture provided a somewhat smaller share of total district income . . .

Variations among areas in total income growth result from differences in the rate of change for each income source, as well as differences in the relative importance of each income source for these areas.

In conformity with past experience, agriculture as a leading district industry was of major importance in altering the geographic distribution of national and district income from 1950 to 1951. The increase of 17 per cent in district farm income stemmed from a high, but not record, volume of production and from increased prices for farm products marketed. In both production and prices, the largest relative gains were from livestock. Numerous special factors, however, caused variations. These included flood losses in Missouri and a below-national growth in cotton production on the negative side, a record tobacco crop on the positive side. Farm income was disappointing, therefore, in Missouri and the Delta; it was above average in Kentucky, Indiana, and Illinois. On balance, Eighth

District income, a large share of which is attributable to agriculture directly and indirectly, benefited from the national upsurge of farm production and prices. As farm expenses increased even faster than gross income, the indirect benefits, accruing to labor and other services bought by farmers, were larger than the direct benefits accruing to farm operators in the form of net income.

Though income from agriculture made a major contribution to total district income growth in 1951, it formed a smaller share of the total. Over the last four years, the share of agriculture in total district income decreased from 18 to 16 per cent. The decline in the relative importance of agriculture as a source of income is the universal experience of all countries as they move toward higher productivity through industrialization of the economy. In the primitive community, agriculture provides the main source of income; with the growth of other industries agriculture loses in relative, though by no means in absolute, importance. This shift does not imply any decline in farm per capita income; on the contrary, the very fact that new industries develop and offer employment opportunities to former farm workers also leads to higher per capita income of those who remain on the farm and raise farm productivity by applying new farm techniques. Because of a continued decline in the number of people living on farms, their average income per capita reached a new high in 1951, even though their total income did not.

. . . but retained its importance as a leading source of district exports.

As the relative importance of agriculture in the nation has declined even faster than in the district, the district's share of national farm income has increased from 9.3 per cent in 1947 to 10.8 per cent in 1951, with the result that agriculture continues to provide the largest volume of net exports for the district. It is noteworthy that the share of national farm output has increased over the last four years in all district states except in Kentucky where, in spite of a record tobacco crop, the construction of new industrial facilities has led to the relative decline of agriculture from 17 per cent of total Kentucky income in 1947 to 12 per cent in 1951. In most district areas, however, agriculture remains the major source of extra-district funds, and district income as a whole will continue to be quite sensitive to shifts in the price and volume of national farm output. As pointed out often in this Review, maintenance and growth of district income will thus depend to a large extent on the readiness of district farmers to adapt their output to changing requirements of the nation and their ability to increase farm productivity. It is, therefore, of particular significance that district farm income has increased by 18 per cent over 1947 while national farm income has grown by only 2 per cent over the same period.

Manufacturing showed the largest expansion of all district industries . . .

The relative decline of agriculture as a source of total district income has been compensated by a relative gain of manufacturing which increased its share from 17 per cent in 1947 to 19 per cent in 1951. Over this period, payrolls of district manufacturers have increased by 45 per cent, compared with 38 per cent for the nation. This somewhat faster rate of district manufacturing growth has raised the district share of national payrolls from 3.8 per cent in 1947 to 4.0 per cent in 1951. Within the district, increases range from 35 per cent in Mississippi to 59 per cent in Tennessee. The importance of manufacturing as a key factor in raising district income has been stressed often in the Monthly Review; more detailed data on the growth of district manufacturing over the last decade were presented in the October, 1951, issue.

. . . especially in defense-connected lines.

Since the outbreak in Korea, variations in the industrial composition of manufacturing have been a key factor in differences among industrial areas. Nationally, the average payroll growth of 38 per cent over 1947 ranged among industries from 8 per cent in leather and shoes to 88 per cent for ships and planes. Within the district, the major expansion was correspondingly in defense-connected lines. Chemicals increased rapidly in western Kentucky. Expansion of oil refineries benefited southern Arkansas and southern Illinois. Stone, clay, and glass products lifted manufacturing payrolls in eastern Missouri and southern Indiana. Steel, machinery, and transportation equipment increased in the St. Louis Metropolitan Area as well as along the Ohio River.

In this connection it should be noted that Kentucky shows the largest expansion of unclassified industries. This category includes construction and, therefore, reflects the spectacular expansion of plant construction for defense-supporting activities in several areas of western Kentucky.

Government payments reflected large increases in Federal employment.

Government income payments to district residents increased 38 per cent since 1947, as compared with 37 per cent for the country as a whole, raising the share of government as a direct source of income to 16 per cent of total income payments. The recent rise in government payments was the composite of very large increases in Federal civilian payrolls and in military pay, a moderate increase in state and local government payrolls, little change in the volume of government interest payments to individuals, and, in 1951, a sharp drop in national service life insurance dividend payments.

Because of the concentration of Federal military and civilian establishments in certain areas, 1951 increases averaging one-half in military payrolls and one-third in Federal civilian payrolls had an uneven impact on district income. The largest relative gain—65 per cent over 1947—again registered in western Kentucky where the reactivation and expansion of several large military camps added to the impetus already provided by industrial activities. Other large gains in Federal payrolls accrued to areas in eastern Missouri, Arkansas, and southern Indiana.

Trade and service income benefited from high levels of economic activity.

Income stemming from the trade and service industries of the district increased 33 per cent over 1947, compared with 28 per cent for the country as a whole. The relative share of this income source remained 26 per cent of total income payments, in the district as well as for the country as a whole. The relative stability of this component reflects the extent to which trade and service activities depend on other income sources. Income received in other industries enables residents of an area to spend their income in retail stores and service establishments where in turn the money spent generates new income in a self-perpetuating income flow. This in no way detracts from the basic importance of the trade and service industries for each area; it only emphasizes the point that these activities are primarily dependent on other local income rather than outside funds, and, therefore, usually follow rather than lead general income movements. It also explains why knowledge of local income data is of special interest to sales managers.

Some trade and service activities, however, may become important independent sources of outside funds by selling their services to those residing outside the area. Export activities are carried on in any trade center which attracts wholesale or retail customers from other areas. The traditional role of Memphis as a trade center for the mid-South has been stressed often and explains the importance of trade income in the district portion of Tennessee. At the same time, any such export activity becomes quite sensitive to income shifts in the broader region served; the slower increase of Tennessee trade and service income since 1947, therefore, reflects and accentuates the relatively poor showing of Delta cotton throughout the mid-South in 1951.

Educational, financial, and professional services are exported whenever they attract clients from more distant parts. So do amusement and recreational services which become tourist attractions. Though the Eighth District on balance is a net importer of services, some district areas have developed their service industries to the extent that they have become sizable sources of extra-district funds. In Missouri, for instance, the relative importance of trade and service income reflects the significance of St. Louis as a major trade center as well as the development of resort facilities in the Ozarks.

Per capita income presented a wide variation among district areas . . .

National and district income averages conceal wide variations among smaller areas within the district. These smaller areas can be defined in a number of ways depending upon the purpose the income estimates are designed to serve. Thus the interests of the following users are somewhat different. The sales manager is interested in trade areas which comprise a number of different industries exchanging their goods and services in the market center. The citizen and the public administrator are interested in political units, their fiscal capacities and needs. The banker and businessman who have to make investment decisions are interested in the pattern and potential of income by specific industries. As these different purposes are served best by homogeneous production areas, the Eighth District has been divided into 99 income areas to segregate sections with substantially similar industrial structures. Many essential data are available only by counties, and the area boundaries, therefore, had to follow county lines. Income areas thus comprise a number of contiguous counties with similar production characteristics or, in urban places, a single county. Small production areas can be readily combined into larger trade areas.

The new income areas are described in the table on page 138. Each area is identified by the name of the largest community within its boundaries; where several cities over 10,000 population are found in the same area, all appear in the name, except in the case of metropolitan areas. The

EIGHTH DISTRICT INCOME AREAS

MISSOURI

Area	Name	Counties	No. of Counties	1950 Population	Population Per Square Mile
1	Chillicothe	Caldwell, Daviess, Grundy, Harrison, Livingston, Mercer	6	72,203	23
2	Kirksville	Adair, Chariton, Linn, Macon, Putnam, Schuyler, Sullivan	7	98,055	23
3	Hannibal	Clark, Knox, Lewis, Marion, Scotland, Shelby	6	74,180	26
4	Marshall	Carroll, Lafayette, Ray, Saline	4	83,487	31
5	Moberly-Mexico	Audrain, Lincoln, Monroe, Pike, Ralls, Randolph	6	97,069	27
6	Columbia-Fulton	Boone, Callaway, Howard, Montgomery	4	95,160	38
7	Eldorado Springs	Cedar, Dade, St. Clair	3	30,469	18
8	Sedalia	Cooper, Henry, Johnson, Pettis	4	88,944	32
9	Jefferson City	Cole, Moniteau, Osage	3	57,605	41
10	Washington	Franklin, Gasconade, Warren	3	56,054	30
11	St. Louis	St. Charles, St. Louis, St. Louis City	3	1,292,979	1,116
12	DeSoto	Jefferson, St. Genevieve	2	49,244	42
13	Cape Girardeau	Bollinger, Cape Girardeau, Perry	3	64,306	38
14	Eldon	Benton, Camden, Hickory, Maries, Miller, Morgan	6	53,692	15
15	Rolla	Crawford, Laclede, Phelps, Pulaski, Washington	5	77,210	22
16	Monett	Barry, Lawrence, Ozark, Stone, Taney	5	73,642	22
17	Springfield	Greene	1	104,823	155
18	Bolivar	Christian, Dallas, Polk, Webster	4	53,938	23
19	West Plains	Douglas, Howell, Texas, Wright	4	70,189	20
20	Salem	Carter, Dent, Oregon, Reynolds, Ripley, Shannon, Wayne	7	64,914	12
21	Flat River	Iron, Madison, St. Francois	3	55,114	37
22	Poplar Bluff	Butler, Scott, Stoddard	3	104,012	53
23	Sikeston	Dunklin, Mississippi, New Madrid, Pemiscot	4	152,948	72
		Total	96	2,970,237	51

ILLINOIS

Area	Name	Counties	No. of Counties	1950 Population	Population Per Square Mile
24	Quincy	Adams	1	64,690	75
25	Jerseyville	Brown, Calhoun, Jersey, Pike	4	51,449	29
26	Jacksonville	Greene, Morgan, Scott	3	61,665	45
27	Litchfield	Macoupin, Montgomery	2	76,670	49
28	Effingham	Effingham, Fayette	2	46,257	39
29	Chester	Monroe, Randolph	2	44,955	46
30	East St. Louis	Madison, St. Clair	2	388,302	277
31	Greenville	Bond, Clinton, Washington	3	51,211	35
32	Mount Vernon-Centralia	Jefferson, Marion	2	77,592	67
33	Olney	Clay, Hamilton, Jasper, Richland, Wayne	5	79,789	32
34	Carmi	Edwards, Gallatin, White	3	39,809	38
35	Mount Carmel	Crawford, Lawrence, Wabash	3	56,327	54
36	W. Frankfort-Harrisburg-Marion	Franklin, Perry, Saline, Williamson	4	152,410	90
37	Carbondale	Jackson, Johnson, Union	3	67,353	50
38	Cairo	Alexander, Hardin, Massac, Pope, Pulaski	5	60,858	49
		Total	44	1,319,337	64

INDIANA

Area	Name	Counties	No. of Counties	1950 Population	Population Per Square Mile
39	Princeton	Gibson, Posey	2	50,538	55
40	Evansville	Vanderburgh	1	160,422	666
41	Boonville	Pike, Spencer, Warrick	3	52,696	47
42	Vincennes-Washington	Daviess, Greene, Knox, Sullivan	4	121,730	62
43	Bedford	Lawrence	1	34,346	75
44	Tell City	Crawford, Dubois, Harrison, Martin, Orange, Perry, Washington	7	112,376	39
45	New Albany-Jeffersonville	Clark, Floyd	2	92,285	173
46	Seymour	Jackson, Jefferson, Scott, Switzerland	4	68,968	53
		Total	24	693,361	74

KENTUCKY

Area	Name	Counties	No. of Counties	1950 Population	Population Per Square Mile
47	Henderson	Henderson, McLean, Union, Webster	4	71,184	52
48	Owensboro	Daviess	1	57,241	123
49	Princeton	Caldwell, Crittenden, Livingston, Lyon	4	38,054	29
50	Madisonville	Hopkins, Muhlenberg, Ohio	3	92,156	56
51	Horse Cave	Breckinridge, Butler, Edmonson, Grayson, Hancock	5	59,285	29
52	Campbellsville	Green, Hart, Larue, Taylor	4	50,941	41
53	Fort Knox	Bullitt, Hardin, Meade	3	71,083	58
54	Louisville	Jefferson	1	484,615	1,292
55	Danville	Anderson, Boyle, Marion, Mercer, Nelson, Spencer, Washington	7	99,826	52
56	Frankfort	Carroll, Franklin, Gallatin, Henry, Oldham, Owen, Shelby, Trimble	8	93,646	52
57	Hopkinsville	Christian, Logan, Todd, Trigg	4	87,267	41
58	Bowling Green	Barren, Simpson, Warren	3	82,897	65
59	Monticello	Adair, Allen, Casey, Clinton, Cumberland, Metcalfe, Monroe, Russell, Wayne	9	122,563	39
60	Mayfield	Ballard, Calloway, Carlisle, Fulton, Graves, Hickman	6	87,708	47
61	Paducah	McCracken, Marshall	2	62,524	107
		Total	64	1,560,990	70

ARKANSAS

Area	Name	Counties	No. of Counties	1950 Population	Population Per Square Mile
62	Fayetteville	Benton, Washington	2	88,055	48
63	Harrison	Boone, Carroll, Madison, Marion, Newton, Searcy, Van Buren	7	78,643	16
64	Mountain Home	Baxter, Cleburne, Fulton, Izard, Stone	5	49,972	17
65	Conway	Conway, Faulkner, White	3	81,466	36
66	Batesville	Independence, Randolph, Sharp	3	48,469	24
67	Wynne	Cross, Jackson, Monroe, Poinsett, Woodruff	5	128,477	40
68	Jonesboro	Clay, Craighead, Greene, Lawrence	4	127,739	50
69	Helena	Lee, Phillips, St. Francis	3	107,417	55
70	Blytheville	Crittenden, Mississippi	2	129,559	84
71	Fort Smith	Crawford, Sebastian	2	86,929	77
72	Russellville	Franklin, Johnson, Logan, Pope, Yell	5	86,104	23
73	Little Rock	Pulaski	1	196,685	252
74	Stuttgart	Arkansas, Lonoke, Prairie	3	64,711	26
75	Mena	Montgomery, Pike, Polk, Scott, Sevier	5	53,244	14
76	Hot Springs	Garland, Hot Spring, Perry, Saline	4	99,077	38
77	Pine Bluff	Jefferson	1	76,075	86
78	McGehee	Chicot, Desha, Lincoln	3	64,540	33
79	Texarkana	Hempstead, Howard, Lafayette, Little River, Miller, Nevada	6	110,710	30
80	El Dorado-Camden	Columbia, Ouachita, Union	3	111,507	44
81	Crossett	Ashley, Bradley, Calhoun, Clark, Cleveland, Dallas, Drew, Grant	8	120,132	21
		Total	75	1,909,511	36

areas have been redefined to facilitate integration with Census economic areas.

The table also shows the 1950 population of each area and its population density, a first and readily available index of wide differences in the industrialization and urbanization of the Eighth District. There are two areas with a population density of over 1,000 per square mile—St. Louis and Louisville. Evansville and Memphis follow with over 600 each. East St. Louis and Little Rock surpass 250. In the 150 class appear New Albany, the Indiana segment of the Louisville Metropolitan Area, and Springfield, the latest addition to the Census category of metropolitan areas in the Eighth District. There follow some urban areas with a population density around 100 which are not now classed as major metropolitan centers, such as Owensboro, Paducah, Jackson, Greenville, Pine Bluff, Fort Smith, Bedford and Quincy. In this same class of population density are some areas which have not grown around a focal trade center but have their population spread more evenly throughout a section of rich mineral or soil resources, such as the coal mining region of southern Illinois (Area 36) or the Delta sections of Arkansas (Area 70), Mississippi (Area 91) and Missouri (Area 23). On the other end of the scale are income areas with a population density below 20 in the forest and lake sections of the Ozarks (Areas 14, 19, 20, 63, 64, 75) as well as the low-fertility Redbeds Plains of Missouri (Area 7), all areas without any urban population center.

This wide range of population density suggests caution in the comparison of income data computed for areas of widely divergent industry and population patterns. In the rural economy of low population density, many transactions of the urban community either do not occur at all or do not appear as money income. There are few bus drivers and parking attendants in the Ozarks, nor is the lunch prepared by the farm wife entered as a service transaction in the books. As the community develops toward a more complex exchange economy, the former farm worker spends a growing part of his time and income for getting to the job, eating out, and other expenses of urban life. The metropolitan area then includes many items in the income accounts which should perhaps be classified as "cost" rather than "net income;" people living in these areas are not quite as well off as income statistics make them appear nor are rural folks quite as poor as income data may suggest. Yet while income payments thus inevitably somewhat overstate the differentials between areas of a different social structure, they still show, if properly interpreted, remarkable differences in welfare and real income among district areas. Few would claim that all differences in per capita incomes can be accounted for by parking fees and lunch checks.

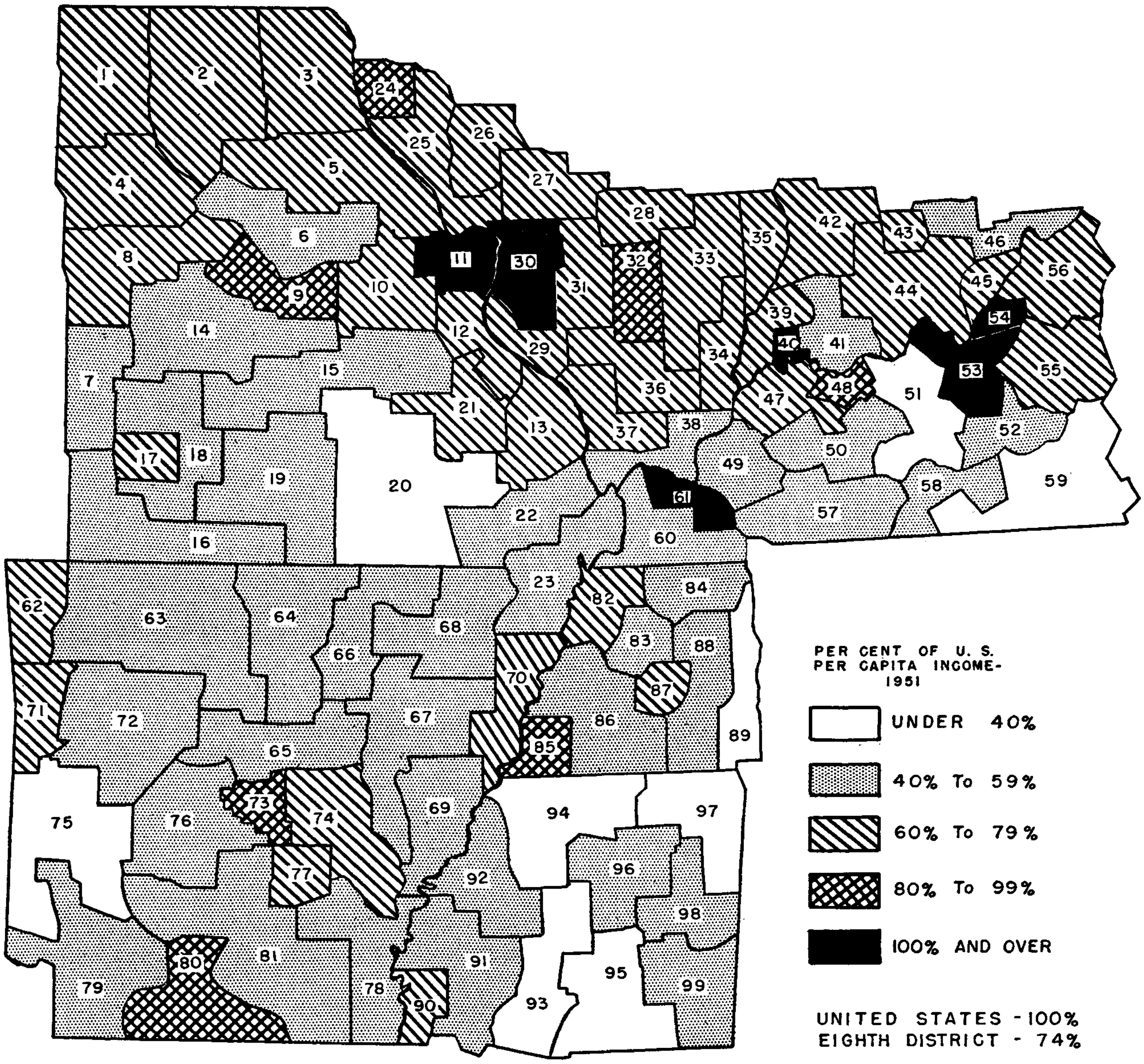
. . . ranging from over $2,000 in St. Louis . . .

As district per capita income trails behind the nation, few areas within the district show an income above the national average ($1,584). The list of these "above par" areas has grown, however, rising from four in 1950 to six in 1951. As always, St. Louis is at the top of the list with a per capita income of $2,045 in 1951, followed by Louisville ($1,953), Evansville ($1,744), Paducah ($1,699), East St. Louis ($1,605), and Fort Knox ($1,587). The newcomers are the non-metropolitan areas of Kentucky which show the—perhaps temporary—influence of large construction payrolls at high wage rates.

In the next group, approaching the national average, are Memphis ($1,376) and Little Rock ($1,339)

Area	Name	Counties	No. of Counties	1950 Population	Population Per Square Mile
		TENNESSEE			
82	Dyersburg	Dyer, Lake, Obion	3	74,184	60
83	Humboldt	Crockett, Gibson	2	64,756	74
84	Paris	Henry, Weakley	2	51,790	44
85	Memphis	Shelby	1	482,393	642
86	Brownsville	Fayette, Hardeman, Haywood, Lauderdale, Tipton	5	131,887	47
87	Jackson	Madison	1	60,128	107
88	Lexington	Carroll, Chester, Henderson, McNairy	4	75,265	38
89	Savannah	Benton, Decatur, Hardin	3	37,845	28
		Total	21	978,248	91
		MISSISSIPPI			
90	Greenville	Washington	1	70,504	97
91	Greenwood	Bolivar, Humphreys, Leflore, Sunflower	4	193,963	74
92	Clarksdale	Coahoma, Quitman, Tallahatchie, Tunica	4	127,396	61
93	Grenada	Carroll, Grenada, Holmes, Yalobusha	4	82,821	35
94	Holly Springs	Benton, DeSoto, Marshall, Panola, Tate	5	107,780	40
95	Kosciusko	Attala, Choctaw, Montgomery, Webster, Winston	5	85,969	34
96	Oxford	Calhoun, Lafayette, Pontotoc, Union	4	81,423	37
97	Corinth	Alcorn, Itawamba, Prentiss, Tippah, Tishomingo	5	97,250	43
98	Tupelo	Chickasaw, Lee, Monroe	3	93,731	54
99	Columbus	Clay, Lowndes, Noxubee, Oktibbeha	4	100,200	48
		Total	39	1,041,037	49
		Eighth District Total	363	10,472,721	54

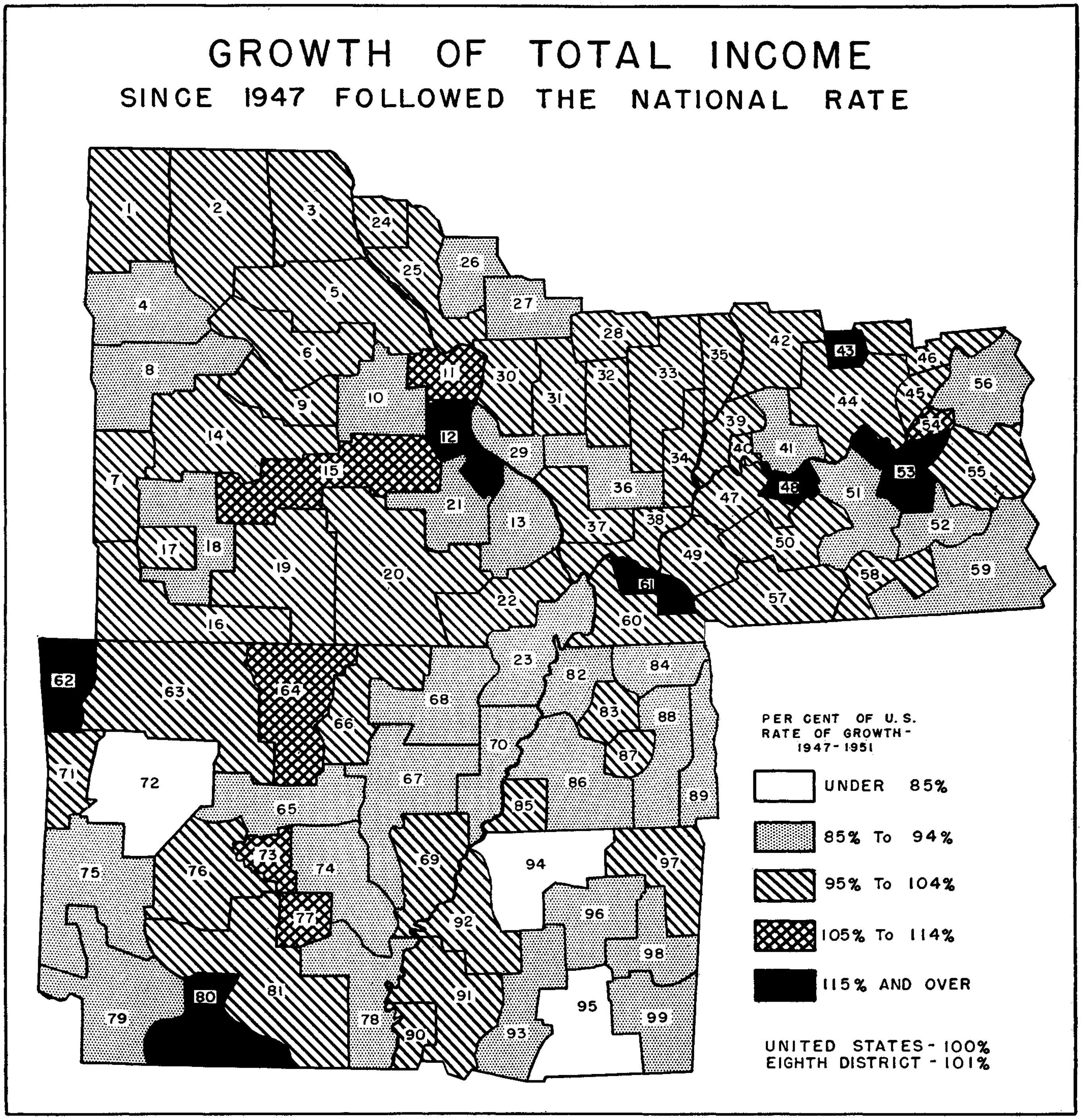
PER CAPITA INCOME
IN 1951 VARIED WIDELY AMONG DISTRICT AREAS



among metropolitan areas of the mid-South, Quincy ($1,484) and Owensboro ($1,409) among minor urban areas with high-wage industries and a prosperous agricultural "hinterland," Jefferson City ($1,355) as a center of state government and high farm income, El Dorado-Camden ($1,291) and Mt. Vernon-Centralia ($1,276) among oil producers.

. . . to less than $500 in some of the hill sections.

At the other end of the scale are areas with less than 40 per cent of national per capita income. Here are the forest areas of the Ozarks and the Ouachitas (Areas 20 and 75), the hilly sections of the Kentucky Highland Rim (Areas 51 and 59), the sandy soils of the eroded Fall Line Hills in Tennessee (Area 89), and wide stretches in northern Mississippi (Areas 93, 94, 95, and 97) where population density is still relatively high for the traditional farming of cotton. Within this latter region, however, some of the most outstanding livestock and dairy enterprises in the South can be found which may set an example for further diversification.



Growth of total income since 1947 followed a more uniform pattern, . . .

As should be expected, variations in per capita income are much larger than variations in total income growth. Per capita income reflects the wide differences in the social structure and industrial composition of communities discussed above. Income changes over time within each community follow the general rise in prices and growth of population; only where the latter deviates from the general trend because of migration, or where the industrial composition of an area undergoes fundamental shifts, do income changes deviate from the norm. Sixty-five out of 99 district income areas, therefore, have increased their total income since 1947 within the narrow range of 20 to 34 per cent.

. . . with most areas approximating the national rate of expansion.

As prices rise and consumers behave in a rather uniform pattern throughout the country, income expansion followed national trends closely. Just as the district as a whole showed a rise since 1947 within one percentage point of the national rate, so did 50 areas out of 99 move within a range of 5 per cent on either side of it. This uniformity underlines the close economic ties of the district with the rest of the nation. The dominant forces shaping the district economy, such as the present defense effort, are of national extent and influence. It also emphasizes a point made before in connection with Eighth District development, that success will depend on full recognition of this regional interdependence in a national and world economy.

Here too, however, the rate of growth varied . . .

Local variations from the national norm occur for several reasons. First, population may shift; areas with in-migration obviously grow faster than those from which people move away because of a lack of opportunities. Second, certain areas may undergo rapid shifts in their industrial structure; new industries pay out larger incomes for more productive employment. In such a case of area development, the impact of industrial change is most likely accentuated by the in-migration of new workers as well as the multiplication of market transactions which go with urbanization and have been discussed above. Population and industrial change are thus closely related factors in bringing about income variations among areas. Third, changes in the national demand for goods and resultant shifts in the price structure may benefit some areas over others; thus, a relative increase in farm over industrial prices changes the "terms of trade" in favor of rural areas, an important factor in the better income showing of this district over the last decade. Fourth, output in some industries may change without major shifts in "inputs" due to more favorable conditions of production, such as the weather, a factor of special importance in agriculture which explains the volatility of this income source by district areas. While this last factor is of major importance in explaining local variations from one year to the next, it is of minor significance for long-range trends when shifts in national demand and resultant changes in price and production patterns by industries and areas will account for the geographic redistribution of income.

. . . ranging from less than 10 per cent in some areas . . .

Three district areas, in the Arkansas uplands (Area 72) and the Mississippi coastal plain (Areas 94 and 95), lagged behind the national rate of growth as much as 20 per cent, their total income remaining almost stationary since 1947. In all three cases a considerable amount of out-migration occurred, so that per capita income of these areas increased in spite of the lagging total income growth. As the map on page 141 indicates, there are 32 more rural areas in the district where income—and population—growth trailed the nation to a smaller, yet noticeable extent.

The population losses of many district areas over the last decade have often been pointed up as indicative of a dearth of economic opportunities for the people living in these areas. It also needs emphasis, however, that, with the growing labor productivity of agriculture, there is a universal trend from the farm to the city; many of the district population movements, therefore, only reflect the well-known fact that the Eighth District depends heavily as a way of life upon agriculture which is undergoing profound technical changes at the present time. It is this very mobility of the district labor force, among areas and industries, which contributes most to the strength of the district and national economy. There remains, however, for each local area the challenge to employ for its own best advantage, within the broader framework of the district and national economy, its people and their skills, its natural resources, its community facilities.

. . . to more than 100 per cent in parts of western Kentucky.

Seven district areas exceeded the national rate of income growth by more than 15 per cent. Some of these were relatively small areas (such as Areas 12 and 43) where the impact of the national construction boom and defense effort on established local industries had a large effect. Other areas (Areas 48 and 53) saw the start of new chemical and metal industries. Fayetteville (Area 62) benefited from the expansion of broiler production in northwestern Arkansas. El Dorado (Area 80) advanced as a major oil center. Paducah (Area 61) set the pace for a new industrial frontier with chemical developments around Calvert City and a huge atomic plant. Six more areas paced the national advance by more than 5 points. Among the latter were three metropolitan areas growing with the defense effort (Areas 11, 54, and 73), a minor urban area with a large government arsenal (Area 77), an Ozark section with new recreational facilities (Area 64), and the area around Fort Leonard Wood (Area 15).

All these areas have in common the rapid expansion of existing plants including government facilities or the establishment of new industries in response to national demand. Two factors should be kept in mind when interpreting income advances. First, the relative importance of any given income expansion depends on the size of the area. Thus, the same addition to factory payrolls may hardly be noticed in St. Louis (Area 11) but greatly influence the rate of growth in De Soto (Area 12). Second, high income may be accompanied by shifts in the market and social structure which customarily go with industrial change. Where income advances reflect only the fuller use of existing capacity and skills, the social shifts may be minor. Yet there are limits to any expansion of this kind. Sooner or later, further expansion will depend on new people, new plants, and new community facilities. Profound adjustments are then needed, and impressive dollar income gains reflect a complex mixture of real gains and social costs. To double community income within four years has been a painful experience to many residents of Paducah, though it has also represented a major contribution to the national defense effort.

Closer study of income variations emphasizes the role of the local community in regional and national development.

The September issue of this REVIEW has described the geographic landscape of the Eighth District which determines the basic natural resources available to each local area. District soils, minerals, and flowing waters provided rich opportunities for economic development in the past and will continue to do so in the future. The fullest utilization of these opportunities will depend on man and his work, as they take shape in each area.

Not each area can or should become a metropolitan center of industrial activities. Yet each area can respond to the challenge of a national market and the demands made by a great country. In some areas, this may take the form of local services for military installations and industrial establishments of the Federal government. At the present time, it is this type of economic activity which has led to the most spectacular local income advances. In other areas, suitable locations may be found for national business firms wishing to invest in local skills and facilities. In all areas, initiative of the local banking and business community will be called upon to facilitate the most effective contribution of local resources to the national economy.

WERNER HOCHWALD

Third-Quarter Retail Sales and Outlook
in the Eighth District

Retail sales in the Eighth District faltered during the third quarter but recovered, and the outlook is for some further improvement.

LIKE a flying kite that dips and then resumes its soaring, Eighth District retail sales, after improving during the first half of 1952, faltered a bit early in the third quarter, then rose somewhat higher. And the outlook for the important last quarter of the year is that they will range from steady at present levels to slightly better.

The above is a capsule summary of the trade trends and prospects at mid-August reported to this Bank by over one hundred retailers engaged in six different trade lines and operating in six district states. Like many capsules, however, this summary must be used according to directions for best results. For example, there were many ifs, ands, and buts qualifying expectations as to the future and the outlook is varied between the trade lines.

It is not difficult to account for the dip in consumer spending noted above. The reasons for it have been headlined in the papers and pointed out in weekly and monthly trade reports: the repercussions of the steel strike, the truck tie-up in St. Louis, the limiting effects of prolonged hot weather generally over the district, and so on. Likewise, the rapid pickup in sales has paralleled a rapid recovery of business after termination of the steel strike and the break in the drouth. By mid-August most lines surveyed reported a favorable rate of sales. And if department store sales are taken as an indication, retail sales were even better at mid-September.

Taking account of (1) upward trends in sales, except in automobiles, . . .

One of the reasons for a certain amount of optimism regarding this year's sales outlook is the fact that in the Eighth District consumer buying during the first half of 1952 totaled about the same as in 1951. In fact, a surprising number of retailers experienced sales that topped those of a year ago—"surprising" when it is recalled that the first half of 1951 included a period during which sales were given extra impetus by the second wave of Korean War scare-buying. Retailers' reports in the survey generally showed improvement from the first to the second quarter. Or, to put it another way, the trend of total retail sales in the district appears to have followed the noticeable (though irregular) increase in seasonally adjusted total retail sales nationally over the first six months of the year.

The upward trend in sales suggests some moderation in the "cautious" buying which characterized sales during much of 1951 following the second scare-buying wave. Except in areas where local economic conditions had been disturbed by labor disputes, retailers were almost unanimous in their mid-August reports pointing to continued high levels of income and employment as factors tending to overcome the conservative attitude of consumers.

Breaking down the survey reports on sales as between durables and nondurables, however, it was found that durable goods sales were less favorable. The most pronounced weakness was in automobile sales. Interest in automobiles being what it is, most persons probably followed what was going on at the Detroit and outlying auto assembly lines and at the dealer level during the first half year. In the first place, defense needs reduced the amount of materials available and cut back dealers' stocks on some lines of autos which were reportedly in demand. At the same time, in contrast to this situation, other makes of cars were apparently selling rather slowly so that even the threat of the steel strike failed to send many more buyers to showrooms. Thus, there was the paradox of dealers with customers but no cars, and dealers with cars but no customers—a good market and a spotty one, side by side—to a much greater extent than might have been expected.Over-all, automobile dealers reported that sales were considerably below those in 1951 during the first three months of the year, with some pickup in the second quarter.

As to other durables, furniture and appliance stores during the first quarter reported a volume that compared favorably with that in 1951. They had even better experience in the second quarter as the threat of a steel strike increased sales slightly and the extremely hot weather during June greatly increased sales of electric refrigerators and cooling equipment.

Consumer credit regulations were reported to have influenced the level of sales of all durables. But there were signs of a pickup in sales of appliances and furniture even before the suspension of Regulation W.

On balance, it appeared that automobile sales set a rather spotty pattern while other durables showed strength, but largely due to special influences.

Following the decline early in the third quarter, retail sales generally improved. Auto sales were an exception partly owing to the delayed impact of the steel strike. More than five out of six automobile dealers surveyed reported sales running below a year ago as of mid-August. But women's apparel store sales continued above year-ago levels and about two-thirds of the men's wear stores surveyed reported sales as much as one-tenth larger than in 1951. Likewise, a majority of department stores surveyed reported a sales level at mid-August as much as one-seventh larger than a year ago.

. . . (2) customer preference for medium-priced lines, . . .

Thus far the performance of sales has been summed up in terms of the kinds of goods sold and over-all sales levels. The survey also asked certain questions designed to show how consumers had reacted to various price levels and how widely they tended to open their purse strings at each purchase. It also sought to find out whether they were turning more to credit or relying more heavily on cash.

Furniture stores, men's wear stores and women's apparel stores indicated that consumer preference was centered on medium-priced lines. Department stores also reported that consumers preferred medium-priced lines, but noted that several basement departments had been enjoying a more favorable sales level than had comparable upstairs departments. Appliance stores reported consumer demand was mostly for medium-priced lines but there was more than a little interest shown in several higher-priced items.

Supporting the fairly general middle-of-the-road customer preference as to prices, the average sale at mid-August at men's wear, women's specialty and furniture stores was about the same as a year ago. Similarly, the majority of department stores surveyed reported an average sale about equal to that a year ago, although there were indications that some stores experienced a smaller average sale this year than in 1951. On the other hand, more appliance dealers reported an increase in their average sale than reported a decrease.

. . . (3) somewhat easier credit terms, . . .

More than half of the appliance dealers surveyed indicated that credit sales were somewhat higher than they considered normal; most of the others reported the ratio of credit sales to total sales at about its normal level. At mid-August the majority of automobile dealers and furniture stores reported credit sales about normal.

Department store executives were evenly divided in their opinion—half of them reported credit sales above normal while the other half considered them normal. At women's specialty stores credit sales were considered about normal while at men's wear stores they were a little high.

Notwithstanding the mixed nature of retailers' reports on the volume of their credit sales, the easing of credit terms after suspension of Regulation W early in May made it possible for many more millions of dollars of consumer demand for goods and services to be expressed effectively. Total consumer credit increased sharply, particularly in the instalment credit field, and durable goods sales profited. The gain should continue and the somewhat easier credit terms should be considered a plus factor in the outlook for total retail sales in the district over the remaining months of the year.

. . . and (4) improved inventory positions, . . .

At mid-1951 retailers were in the unfavorable position of holding extremely high inventories in the face of diminishing consumer purchases. But at the middle of the third quarter in 1952 there were relatively few retailers who considered their inventories out of line with sales.

Department store, women's specialty store and appliance store executives indicated that current inventory at mid-August was about in line with sales. At men's wear and furniture stores, however, there were a few who thought that their inventory was perhaps a bit too heavy.

Little difficulty was encountered in maintaining a sufficient supply of most merchandise. Production of automobiles and other durables, already cut back, was further limited by the steel strike. But few real shortages, other than of automobiles, had developed in the durables lines at mid-August.

A year ago, retailers, faced with heavy inventories and slow sales, sharply slashed their buying. But at mid-August, 1952, most retailers surveyed indicated their outstanding orders were at normal levels in view of current sales. At department stores the volume of orders at mid-August was about equal to two months' sales, while at men's wear stores orders-volume averaged about four months' sales.

Appliance store orders were predominantly reported as being about equal to last year and averaged about two months' sales. Women's specialty store orders-volume, equal to or smaller than in 1951, represented less than two months' sales. Furniture store orders-volume, equivalent to about two months' sales, were reported as equal to or smaller than those in 1951.

In addition to the improved inventory position of dealers, the better-balanced "inventory position" of consumers should not be overlooked. The stock of goods in consumers' cupboards, garages, kitchens, and so on that resulted from the scare-buying that took place immediately after Korea has now had two years in which to be absorbed and re-adjusted to normal. The second scare-buying wave early in 1951 has had better than a year and a half to do so. Also consumers have had the same amount of time to re-build or to add to their liquid-saving holdings.

. . . retailers look for little change in prices over the remainder of 1952 . . .

Retailers' cost prices were not expected to show much change during the remainder of 1952 from their mid-August levels. Furniture store and appliance store executives do not expect to pay higher prices for their merchandise except for items in which the higher prices allowed on iron and steel will significantly change their suppliers' costs. More department store executives thought their buying prices might advance slightly than thought they would decline. Men's wear stores expected prices to remain at about the same level or possibly decline slightly.

Regardless of how they felt about their buying prices, there were relatively few who anticipated any increase in their selling prices. Again, the exceptions were items reflecting the higher steel and iron prices. These were expected to advance slightly in price.

. . . and for sales volume to follow the patterns established so far this year—lagging auto sales, . . .

Automobile dealers saw little chance of improvement in their sales level during the remainder of 1952. Lack of production was the factor most often advanced. (It should be noted that this survey was made well ahead of recent predictions of a record fourth-quarter output.) However, there was some opinion that along with the lack of new autos there was also an absence of buyers. Consumer resistance to the price of new autos was also mentioned as a limiting factor. About half of the dealers did not expect much change in consumer resistance to price; the remainder anticipated growing resistance to the level of prices. The dealers expected substantial changes in the styling and engineering of new models, which will probably be unveiled by manufacturers before the end of the year. But there was little feeling that a completely new low price auto would be added to their line. Other factors mentioned by reporting auto dealers that would tend to hold back volume were the effects of the drouth, crop failures, and local economic conditions in various parts of the district.

. . . not much change in furniture and appliance sales, . . .

Relatively little opinion existed that furniture and appliance sales would drop during the last half of 1952. Continued high level of consumers' disposable income and improved dealer (and consumer) inventory pictures were expected to produce a favorable volume of sales. On the other hand, in some areas local unemployment and crop failures due to the drouth were expected to hold down the level of sales.

. . . and better volumes in department stores, women's specialty and men's wear stores.

Continued high levels of income, the prospect of few inventory problems and the fact that consumers apparently are not as "cautious" as last year were advanced by department stores, women's specialty and men's wear stores as reasons for increased sales volume over the rest of this year. Some concern was expressed by department store executives that other lines of trade might cut into department stores' share of consumer spending as "good buys" were sought. At men's wear stores lagging sales last year were cited as one reason why sales in the last half of 1952 should hold up well. At women's specialty shops changing styles were expected to hold volume at favorable levels. At all three lines, however, it was brought out that increased efforts to maintain sales would be made. Store expansion, opening of branch stores and modernization were cited as factors.

Survey of Current Conditions

BUSINESS activity in the Eighth District recovered quickly during August and early September from the effects of the steel strike. In addition, some lines of business activity which have been otherwise depressed in the past months increased output to meet a growing volume of orders. Industrial output snapped back to pre-strike levels and employment increased as most workers returned to their jobs. Construction activity continued at its rapid pace despite some minor curtailments resulting from lack of steel supplies. Department store sales throughout the district gained more than seasonally from July to August and nearly recovered (seasonally adjusted basis) to the level of June when sales were stimulated by hot weather. Business loans, reflecting the upswing in activity, likewise increased more than seasonally during August and early September and consumer loans, as in recent months, continued to rise rather sharply. Prospects for farm production improved during August and the first half of September with the rains which fell throughout the district.

In the nation also, economic activity recovered rapidly during August. Industrial production, as measured by the Federal Reserve Board index, increased from 193 per cent of the 1935-39 average for July to 215 per cent for August, approximately equal to the April level but still 3 per cent below the 1952 peak reached last February. Durable goods production, hit hardest by the steel strike, jumped 18 per cent from July to August but was still 7 per cent below its March, 1952, peak. Steel mill operations increased rapidly in August and continued at 100 per cent of capacity in the first three weeks of September. August operations averaged 92 per cent of capacity. Automobile output was curtailed in July and early August but increased rapidly thereafter and was close to pre-strike levels by the end of the month. Total output for August was about 298,000 cars and trucks, and September output of more than 550,000 vehicles was indicated by production rates in the first three weeks of the month.

Nondurable manufactures also picked up in August due in part to resumption of work after many plant-wide vacations in textiles and some other industries. The textile industry, with reduced inventories, increased its output to meet the larger volume of orders received recently.

The general level of wholesale commodity prices advanced slightly in the first three weeks of August but declined in the following three weeks. Most of the decline was due to lower farm products and processed food prices. Consumer prices, on the other hand, advanced slightly to another all-time high. As of August 15 the national average for consumer prices was 191.1 per cent of the 1935-39 average, an increase of 0.2 per cent in the month and an increase of 3 per cent in the past year.

Employment

Nonfarm employment in the nation rose by almost 900,000 in the month ending mid-August to reach a total of 46.9 million persons. And it continued to expand so that by the latter part of the month the number of people claiming unemployment insurance benefits dropped to a postwar low for August. Manufacturing employment increased by 700,000 in the month ended August 15 as the effects of the steel strike faded and food processing and soft goods industries expanded seasonally. However, mining employment was down 50,000 and factory employment was 120,000 below August, 1951, levels, reflecting in part the delay in recalling some workers idled by the 55-day steel strike. The largest increases over twelve months ago were in government, finance, and trade employment.

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1947-49=100)	Aug.,'52	July,'52	Aug.,'51	August, 1952 compared with July,'52	August, 1952 compared with Aug.,'51
All Commodities	112.1	111.8	113.7	-0-%	— 2%
Farm Products	109.9	110.2	110.4	-0-	— 1
Foods	110.5	110.0	111.2	-0-	— 1
Other	112.9	112.6	114.9	-0-	— 2

CONSUMER PRICE INDEX*

Bureau of Labor Statistics (1935-39=100)	Aug. 15, 1952	July 15, 1952	Aug. 15, 1951	August 15, 1952 compared with July15,'52	August 15, 1952 compared with Aug. 15,'51
United States	191.1	190.8	185.5	-0-%	+ 3%

* New series.

RETAIL FOOD*

Bureau of Labor Statistics (1935-39=100)	Aug. 15, 1952	July 15, 1952	Aug. 15, 1951	August 15, 1952 compared with July15,'52	August 15, 1952 compared with Aug. 15,'51
U. S. (51 cities)	235.5	234.9	227.0	-0-%	+ 4%
St. Louis	249.0	248.6	237.2	-0-	+ 5
Little Rock	233.6	230.4	222.9	+ 1	+ 5
Louisville	224.4	221.2	214.8	+ 1	+ 4
Memphis	243.7	236.8	234.7	+ 3	+ 4

* New series.

Unemployment, reflecting the revival of business activity, dropped from 1.9 million persons in July to 1.6 million in August. This level, 2.5 per cent of the civilian labor force, was only slightly higher than the record peacetime low of August, 1951.

In the Eighth District, unemployment continued to decline during August. Unemployment insurance benefits paid in seven district states for the week ended September 6 were off (117,000 fewer payments) from the level of payments six weeks earlier when they were at a peak for the year.

In Louisville total nonagricultural employment increased slightly from July as manufacturing and construction activity expanded. Part of the increase in manufacturing employment resulted from seasonal increases as well as returns to plants affected by steel supplies. Employment in whiskey distilleries and chemical process plants dropped in August and limited the over-all increase.

In Evansville, employment increased from July to August and was substantially larger than in August, 1951. Total manufacturing employment was about 7,000 workers greater this year than last, but nonmanufacturing employment was down slightly. Most of the increase was at the refrigerator plants which also have defense contracts, and at metal fabricating plants.

In addition to the recovery in plants affected by the steel strike, employment in many other plants increased from July to August in St. Louis. Paper products, apparel, and shoe manufacturing plants increased employment, but chemical plants were using fewer workers in August. In nonmanufacturing, construction employment decreased and retail trade employment declined seasonally.

Industry

In the district, as nationally, industry gained pre-strike output levels in August and early September.

Manufacturing. A return to the high level of industrial activity was shown in August by the volume of use of industrial electric power. At the six reporting cities in the district, industrial consumption of electric energy, on a daily average basis, increased 7 per cent over July and was slightly better than August, 1951. All of the reporting cities showed improvement from July to August except Little Rock (see table) where a slight decrease was recorded. However, in comparison with 1951, Little Rock, Memphis, and Pine Bluff showed declines in use of industrial power. Major reasons for the declines were reductions in stone and concrete manufacture at Little Rock, in paper and paper products manufacture at Memphis, and in chemical output at Pine Bluff.

Improvement in output at refrigerator plants, which also have defense contracts, largely accounted for a 19 per cent daily average gain in use of industrial power at Evansville over a year ago.

The steel ingot production rate reached in August was the highest rate for any month this year, 99 per cent of capacity, compared with 62 per cent a month earlier. The rate was down in the first week of September due to the Labor Day holiday and furnace maintenance problems, but was at more than capacity rates in the following two weeks.

CONSUMPTION OF ELECTRICITY

Daily Average *

(K.W.H. in thous.)	Aug., 1952 K.W.H.	July, 1952 K.W.H.	Aug., 1951 K.W.H.	August, 1952 compared with July,'52	Aug.,'51
Evansville	886	835	747	+ 6%	+19%
Little Rock	477	480	531	— 1	—10
Louisville	3,806	3,717	3,750	+ 2	+ 1
Memphis	1,251	1,121	1,290	+12	— 3
Pine Bluff	345	321	439	+ 7	—22
St. Louis	4,790	4,354	4,723	+10	+ 1
Totals	11,555	10,828	11,480	+ 7%	+ 1%

* Selected manufacturing firms.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Aug.,'52	July,'52	Aug.,'51	First Nine Days Sept.'52	Sept.,'51	8 mos. '52	8 mos. '51
114,211	108,461	117,952	31,341	30,315	873,059	937,319

Source: Terminal Railroad Association of St. Louis.

COAL PRODUCTION INDEX

1935-39=100

Unadjusted Aug., '52	July, '52	Aug., '51	Adjusted Aug., '52	July, '52	Aug., '51
112.4 P	92.0 P	144.1	113.5 P	104.5 P	145.6

P—Preliminary.

CRUDE OIL PRODUCTION

Daily Average

(In thousands of bbls.)	Aug., 1952	July, 1952	Aug., 1951	August, 1952 compared with July,'52	Aug.,'51
Arkansas	76.1	76.6	76.7	— 1%	— 1%
Illinois	166.5	165.1	165.4	+ 1	+ 1
Indiana	33.3	32.5	32.0	+ 2	+ 4
Kentucky	32.8	33.5	30.6	+ 2	+ 7
Total	308.8	307.7	304.7	– 0 –%	+ 1%

SHOE PRODUCTION INDEX

1935-39=100

Unadjusted July, '52	June, '52	July, '51	Adjusted July, '52	June, '52	July, '51
121.3	140.9	106.9	126.4	136.8	111.4

Lumber production generally showed improvement in August. Average weekly production of Southern pine was 2 per cent above that of July. Southern hardwood producers operated at a rate 12 per cent higher. This latter rate was still slightly below that of August, 1951, while Southern pine operations were at about the same level. According to trade reports the market is being supported by steady demand.

Because of large accumulated stocks, whiskey production continued at a low level in August, with only 12 of Kentucky's distilleries in operation at month's end.

The shoe and leather goods business continued to improve, according to trade reports. Tanners' inventories are described as moderate and hides and skins supplies adequate through 1952 to meet current needs. According to reported use of industrial power, Eighth District manufacturing in August was slightly better than that a year ago.

Livestock slaughter in the St. Louis area was markedly above that of July, but below comparable weeks in August, 1951. Work stoppages and embargoes on hogs affected local output.

Mining. Coal production showed a 34 per cent gain in August over July, in district states, as markets improved with the first start of laying in domestic stocks for winter and also reflecting some preparation on the part of consumers for a possible coal strike.

Crude oil production in district producing states continued at levels of previous months and of a year earlier.

Construction

Expenditures for construction in the nation during August increased seasonally to a record $3.2 billion, an increase of 11 per cent from August, 1951, and an increase of 2 per cent from the previous month. However, the physical volume of construction put in place during August was about the same as last year. The higher expenditures this year resulted in large part from higher labor costs and continued high prices of materials which have pushed total construction costs up about 5 per cent in the past year. The seasonal increase from July to August occurred despite the prolonged steel strike which was expected by some to have a more serious effect on the volume of construction.

New housing starts in August throughout the United States totaled 99,000 units, down 5 per cent from July but 11 per cent over August, 1951. The decrease from July was mostly in privately owned housing construction. Effective September 16 the Board of Governors of the Federal Reserve System, with the concurrence of the Housing and Home Finance Administrator, suspended Regulation X on real estate construction credit, both residential and nonresidential. Terms of conventional real estate construction mortgage credit are now fixed by borrowers and lenders within limits set by state laws and certain Federal laws other than Regulation X. Suspension of Regulation X restrictions on conventional mortgage credit was dictated by the 1952 amendments to the Defense Production Act. These amendments required the relaxation of down payment percentages on residential structures to no more than 5 per cent whenever the rate of new housing starts fell below 1.2 million units (seasonally adjusted annual rate) for three consecutive months.

At the same time Regulation X was suspended, FHA and VA loan terms were eased. For FHA loans, down payments will run from 5 per cent to 20 per cent where they had ranged from 5 to 40. In the case of VA loans, the maximum down payment required will not exceed 5 per cent in any case. Previously they had gone as high as 35 per cent.

In addition to the stimulation to housing construction by the easier terms for FHA insured mortgages and VA guaranteed home loans, impetus to other segments of the construction industry will be given by the high level of plant and equipment expenditures being planned for the last half of 1952. United States corporations plan to spend a total of $14.3 billion on new plants, compared with $13.2 billion for the first half of the year. Public construction expenditures are also increasing under the stimulus of the defense program. Military and naval facilities are being expanded at a rapid rate and the Atomic Energy Commission has recently announced several large additional construction programs.

In this district total construction contracts awarded during August were $88 million, bringing the total for the first eight months to $801 million. Total contracts awarded so far this year, however, do not match the same period last year when the Atomic Energy Commission project at Paducah was started. In this district, excluding the Paducah AEC project, contracts awarded for manufacturing plants, public works and utilities facilities, and residential building have been larger so far this year than last. Contracts awarded for commercial building have been about the same as in the same period last year. Residential construction contracts awarded have increased in Louisville and Memphis, but have decreased in Little Rock. The decrease in Little Rock was primarily due to the start of a public housing project early in 1951.

In St. Louis and Evansville, the number of dwelling units included in the contracts awarded in the first eight months are nearly the same as last year. In St. Louis the dollar value of residential contracts is 7 per cent ahead of last year but only slightly greater in Evansville.

BUILDING PERMITS

Month of August, 1952

(Cost in thousands)	New Construction Number 1952	Number 1951	Cost 1952	Cost 1951	Repairs, etc. Number 1952	Number 1951	Cost 1952	Cost 1951
Evansville	86	86	$ 182	$ 185	105	98	$ 134	$ 72
Little Rock	59	53	534	480	185	227	126	136
Louisville	207	236	1,283	1,778	93	101	183	93
Memphis	2,365	2,228	4,907	2,495	209	186	190	130
St. Louis	306	320	3,208	2,874	286	256	451	781
Aug. Totals	3,023	2,923	$10,114	$ 7,812	878	868	$1,084	$1,212
July Totals	2,588	2,672	$26,540*	$12,949	925	824	$2,036	$1,207

* St. Louis Housing Authority project.

TOTAL RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED FIRST EIGHT MONTHS

Metropolitan Area	Dwelling Units 1952	Dwelling Units 1951	Valuation (in thousands) 1952	Valuation (in thousands) 1951
St. Louis	8,507	8,516	$105,423	$98,610
Louisville	3,111	2,446	43,015	28,558
Memphis	5,046	3,595	40,308	28,016
Little Rock	496	1,187	4,982	10,652
Evansville	590	588	5,796	5,745

Source: F. W. Dodge Corporation.

In six of the ten areas in this district which have been certified as critical defense housing areas, the percentage of units started (for sale and rental combined) to total units approved for private construction under provisions of Public Law 139 ranged from 40 to over 80 per cent as of August 20. In one case—Knob Noster, Missouri—started units amounted to 21 per cent of the number of units approved, and in another—Milan, Tennessee, reports on the status of defense housing were not available at August 20 as the area had been certified as critical less than 90 days before. At the remaining two areas virtually nothing had been done. In Camden-Shumaker, Arkansas, only 2 of the 500 units approved had been started, and in Pine Bluff, Arkansas, none of the 340 units approved had been started. In Paducah, builders had applied for construction of only 76 of the 485 programmed sales units as of August 20 despite the removal of restrictions on price. However, applications for rental housing exceeded the planned number. Elsewhere applications outnumbered the programmed units for both sales and rental housing.

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Aug., 1952 compared with July,'52	Aug., 1952 compared with Aug.,'51	8 mos.,'52 to same period '51	Aug. 31,'52 comp. with Aug. 31,'51	Jan. 1 to August 31, 1952	Jan. 1 to August 31, 1951
8th F.R. District	+23%P	+ 3%P	+ 2%P	—11%	2.41	2.12
Ft. Smith, Ark.[1]	+18	–0–	+ 1	—10	2.24	2.10
Little Rock, Ark.	+24	+ 7	+ 4	—10	2.37	2.02
Quincy, Ill.	+23P	- 0 -P	— 6P	—15	2.43	2.16
Evansville, Ind.	+36	+15	+ 5	—24	2.28	1.93
Louisville, Ky.	+17	+ 6	+ 4	— 2	2.51	2.41
Paducah, Ky.	+16	+18	+30	....	....	....
St. Louis Area[1 2]	+26	+ 2	+ 1	—15	2.40	2.04
Springfield, Mo.	+16	+ 1	+ 4	— 5	2.14	1.86
Memphis, Tenn.	+20	+ 1	+ 3	— 2	2.50	2.37
All Other Cities*	+14	+ 9	+ 6	— 5	2.07	1.95

[1]In order to permit publication of figures for this city (or area), 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.

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

OUTSTANDING ORDERS of reporting stores at the end of August, 1952, were 28 per cent larger than on the corresponding date a year ago.

PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE

Outstanding August 1, 1952, collected during August

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith	....%	45%	Quincy	18%P	60%P
Little Rock	17	45	St. Louis	19	51
Louisville	19	47	Other Cities	14	51
Memphis	19	36	8th F.R. Dist.	18P	47P

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Aug. 1952	July 1952	June 1952	Aug. 1951
Sales (daily average), unadjusted[3]	98P	81	103	95
Sales (daily average), seasonally adjusted[3]	110P	99	111	106
Stocks, unadjusted[4]	126P	112	118	135
Stocks, seasonally adjusted[4]	129P	120	125	139

[3]Daily average 1947-49 = 100.

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Aug., 1952 compared with July,'52	Aug., 1952 compared with Aug.,'51	8 mos.,'52 to same period '51	Aug. 31,'52 comp. with Aug. 31,'51	Jan. 1 to August 31, 1952	Jan. 1 to August 31, 1951
Men's Furnishings	+19%	+10%	–0–%	—17%	1.41	1.22
Boots and Shoes	+15	+ 5	+ 2	+ 1	2.72	2.59

PERCENTAGE OF ACCOUNTS AND NOTES RECEIVABLE

Outstanding Aug. 1, 1952, collected during August:

Men's Furnishings....................43%   Boots and Shoes............35%

Trading days: Aug., 1952—26; July, 1952—26; Aug., 1951—27.

RETAIL FURNITURE STORES

	Net Sales August, 1952 compared with		Inventories August, 1952 compared with		Ratio of Collections	
	July,'52	Aug.,'51	July,'52	Aug.,'51	Aug.,'52	Aug.,'51
8th Dist. Total[1]	+11%	— 4%	– 0 –%	— 6%	23%	27%
St. Louis Area[2]	+16	— 7	+ 2	— 2	58	64
St. Louis	+16	— 7	+ 2	— 2	61	67
Louisville Area[3]	+17	— 3	– 0 –	—12	13	15
Louisville	+20	— 3	– 0 –	—10	12	13
Memphis	+11	+15	— 1	—16	13	15
Little Rock	+23	+ 8	— 1	+ 5	17	20
Springfield	— 4	—13	— 1	— 3	16	17
Fort Smith	— 6	+ 2	*	*	*	*

* 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

	Aug.,'52	July,'52	Aug.,'51
Cash Sales	15%	16%	14%
Credit Sales	85	84	86
Total Sales	100%	100%	100%

In terms of completed units, the private defense housing program had provided about 300 dwelling units at all ten critical areas in the district as of August 20, two-thirds being rental units and one-third on an ownership basis.

STATUS OF DEFENSE HOUSING EIGHTH FEDERAL RESERVE DISTRICT AUGUST 20, 1952*

Critical Defense Housing Areas	Number of Dwelling Units: Programmed Rental	Programmed Sales	Approved Rental	Approved Sales	Started Rental	Started Sales	Completed Rental	Completed Sales
Milan, Tenn.	80	20			Not Reported			
Camp Breckenridge, Ky.	175	50	168	50	127	39	22	6
Fort Campbell, Ky.	625	0	575	0	491	0	123	0
Fort Knox, Ky.	131	75	131	75	52	31	0	0
Paducah, Ky.	515	485	515	76	313	76	25	76
Fort Leonard Wood, Mo.	150	100	64	100	36	35	4	11
Knob Noster, Mo.	212	88	209	85	58	5	0	0
Benton-Bauxite, Ark.	250	0	249	0	163	0	27	0
Camden-Shumaker, Ark.	250	250	250	250	2	0	0	0
Pine Bluff, Ark.	340	0	340	0	0	0	0	0

*Programmed for private construction under Public Law 139.

Source: MONTHLY STATISTICAL REVIEW, Housing and Home Finance Agency.

Trade

Retail sales during August showed varying results. Traditional promotions apparently proved most successful for nondurables retailers. "White sales" at durable goods stores were somewhat below expectations. There were apparently fewer consumers waiting for the August "white sales" of major appliances after the heavier-than-normal buying of major appliances during the summer's record-breaking heat wave. And there was little indication that fear of shortages as a result of the steel strike had brought about any noticeable increase in buying. At automobile dealers, with already low stocks and light deliveries from the manufacturers, sales were at a slow pace.

Department store sales throughout the district during August gained more than seasonally from July and were somewhat above those in August, 1951. Sales were only slightly higher than a year ago during the first half of the month but they picked up during the last half. The more-than-

WHOLESALE TRADE

Line of Commodities (Data furnished by Bureau of Census U.S. Dept. of Commerce*)	Net Sales August, 1952 compared with July, '52	Net Sales August, 1952 compared with Aug.,'51	Stocks August 31, 1952 compared with August 31, 1951
Automotive Supplies	+ 2%	+ 4%	+ 2%
Drugs and Chemicals	+17	— 8	+17
Dry Goods	+86	+ 6	—22
Groceries	— 4	— 1	— 1
Hardware	— 9	—15	—15
Tobacco and its Products	— 6	+ 4	+ 7
Miscellaneous	+17	+13	—17
**Total All Lines	+13%	— 5%	—16%

*Preliminary.

**Includes certain items not listed above.

seasonal gain from July placed adjusted daily sales at 110 per cent of the 1947-49 average. They were 99 per cent in July. Preliminary reports through mid-September indicated that the cumulative gain in sales for the first eight months this year will be maintained in the month.

St. Louis area women's specialty store sales volume during August was about two-thirds larger than in July and was one-sixth larger than in August, 1951. Sales at men's wear stores throughout the district were reported almost one-fifth above those in July and about one-tenth larger than a year ago.

Furniture store sales at reporting stores in the district totaled 11 per cent larger than in July but were 4 per cent below those a year ago.

Inventories held by reporting retail lines on August 31 were generally below those a year ago. In comparison with those held on July 31 increased inventories were reported by department stores, women's specialty stores, and men's wear stores. Furniture store inventories were about at the same level as a month earlier.

Outstanding orders at department stores on August 31 averaged slightly higher than a month earlier and were almost one-fourth larger than a year ago.

Banking and Finance

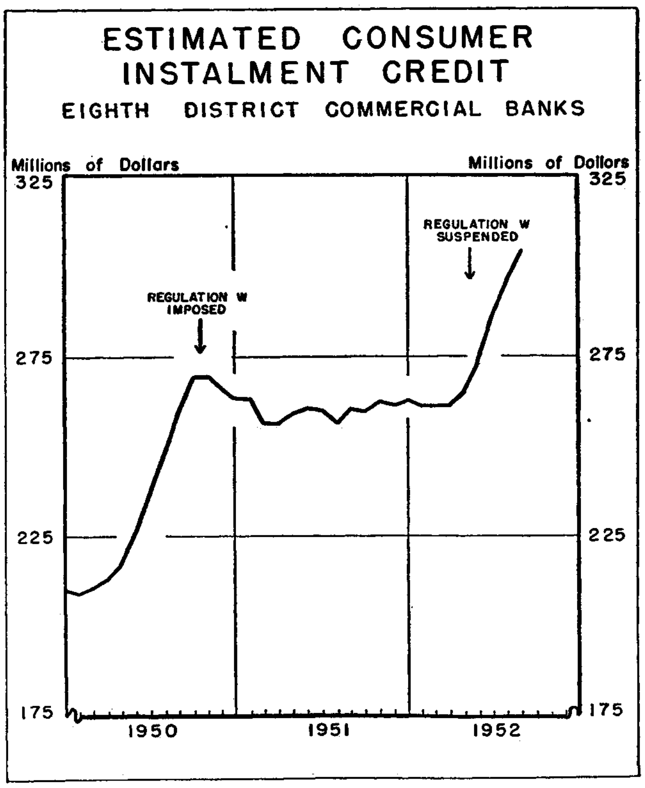
During August and early September the money market remained tight. Reflecting the pressure, banks, both districtwise and nationally, sold short-term securities and continued to borrow heavily. Consumer loans continued to rise rather sharply; both real estate and business loans were up moderately.

Banking—During August and early September district member banks' lending and investment policies continued to be conditioned significantly by tight reserve positions. At the end of July excess reserves of member banks were below normal. In addition, over the six-week period, district banks, particularly the larger city banks, were drained of funds as the result of an outflow of payments to other areas, reflecting a net import of goods and services into the district. The heaviest outflow of funds went to the Chicago and New York areas. District banks were also called upon to meet a large demand for currency, centering in the week before Labor Day. A partial offset to these drains was provided by net Treasury expenditures in the period.

To meet the drain of funds, district banks, especially in the larger cities, sold short-term Government securities. Over the six weeks, weekly reporting banks reduced their Treasury bill holdings $26 million, certificate holdings $18 million and their note holdings $7 million. In addition, banks increased their already substantial borrowings. As a result, borrowings reached their highest level in recent years and were above excess reserves throughout the period.

Despite the tightness of reserve positions member banks expanded their loans during August and early September. The expansion, however, was moderate and centered in the larger city banks. Business loans were up. The gain at Memphis was substantial and was offset only in part by a decline at Louisville; other reporting centers had small increases. Outstanding loans to consumers continued to rise rather sharply although the volume of new loans made was down somewhat from the high levels of June and July. Greatest expansion, as in July, was in repair and modernization loans. Real estate loans continued to climb.

Nationally, as well as in the district, reserve positions of banks were tight during August and early September. This condition coupled with an increase in loan volume, as business loans rose about seasonally and consumer and real estate loans expanded, caused the banks to liquidate a substantial



amount of short-term Government securities and to maintain their borrowings from the Reserve Banks at a high level.

Checks Cashed—Both amount and number of checks written in August were down from the high level of July. Debits to deposit accounts at 22 cities in the district were $3.6 billion in August, down 11 per cent from July and 5 per cent from August a year ago. Sharpest declines from the previous month were at banks in Springfield (Missouri), St. Louis, and Evansville.

The daily average number of checks cleared through the Federal Reserve Bank of St. Louis and its branches was 557,000 in August, off 1 per cent from July and the smallest amount for any month this year.

Nationally, as in the district, debits were in smaller volume during August. In leading cities outside New York, debits to deposit accounts were $81.5 billion, 9 per cent less than in July and 3 per cent less than in August, 1951.

Business Loans—The gain in business loans noted at district banks in August and early September continued a trend in evidence for several months. Normally business loans in the district expand in the fall of the year, the upswing starting at about mid-year. This year from June 25 through September 10, business loans at weekly reporting banks rose $44 million. The gain—sharpest at Memphis and St. Louis member banks—compared with a rise of $15 million in the corresponding period last year.

Not only was the expansion in business loans larger than usual, but the pattern of expansion was different this year. The bulk of the rise is usually occasioned at this time of year by an expansion of loans to food manufacturers and commodity dealers. However, this year these borrowers accounted for only a third of the total business loan expansion. Also in contrast to last year, loans to metal manufacturers were down somewhat. The greater-than-seasonal gain this year was primarily the result of an increase in outstanding loans to sales finance companies, manufacturers of textile, apparel and leather goods, wholesale concerns and contractors.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Aug., 1952	July, 1952	Aug., 1951	August, 1952 compared with July,'52	Aug.,'51
El Dorado, Ark.	$ 25,937	$ 24,339	$ 27,993	+ 7%	— 7%
Fort Smith, Ark.	45,112	47,912	43,418	— 6	+ 4
Helena, Ark.	6,189	6,700	6,517	— 8	— 5
Little Rock, Ark.	130,664	146,166	135,708	—11	— 4
Pine Bluff, Ark.	35,648	38,161	29,653	— 7	+ 20
Texarkana, Ark.*	17,984	18,954	14,271	— 5	+ 26
Alton, Ill.	31,021	32,743	29,355	— 5	+ 6
E.St.L.-Nat.S.Y., Ill.	118,865	130,332	145,908	— 9	— 19
Quincy, Ill.	33,437	34,138	33,207	— 2	+ 1
Evansville, Ind.	130,072	154,518	150,096	—16	— 13
Louisville, Ky.	659,788	684,681	678,887	— 4	— 3
Owensboro, Ky.	37,328	35,060	41,139	+ 6	— 9
Paducah, Ky.	42,113	42,391	26,296	— 1	+ 60
Greenville, Miss.	18,393	19,083	19,723	— 4	— 7
Cape Girardeau, Mo.	12,068	13,233	12,494	— 9	— 3
Hannibal, Mo.	9,199	10,462	9,534	—12	— 4
Jefferson City, Mo.	52,115	54,515	49,425	— 4	+ 5
St. Louis, Mo.	1,654,776	1,956,287	1,775,148	—15	— 7
Sedalia, Mo.	11,008	11,430	10,635	— 4	+ 4
Springfield, Mo.	61,455	70,695	73,406	—13	— 16
Jackson, Tenn.	19,870	19,924	19,667	-0-	+ 1
Memphis, Tenn.	483,157	526,738	491,795	— 8	— 2
Totals	$3,636,199	$4,078,462	$3,824,275	—11%	— 5%

* These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $38,897.

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., 1952	July, 1952 to Aug., 1952	Aug., 1951 to Aug., 1952	Aug., 1952	July, 1952 to Aug., 1952	Aug., 1951 to Aug., 1952	Aug., 1952	July, 1952 to Aug., 1952	Aug., 1951 to Aug., 1952
1. Loans and Investments	$4,305	$— 12	$+291	$2,506	$— 16	$+182	$1,799	$+ 4	$+109
a. Loans	1,938	+ 10	+142	1,270	+ 8	+ 98	668	+ 2	+ 44
b. U.S. Government Obligations	1,961	— 28	+100	1,032	— 29	+ 47	929	+ 1	+ 53
c. Other Securities	406	+ 6	+ 49	204	+ 5	+ 37	202	+ 1	+ 12
2. Reserves and Other Cash Balances	1,369	+ 33	+ 70	842	+ 25	+ 42	527	+ 8	+ 28
a. Reserves with the F.R. Bank	714	+ 15	+ 37	465	+ 17	+ 23	249	— 2	+ 14
b. Other Cash Balances [3]	655	+ 18	+ 33	377	+ 8	+ 19	278	+ 10	+ 14
3. Other Assets	53	+ 3	— 10	33	+ 1	+ 2	20	+ 2	— 12
4. Total Assets	$5,727	$+ 24	$+351	$3,381	$+ 10	$+226	$2,346	$+ 14	$+125
Liabilities and Capital									
5. Gross Demand Deposits	$4,184	$— 2	$+205	$2,540	$— 12	$+117	$1,644	$+ 10	$+ 88
a. Deposits of Banks	635	— 1	+ 12	598	— 2	+ 10	37	+ 1	+ 2
b. Other Demand Deposits	3,549	— 1	+193	1,942	— 10	+107	1,607	+ 9	+ 86
6. Time Deposits	1,037	+ 6	+ 56	500	+ 2	+ 20	537	+ 4	+ 36
7. Borrowings and Other Liabilities	130	+ 17	+ 76	122	+ 19	+ 78	8	— 2	— 2
8. Total Capital Accounts	376	+ 3	+ 14	219	+ 1	+ 11	157	+ 2	+ 3
9. Total Liabilities and Capital Accounts	$5,727	$+ 24	$+351	$3,381	$+ 10	$+226	$2,346	$+ 14	$+125

[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.

Agriculture

Prospects for district agricultural production improved during August and the first half of September. Sufficient moisture had fallen over most of the district to permit considerable improvement in the condition of pastures and late hay crops in particular, as well as the corn, soybean, tobacco and cotton crops. However, fall plowing and progress of fall-sown crops was slowed in some areas due to lack of adequate rainfall.

Nationally, crop conditions improved also. The volume of all crop production is third largest on record and only slightly less than the second largest crop. Nationally, the corn, soybean, rice, hay, and tobacco crops improved during August. On the other hand, and in contrast with the brighter prospects for the Eighth District cotton crop, the estimate of cotton production on September 1, for the nation as a whole was 6 per cent less than the August 1 estimate, as a result of serious drouth losses in Texas and Oklahoma.

Expected production of major crops produced in the Eighth District equaled or exceeded the August estimates with the exception of rice. Prospects for district rice production declined during the month. Estimated corn production September 1 was 18 million bushels higher than a month earlier, a 2 per cent increase and within 3 per cent of 1951 production. The oats crop also turned out to be somewhat larger than earlier estimates indicated.

ESTIMATED PRODUCTION FOR MAJOR CROPS EIGHTH DISTRICT SEPTEMBER 1, 1952

	(in thousands) Est. Production Sept. 1, 1952	Per Cent Change from 1951	Per Cent Change from Aug. 1, 1952
Corn (bu.)	353,370	— 3%	+ 2%
Wheat (bu.)	52,754	+30	– 0 –
Oats (bu.)	43,018	+ 3	+ 2
Soybeans (bu.)	85,391	+ 4	+ 8
Rice (bags)	10,250	+ 6	— 1
Cotton (bales)	3,340	— 1	+ 8
Burley tobacco (lbs.)	196,993	— 1	+13

Source: Adapted from Crop Production, USDA, September, 1952.

Tobacco—The tobacco crop improved materially in August. Expected burley production on September 1 was 13 per cent higher than the August estimate and only 1 per cent less than the large 1951 crop. Conditions improved to a lesser extent in dark air-cured tobacco, but the estimate of dark fire-cured tobacco remained the same. Harvesting of the crop proceeded rapidly and by mid-September an estimated two-thirds of the crop had been cut.

Cotton—Estimated district cotton production in September was 236,000 bales or 8 per cent larger than a month earlier. Increases over a month earlier were expected in Arkansas, Mississippi and Tennessee. Although no increase during the month occurred in Missouri, the current crop is a third larger than the 1951 crop.

Soybeans—The September estimate of soybean production was 7 million bushels or 8 per cent larger than the August estimate. Better prospects in Arkansas, Illinois, and Missouri, accounted for the bulk of the increase. A further decline in soybean production is expected in Kentucky, the crop now being estimated to be 40 per cent smaller than the 1951 crop. Some of the decrease can be attributed to a larger portion of the crop being harvested for hay.

Hay—Although the 1952 hay crop will be smaller in all district states than in 1951, some encouragement was received during the month in states hardest hit by drouth. Rains were beneficial for late hay crops, lespedeza in particular. Pasture conditions—particularly in Missouri—on September 1, also were improved considerably over the August condition.

ESTIMATED HAY PRODUCTION AND PASTURE CONDITION, EIGHTH DISTRICT STATES, SEPTEMBER 1, 1952

	All Hay Production, 1952		Pasture Condition	
			Per Cent of Normal	
(Thousands of tons)	Sept., 1952	Per Cent Change from Aug., 1952	Sept., 1952	Aug., 1952
Arkansas	895	+11%	50%	35%
Illinois	4,426	– 0 –	75	79
Indiana	2,457	— 1	70	73
Kentucky	2,051	+ 6	52	49
Mississippi	724	— 4	50	45
Missouri	3,821	+ 5	76	55
Tennessee	1,147	+20	48	30
United States	102,417	+ 3	70	69

Source: Crop Production, USDA.

Agricultural prices remained unchanged between July 15 and August 15. Prices paid by farmers, however, went up one point, but the parity ratio remained unchanged at 103. Prices of poultry, dairy products, hogs and small grains were higher at the end of this period but were offset by declines in prices of cattle, calves, and truck crops.

CASH FARM INCOME

		July, 1952 compared with		7 month total Jan. to July		
					1952 compared with	
(In thousands of dollars)	July, 1952	June, 1952	July, 1951	1952	1951	1950
Arkansas	$ 28,971	+ 8%	+ 4%	$ 216,615	+12%	+42%
Illinois	197,703	+45	— 2	1,073,600	— 2	+13
Indiana	104,955	+40	+ 6	582,068	— 2	+17
Kentucky	37,263	+15	— 6	282,104	— 3	+ 7
Mississippi	18,040	—22	— 6	157,270	— 2	+37
Missouri	96,076	+28	—17	536,108	—12	+ 9
Tennessee	31,946	— 6	+ 3	221,630	+ 1	+18
Totals	$514,954	+28%	— 3%	$3,069,395	— 3%	+15%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
		August, '52 compared with			August, '52 compared with	
	Aug., 1952	July,'52	Aug.,'51	Aug., 1952	July,'52	Aug.,'51
Cattle and calves	130,014	+ 3%	— 7%	64,521	+20%	—15%
Hogs	180,844	—18	—31	60,137	—24	—36
Sheep	72,119	+11	— 1	47,581	+15	— 3
Totals	382,977	— 7%	—20%	172,239	— 1%	—24%

FEDERAL RESERVE BANK OF ST. LOUIS
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