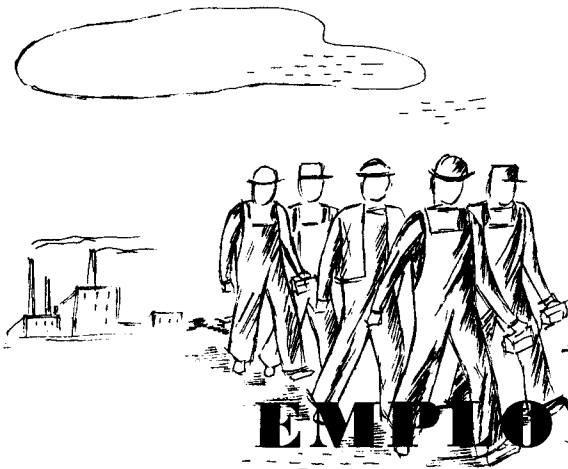


Monthly Review

February, 1954

Volume XXXVI

Number 2



EMPLOYMENT at EBB TIDE

WHILE unemployment has recently increased, district employment remains above its pre-Korean level. The St. Louis area build-up in employment began in 1950 even before the Korean War, and continued into 1953, turning down shortly after mid-year.

Louisville employment also fell off in the last half of 1953, but was still considerably higher than in 1950. Manufacturing employment in the Evansville area dropped sharply from its peak in 1953. In contrast, employment receded only slightly in Memphis in late 1953 and increased in Little Rock.

Three district areas have substantial labor surpluses resulting from the long-run decline in coal mining and recent declines in manufacturing employment.

In the period of expanding demand, 1950-1953, the added labor supply came from both local reserves and other areas. The district's out-migration, however, continued. In the recent downturn of demand, unemployment increased and people withdrew from the labor force and returned home, increasing the need to expand job opportunities in this district.

Federal Reserve Bank of St. Louis

also

Operations of the Federal Reserve
Bank of St. Louis in 1953—p. 19

Survey of Current Conditions—p. 22



While unemployment has recently increased, district employment remains above its pre-Korean level.

IN recent months layoffs and other signs of declining business activity have won front-page space in the newspapers. Labels applied to this new development in our economy range from that old favorite of the brokers, "a mild shakeout"; through the more novel "rolling readjustment"; to "orthodox recession."

The term "readjustment" is a useful one because it reminds us of the sharp adjustments which were made in the economy during the defense expansion. In that period employment rose sharply in the big cities and in some smaller centers. This article reviews those changes in employment in several Eighth District areas during the past four years, and brings together the latest available information on the growth in unemployment here. Taking the two parts together puts the recent decline in employment in proper perspective.

Following the Korean outbreak, defense production increased in some of these areas. In others, demands increased sharply for civilian goods, and basic commodities needed in peace or war. All of them were required to make adjustments of one kind or another to the rapid changes taking place in the national economy. At the same time, employment gains were not uniformly spread over the district. Considerable expansion occurred in the larger industrial centers, but employment in those areas plagued by the long-run decline of coal mining did not expand sufficiently to absorb the unemployed and new entrants into the labor market. Employment opportunities in many other rural areas and small towns in the district also failed to expand enough to hold all of those seeking jobs. From these areas of limited opportunity, large numbers migrated in search of higher incomes. Some moved to the industrial centers of this district, but many left the district in their quest for greater income.

The St. Louis area build-up in employment began in 1950 even before the Korean War, . . .

As 1950 began, the 1949 recession was fast sliding into memory. The old mainstays of St. Louis, the nondurable goods industries, which provided more than half of manufacturing employment, were busy. But the heavy industries were booming. Area employment was steadily increasing in steel, automobiles, and machinery. As can be seen on the chart, employment in manufacturing especially of durable goods, increased rapidly in the St. Louis area throughout 1950, although very little of the

increase was connected directly with defense contracts that year.

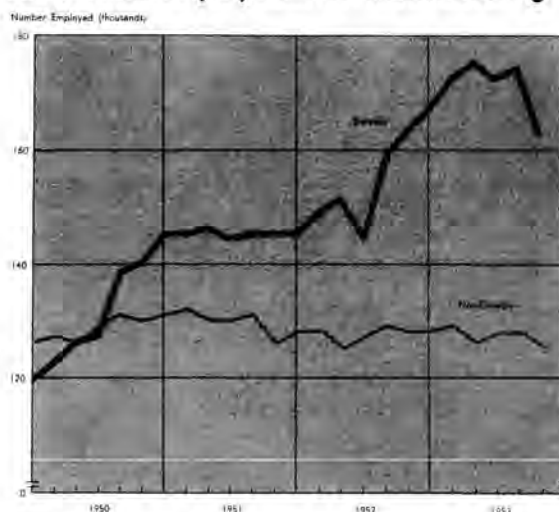
The year following was one of preparation, adjustment, and expansion of capacity in St. Louis. Employment in aircraft production increased through 1951, primarily at McDonnell Aircraft Corporation. There also was an increase in employment in St. Louis area steel mills and foundries. Reactivation of the St. Louis Ordnance Plant, which was the largest single plant built by Government in this district during World War II, proceeded more slowly than originally expected. Other concerns with defense contracts were retooling and expanding.

Offsetting the increases in defense employment in 1951, employment in production of civilian goods declined. Production of consumer durables, particularly automobiles, was restricted by materials shortages. Shoe and apparel production, among the nondurables, was depressed for a time by large inventories or consumer resistance.

In 1952 defense production shifted into high gear and, at the same time, civilian durable goods output was stepped up. Employment in ordnance plants and aircraft factories increased rapidly. Automobile employment gained somewhat, after larger steel allotments made possible an increase in production. Shoes and apparel, however, employed fewer people than in the previous year.

The rapid gain in St. Louis area employment in production of durables was interrupted in July by the national steel strike and a local truckers' strike. By September employment was skyrocketing again. At this time there was a noticeable tightening of the labor supply with unemployment falling to 2 per cent of the labor force. There was a considerable increase in the hiring of women.

St. Louis Area Employment in Manufacturing



. . . and continued into 1953, turning down shortly after mid-year.

From September, 1953, through January, 1954, manufacturing employment in the St. Louis area receded, with most of the reduction concentrated in durable goods. Many of the layoffs accounting for the decline were defense-connected. Ordnance plants, aircraft plants, foundries, and electrical equipment plants have laid off part of their help because of defense contract completions, cancellations, or stretchouts in delivery schedules. Other layoffs have resulted from lack of orders for civilian goods or plant closings. Unemployment in January was estimated at 46,000, an increase of 73 per cent from a year earlier.

The bulk of the recent reduction in employment has taken place in the durable goods industries—the sector that had experienced the greatest growth.

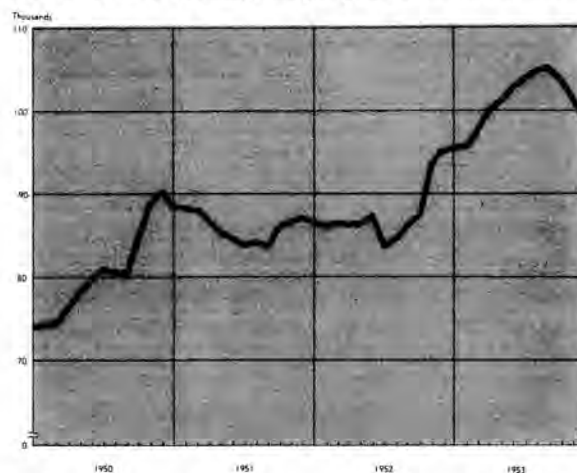
Louisville employment also fell off in the last half of 1953, . . .

As in St. Louis, employment in the Louisville metropolitan area fell off in the last half of 1953. The decline centered in the defense industries. In addition, cutbacks in the production of farm machinery and in construction activity further reduced employment. Because of temporary additions at retail stores for the Christmas season, the full impact of the decline was partially obscured in December. But in that month, total employment fell below the year-earlier level for the first time in 1953. The drop in employment between the peak in July and the end of the year was only 6,000 workers, or about 2.5 per cent of all employment in nonfarm establishments.

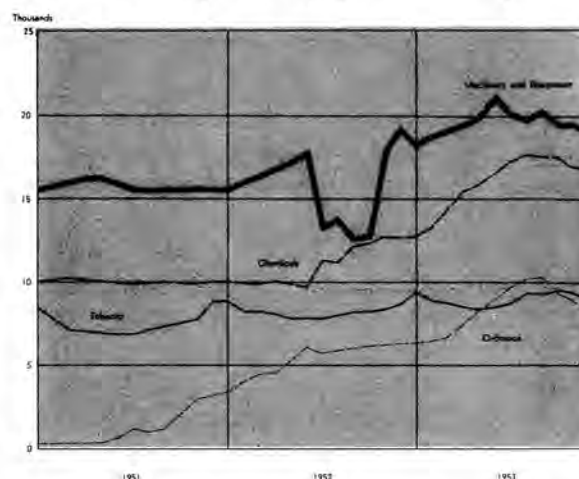
In December, 1953, the number of weeks of unemployment insurance claims in the metropolitan area was $2\frac{1}{2}$ times larger than a year earlier. The rates of claims in relation to the number employed in nonfarm establishments in December, 1953, was even slightly larger than in December, 1949, a period of recession when national unemployment reached 3.5 million. If the number dropped from the payrolls between December, 1953, and January, 1954, was as much as the year before, employment in the latter month would be off about 11,000 from the July, 1953, peak. When the data are in for January, the decrease this year may prove even more extensive than normal, as more-than-seasonal layoffs occurred in considerable numbers.

The reduction in defense requirements was reflected in the lowered employment at the Indiana Arsenal in the Louisville area. Employment in the production of ordnance dropped by 2,000, or 20 per cent, from the peak in September, 1953, to

Gains in manufacturing employment in Louisville . . .



. . . reflected growth in ordnance, tobacco, chemicals and the machinery and equipment industry.



December, and further cuts were scheduled in January. Production of explosives was reduced also and about 1,000 fewer were employed in chemical production in December than at the peak in August. Rehabilitation of this facility at the cost of \$21 million was completed in the latter part of 1953, with consequent reduction of construction employment.

Declining farm income, especially in the area served by Louisville plants producing farm equipment, sharply reduced the sales of tractors. With inventories larger than normal and sales off, production was reduced substantially after June with layoffs continuing into January, usually a month when production is stepped up. Employment in this industry at the end of January was less than one-half that in June, 1953.

The lumber and furniture industry employed about 1,400 fewer workers than a year earlier. Employment in the primary and fabricated metal

industries declined through 1953, continuing a trend evident since 1951. In December, 1953, about 10,000 were employed in the latter industry, compared with a peak of 13,000 in March of 1951.

. . . but was still considerably higher than in 1950.

From July, 1950, employment in Louisville establishments increased from 201,000 to an estimated 225,000 in January, 1954. About two-thirds of the increase was in manufacturing employment, with most of the remaining advance in construction employment. Manufacturing employment rose sharply in 1950, declined slightly to July, 1952, and then moved steeply upward to a peak in September, 1953, before receding. There was a marked increase in ordnance employment. With the reactivation of the Indiana Arsenal, employment in ordnance, manufacture of explosives, and construction at that facility increased rapidly, reaching a peak of about 20,000 in May, 1953, then declining somewhat.

Among the civilian goods industries in which employment increased over the 1950-1953 period were farm tractors, automobiles, household appliances, and cigarettes. Employment in the distilled liquor industry, however, declined slightly after 1951 when stocks were built up in anticipation of controls and bottling activity was stepped up to meet the upsurge in demand prior to the increase in excise taxes on November 1, 1951.

The tobacco manufacturing plants employed more workers in 1953 than the year before, despite a small decline in cigarette production in the nation. This increase reflected the trend toward king sized and filter tip cigarettes, production of which is relatively larger in Louisville than in other cigarette production centers.

The hiring of production workers at the new electrical appliance plant of General Electric Company continued during 1953. About 2,400 workers were added.

Manufacturing employment in the Evansville area dropped sharply from its peak in 1953.

In Evansville, where manufacturing is concentrated on the production of durable goods, employment responded sharply to increased consumer and defense demands. The recent adjustment on the downside was also sharp.

By January, 1954, curtailment of production of aircraft parts, motor vehicles, and refrigerators in Evansville had reduced employment about 12,000, or one-fourth, from the March, 1953, peak. Employment in the production of aircraft parts declined

from 10,900 in October, 1952, to 6,400 in December, 1953. Layoffs of about 1,600 workers at the automobile assembly and body plants occurred in January, 1954, and employment in refrigerator production was about 6,500 under the seasonal peak. Thus, in Evansville the reduction in employment since the peak of 1953 has been fairly wide-spread and has not been limited to defense activities, which were responsible for the bulk of the growth in employment opportunities from 1950 to 1953.

In contrast, employment receded only slightly in Memphis in late 1953 . . .

The tide of employment ebbed only slightly in the Memphis metropolitan area during the latter part of 1953. The wave of extra workers in retail stores during the Christmas season pushed employment up temporarily at year-end, then subsided in January. But, allowing for seasonal fluctuations, the high tide of employment had been reached in 1953 with 171,000 on payrolls at nonfarm establishments. Government employment reached a high mark of 24,000 in August, 1952, then receded 2,000 by November, 1953. Construction employment also declined from a peak of 12,000 in August, 1952, to 10,000 in November, 1953, as large projects were completed. Manufacturing employment continued to rise until September, 1953, and then declined 2,500 to a level of 43,000 in December. Most of the decrease in manufacturing was in durable goods industries, with farm equipment and ferro alloy production curtailed especially sharply.

While employment declined in Memphis during the latter part of 1953, it remained substantially higher than in June, 1950. However, unlike other areas which made large gains in the last half of 1952 and the first part of 1953, most of the gain in Memphis employment came in the year after June, 1950. In that year, employment at military installations and other Government facilities rose 5,000, wholesale and retail trade firms used 2,000 additional, and manufacturing plants about another 2,400 workers. In the succeeding twelve months, Government employment was increased another 5,000, trade and construction each rose by 2,000, but manufacturing employment stood still. After June, 1952, the increase in manufacturing employment was partially offset by declines in construction and Government activities.

Most of the gain in manufacturing employment since June, 1950, has been in the paper, apparel, and machinery industries. The growth in Government employment of about 9,000 is largely due to increased defense activities.

. . . and increased in Little Rock.

In recent months when some district areas had declines in employment, Little Rock employment continued to increase, reaching an all-time high in December, 1953.

Little Rock total nonagricultural employment increased steadily through the last four years, rising 7 per cent from an annual average of 64,700 in 1950 to an average of 69,400 in 1953. In the State of Arkansas, by contrast, nonagricultural employment rose from an annual average of 285,000 in 1949 to 316,000 in 1951, and then declined to an average of about 313,000 in 1953.

A good part of the rise and subsequent slight decline in employment in Arkansas can be explained by changes in construction activity. Reactivation and expansion of the Pine Bluff Arsenal and the Camden Naval Ordnance Depot, a housing boom, and major projects such as new aluminum plants, Bull Shoals Dam, and others, boosted construction employment almost 50 per cent from 1949 to 1951. As the projects were completed and the housing activity slowed, construction employment declined about to its 1949 level again.

Manufacturing employment in Arkansas rose from 1949 to 1951, but has remained at about the same level since. Average annual manufacturing employment in Arkansas was 70,000 in 1949, 82,500 in 1951, and about 80,800 in 1953. The decline after 1951 is surprising to anyone who has seen the new plants going up in the state in the last two years. The explanation lies in the decline of employment in lumber and wood products manufacturing, the state's largest industrial group. Employment in this industry dropped from an average of 30,700 in 1951 to 24,300 in 1953, concealing gains made in almost all other manufacturing industries.

Three district areas have substantial labor surpluses resulting from the long-run decline in coal mining . . .

In the Herrin-Murphysboro-West Frankfort area of southern Illinois, the Vincennes area of Indiana, and the Madisonville area in west-central Kentucky large pools of unemployment have been formed in recent years by declining coal production and lack of increase in alternative employment opportunities.

Coal production in Illinois has dropped sharply in the past three years and last year was 40 per cent lower than during the recent peak output in 1944. On top of the declining output of coal, labor requirements in the mines have been reduced by use of more efficient machinery. Employment in bituminous coal mining in Illinois, shown in the

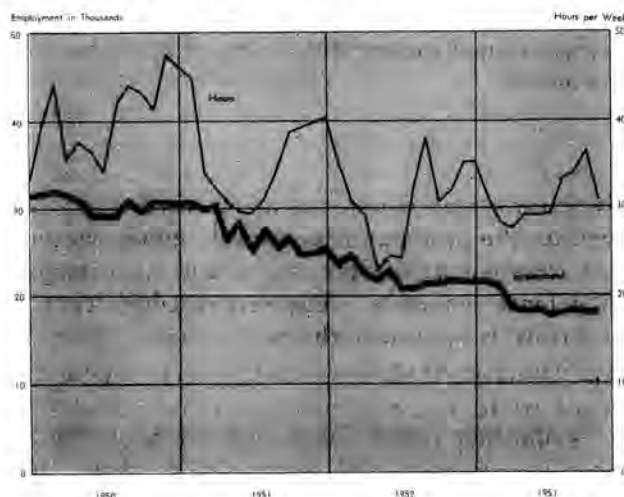
accompanying chart, dropped from about 31,000 in January, 1950, to about 21,000 in January of 1953, and 18,000 in the fourth quarter. And the average number of hours worked has dropped substantially, from 44 hours per week in the fourth quarter of 1950 to 32 hours in the first and third quarters of 1953. Similarly, mining employment in Knox County, Indiana (around Vincennes), dropped from 1,500 in 1950 to about 700 in 1953.

. . . and recent declines in manufacturing employment.

In the Herrin-Murphysboro-West Frankfort area, manufacturing dropped about 2,500 in the last four months, primarily at area plants producing electronic equipment, automotive parts, and plastic products. A large shoe plant in the Vincennes area employed fewer persons producing for civilian consumption in 1953 than it did when producing military shoes in 1950 and 1951.

Unemployment in the Herrin-Murphysboro-West Frankfort area in January, 1954, was estimated to be about 15,000, or approximately one-fifth of the total labor force. The Vincennes area pool of unemployed was about 1,700 in June, 1953, or 10 per cent of the labor force, and has grown considerably since then, as indicated by unemployment insurance claims. While part of the increase from June, 1953, to January, 1954, was seasonal, claims were substantially larger than in January, 1953. In the week ended January 16, 1954, 662 claims were filed in Vincennes compared with 485 four weeks earlier and 427 in the week ended January 7, 1953. Some of the recent increase in claims reflected the return of residents laid off by plants in other areas.

Both employment and the work week have been reduced in Illinois coal mines.



In the period of expanding demand, 1950-1953, the added labor supply came from both local reserves and other areas.

District manpower resources were more than adequate to fill the increased need for labor during the Korean emergency. When the Korean War began there was considerable concern over the problems of re-directing our national manpower into the new tasks required by the emergency. There was no large reserve of unemployed such as existed at the beginning of World War II, so the main problem of adjustment was believed to be one of inducing people to shift from one employment to another.

As the industrial centers of the district expanded production, women, older workers, and school-age workers were drawn into the labor force. In addition, workers from surrounding rural areas and small towns migrated to the larger cities looking for work. As a result of this in-migration, Louisville, for example, had an estimated gain in population of 50,000 people between 1950 and 1953. Other workers commuted to industrial centers.

Construction of the huge Atomic Energy Commission project and related electric generating plants near Paducah caused a tremendous increase in the local area population. Population of McCracken County jumped two-thirds, from 49,000 in April, 1950, to an estimated 82,000 on July 1, 1952. Many of those moving into the area were construction workers and their families, and cannot be considered permanent additions to the population. In fact, large numbers have already left the area as work on the projects was reduced.

The district's out-migration, however, continued.

Despite the expansion of employment within the district, out-migration continued from 1950 to July, 1952, as indicated in recently published estimates of population. Of the seven states, all or parts from which the Eighth District is formed, only two—Illinois and Indiana—gained population in that period. Estimates indicate that in the neighborhood of 300,000 civilians left the Eighth District in the two-year period ending July, 1952, more than offsetting the natural increase by about 70,000. This rate of out-migration is apparently higher than the one of the 1940-1950 decade, in which population of the Eighth Federal Reserve District grew only 3 per cent while the nation as a whole gained 14 per cent.

In the recent downturn of demand, unemployment increased . . .

In response to the recent shrinkage in job op-

portunities, there has been a rather obvious and well publicized rise in district unemployment. All five major labor market areas in the district are now classed as areas of "moderate labor surplus" by the Department of Labor and three smaller areas are classified as having "substantial labor surpluses." In addition, one area on the border of our district, Texarkana, Arkansas-Texas, has a substantial labor surplus.

. . . and people withdrew from the labor force and returned home, . . .

In addition to the rise in unemployment, another adjustment has occurred. There have been withdrawals from the labor force as job opportunities have diminished in the district. A particularly good example of this development is found in the major industrial cities of the district. In the Evansville area, for example, the recent decline in employment reduced commuting to the city for work and caused some people to return to surrounding small towns and rural areas. Similarly, in Louisville and St. Louis, those most recently hired tended to be the first to be laid off when payrolls were cut. And, with few and tenuous attachments to the area, they often pulled up stakes and returned home. Many returning home and generally finding no job opportunities in their home districts, withdrew from the labor force. Further, many of those recently laid off were women, some, particularly from families with other bread winners, may have withdrawn from the labor force.

The return of workers from the large industrial centers to their former homes has worked in the direction of at least slowing the tide of out-migration from rural areas and small towns of this district to metropolitan centers here and elsewhere in search of better job opportunities. Unfortunately, the returning population is merely seeking to avoid the high cost of living in large cities rather than migrating again to an area of expanding jobs and income.

. . . increasing the need to expand job opportunities in this district.

These adjustments to the downturn in demand for labor have, in one sense, augmented the labor reserves in this district. At the same time, these adjustments represent less income and purchasing power for individuals—even hardship in some cases—and a reduction in consumer demand. They focus attention on the immediate economic problem in the Eighth District of expanding job opportunities to utilize more fully the district's most important resource: human skill, aptitudes, and energy.

WILLIAM H. KESTER
A. JAMES MEIGS

Operations of the

FEDERAL RESERVE BANK OF ST. LOUIS

in 1953

THE activities of the Federal Reserve Bank of St. Louis were at a higher average level in 1953 than in 1952. The volume of operations was larger at all four offices and the staff departments maintained busy schedules throughout the year.

The story of the record operations during the past year, however, is far more than a list of facts and figures. It is the very human story of the successful efforts of the Bank's men and women to do their jobs well.

A wide variety of jobs are performed by Reserve Bank people. Some are directly connected with the discharge of the Bank's share in the System's major responsibility: adjusting the supply, cost, and availability of money and credit. A major portion of research staff time, for example, is devoted to gathering, processing, and interpreting data to assist officers and directors of this Bank and the System in carrying out this responsibility. Educational activities of the field service and other departments contribute to an understanding and acceptance of the central banking function.

By far the greatest number of jobs, however, are those having to do with daily operational contacts with banks, businesses, and individuals—jobs which arise from or implement the regulation of money and credit, or jobs arising from other statutory responsibilities. Still another group are those concerned with providing help and services for other employees.

Comparative data on the physical volume of work for 1953 and 1952, presented in the table opposite, show that more checks were handled, more currency counted, sorted, and shipped than in any previous year, and more Government securities issued, exchanged, and redeemed this year than in any year since World War II. Previous records were broken in almost every operating department. In part the higher level of activity reflected the peak year in the economy; in part it was attributable to additional duties performed, and in part to trends in Reserve Bank operations not directly related to economic activity in the district.

But, reciting statistics on volume of bank operations does not tell the story of the Bank's progress during the year or give credit to the many individual employees who helped achieve the record. In several departments the record or near-record

Volume of Operations in 1953 and 1952

(Number and dollar amounts in thousands except as specified) 1953 1952

Number of Pieces Handled		
Checks (Total)	182,954	180,073
City Checks	24,689	23,632
Country Checks	97,811	92,986
Checks on this Bank.....	174	210
Government Checks	43,239	46,198
Postal Money Orders (cards).....	17,041	17,046
Currency	223,371	217,907
Coin	329,937	332,845
Transfer of Funds.....	115	106
Non-cash Collections	429	378
U. S. Government interest coupons....	723	721
Discounts and Advances		
(actual number)	1,388	1,491
Safekeeping of Securities:		
Securities received and released.....	163	147
Coupons detached	297	278
Fiscal Agency Operations:		
U. S. Savings Bonds		
(issue, exchange, redemption).....	6,450	5,939
Other Government Issues.....	248	195
Withheld Tax depository		
receipts processed	514	496
Treasury Tax and Loan Account		
transactions	131	123

Amount Handled		
Checks handled (Total).....	\$60,697,045	\$56,670,422
City Checks	37,728,457	34,508,923
Country Checks	14,062,546	13,424,700
Checks on this Bank.....	2,392,953	2,494,404
Government Checks	6,222,225	5,953,989
Postal Money Orders.....	290,834	288,406
Currency	1,373,108	1,288,793
Coin	29,416	28,821
Transfer of Funds.....	39,792,037	28,066,885
Non-cash Collections	368,797	365,480
Discounts and Advances.....	5,792,385	6,427,879
Safekeeping of Securities—		
Coupons detached	25,102	20,107
Fiscal Agency Operations:		
U. S. Savings Bonds		
(issue, exchange, redemption).....	651,243	594,338
Other Government Issues.....	8,038,132	6,808,507

volume was handled with fewer employees. Fewer people were able to handle the volume of checks because new and more efficient proof machines were installed in the outgoing country check division, and several larger capacity machines were added to the incoming proof sections. Increased efficiency

in the fiscal agency division was achieved partially by simplification of certain Treasury Department practices and by streamlining operating procedures, particularly in the savings bond reissue division. Here reductions in personnel requirements more than offset additions resulting from adding two new functions: currency destruction and handling deposits of Federal excise taxes. In July a new automatic teletypewriter communications network having greater capacity and using less manpower than the old was installed throughout the System.

While new records and new procedures were being established in these operating departments, the staff departments also were being kept busy. During the past year, a full-time audit staff made periodic audits in all operating departments to check accuracy of books and compliance with laws and regulations and departmental policies. Legal counsel was available to assist in the interpretation of any rules or regulations affecting Bank operation. Personnel department, which moved to modernized quarters during the year, met employment needs and administered the Bank's merit review, wage-salary, cafeteria, and other personnel programs. The accounting department not only recorded all internal expenses and income, but also kept track of transactions with other Federal Reserve Banks and those between this Bank and member banks in the district.

Further, operations in all departments ran more smoothly because of the efficient work of two other groups: the protection and maintenance departments. Security measures were maintained; physical facilities—lights, heat, water, air-conditioning, and so on—were kept in good working order, the buildings clean and pleasant to work in, and several improvements were made to permit more effective operations.

Total employment at the end of 1953 was 1,286 at the head and branch offices, only 38 higher than at the beginning of the year. The personnel department found it necessary to hire 563 people to maintain the working force. Although this reflects a continued high turnover of employees, it is important to note that about one-third of the employees have been with the Bank ten years or longer.

In December the following appointments and designations were announced:

By the Board of Governors of the Federal Reserve System
FEDERAL RESERVE BANK OF ST. LOUIS

Mr. M. Moss Alexander
President, Missouri Portland Cement Co.
St. Louis, Missouri

Appointed as Class C director for a three-year term beginning January 1, 1954, and designated as Chair-

man of the Board and Federal Reserve Agent for the year 1954.

Mr. Caffey Robertson
President, Caffey Robertson Co.
Memphis, Tennessee

Appointed as Class C director, effective January 1, 1954, for the unexpired portion of a term ending December 31, 1955.

LITTLE ROCK BRANCH

Mr. Sam B. Strauss
President, Pfeifers of Arkansas
Little Rock, Arkansas

Reappointed director for a three-year term beginning January 1, 1954.

LOUISVILLE BRANCH

Mr. David F. Cocks
Vice President and Treasurer
Standard Oil Company (Kentucky)
Louisville, Kentucky

Appointed director for a three-year term beginning January 1, 1954.

MEMPHIS BRANCH

Chancellor John D. Williams
University of Mississippi
University, Mississippi

Appointed director for a three-year term beginning January 1, 1954.

Mr. A. E. Hohenberg
President, Hohenberg Bros. Company
Memphis, Tennessee

Appointed director, effective January 1, 1954, for the unexpired portion of a term ending December 31, 1954.

By the Board of Directors of the Federal Reserve Bank of St. Louis

LITTLE ROCK BRANCH

Mr. Donald Barger
President, Peoples Exchange Bank
Russellville, Arkansas

Appointed director for a three-year term beginning January 1, 1954.

LOUISVILLE BRANCH

Mr. Noel Rush
President, Lincoln Bank & Trust Co.
Louisville, Kentucky

Reappointed director for a three-year term beginning January 1, 1954.

MEMPHIS BRANCH

Mr. John K. Wilson
President, First National Bank
West Point, Mississippi

Appointed director for a three-year term beginning January 1, 1954.

MEMBER OF FEDERAL ADVISORY COUNCIL

Mr. W. W. Campbell
President, National Bank of Eastern Arkansas
Forrest City, Arkansas

Appointed as member of the Federal Advisory Council to represent the Eighth Federal Reserve District for the year 1954.

Also during 1953, five official appointments were made: Darryl R. Francis, Vice President; John J.

Hofer and Victor M. Longstreet, Assistant Vice Presidents; Orville O. Wyrick, Assistant Chief Examiner, and Gerald T. Dunne, Counsel.

Earnings of the Federal Reserve Bank of St. Louis were \$25,448,000 during 1953. Expenses totaled \$6,468,000. Out of the \$18,907,000 net earnings, dividends totaling \$537,000 were paid to the stockholding member banks and \$1,837,000 was transferred to surplus. The difference was paid to the Treasury as interest on outstanding Federal Reserve notes.

The many employees of the Bank can look back with justified pride at their accomplishments of 1953. However, long before the close of that year these same people began looking ahead to 1954. The planning and budget division, in cooperation with each department manager, prepared plans and cost estimates of the next year's operation. Changes in physical facilities were projected and detailed drawings prepared. Last, but not least, considerable thought by employees at every level was given to how this Bank could render even more effective service more efficiently in the year ahead.

DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANK OF ST. LOUIS

February 1, 1954

Directors

M. Moss Alexander, *Chairman*

Caffey Robertson, *Deputy Chairman*

Phil E. Chappell	Joseph H. Moore
J. E. Etherton	Ralph E. Plunkett
William A. McDonnell	Louis Ruthenburg

Officers

Delos C. Johns, *President*
Frederick L. Deming, *First Vice President*
William E. Peterson, *Vice President*
Howard H. Weigel, *Vice President and Secretary*
Joseph C. Wotawa, *Vice President*
Dale M. Lewis, *Vice President*
G. O. Hollocher, *Assistant Vice President*
Earl R. Billen, *Assistant Vice President*
John J. Christ, *Assistant Vice President*
Willis L. Johns, *Assistant Vice President*
Stephen Koptis, *Assistant Vice President*
Woodrow W. Gilmore, *Assistant Vice President*
Victor M. Longstreet, *Assistant Vice President*
John J. Hofer, *Assistant Vice President*
William J. Abbott, Jr., *Director of Research*
George E. Kroner, *Chief Examiner*
Orville O. Wyrick, *Assistant Chief Examiner*
Gerald T. Dunne, *Counsel and Assistant Secretary*

LITTLE ROCK BRANCH

Donald Barger	Shuford R. Nichols	C. M. Stewart, <i>Vice President and Manager</i>
Stonewall J. Beauchamp	Thos. W. Stone	M. L. Bennett, <i>Assistant Manager</i>
Harvey C. Couch, Jr.	Sam B. Strauss	Clifford Wood, <i>Assistant Manager</i>
H. C. McKinney, Jr.		W. J. Bryan, <i>Assistant Manager</i>

LOUISVILLE BRANCH

Smith Broadbent, Jr.	M. C. Minor	Fred Burton, <i>Assistant Manager</i>
David F. Cocks	Noel Rush	L. K. Arthur, <i>Assistant Manager</i>
Magnus J. Kreisle	Ira F. Wilcox	L. S. Moore, <i>Assistant Manager</i>
Pierre B. McBride		

MEMPHIS BRANCH

Henry Banks	Ben L. Ross	Darryl R. Francis, <i>Vice President and Manager</i>
A. E. Hohenberg	John D. Williams	C. E. Martin, <i>Assistant Manager</i>
John A. McCall	John K. Wilson	S. K. Belcher, <i>Assistant Manager</i>
William B. Pollard		H. C. Anderson, <i>Assistant Manager</i>

Survey OF CURRENT CONDITIONS

BUSINESS activity in the opening weeks of 1954 was in sharp contrast to its performance at the beginning of 1953. Then, production was soaring toward a new peak as efforts to catch up from the effects of the 1952 steel strike reinforced the stimulus of growing defense and civilian demands. This year, many indicators pointed downward. And, while others were displaying some strength, the record clearly showed the economy to be operating at a slower rate than existed at the peak of the boom around mid-year 1953.

Industrial production in both the Eighth District and the nation during the beginning weeks of 1954 appears to have continued the moderate downturn that characterized most of the last half of 1953. And reflecting this downturn as well as seasonal layoffs, unemployment increased again in January of this year. However, notwithstanding the readjustment in production and employment, wholesale and retail price averages remained remarkably steady, as they have over the entire period of production decline, and construction activity and consumer spending continued in substantial volume.

Inventory reduction . . .

Inventory trimming has been a major factor in the moderate decline in output. The Department of Commerce reported that, seasonally adjusted, inventories stopped growing after September, 1953. By the end of November they had been cut one per cent. Almost all the decline was accounted for by lower retail stocks of durable goods and lower manufacturing stocks of nondurables.

Despite the progress made in the last quarter, further efforts toward liquidation were apparent in January. A cut in allowable crude oil production in Texas was announced for February with the comment that gasoline inventories were very high. Large stocks at steel fabricating plants were given as a major reason for the failure of steel output to rise in January from its relatively low December level. In the district's major steel producing area around St. Louis, the steel ingot rate fell to 71 per cent of capacity in January.

Retail stocks also remained above year-earlier

levels despite recent improvement. Department store stocks nationally averaged 128 per cent of the 1947-1949 average for October and November of 1953—5 per cent higher than a year earlier. An indication of high inventories at furniture stores was the conservative purchasing by retailers at the recent annual winter furniture market show at Chicago. In the district, department store inventories were at 118 per cent of the 1947-1949 average at the close of the year, off 16 points from the 1953 peak in September but still close to the relatively high level of a year earlier. Furniture and specialty store inventories, likewise, were little changed from a year ago. Reflecting high stocks and other factors, district woodworking and textile production declined. In December according to the sample of industrial use of electric power in five major district centers, textile manufacturing dropped to 4 per cent below its level a year earlier.

New and used automobiles in dealers' hands have been another troublesome item. While generally across the nation, dealers were believed to have fairly well disposed of 1953 car stocks, on the average each entered the new year with better than two cars more than he had on January 1 last year. The effect of the auto inventory situation on production is obscured by the rapid seasonal outturn of new models which nationally will approximate 460,000 in January in comparison with 402,000 in December. Districtwise, the auto production pattern is mixed. One large plant cut off 1,500 workers, eliminating a night shift, but two other assembly plants were operating at rates only slightly below the peak.

Outstandingly high inventories in the coal and whiskey industries continued to restrict output. Latest figures showed coal production in the district running about 5 per cent below a year ago, while the drop was 18 per cent nationally. Only about half of the total number of distilleries was operating in Kentucky on December 31.

. . . and defense cutbacks . . .

As has been well publicized, another major factor in the business activity decline has been the reduction in defense spending. Industrial elec-

tric power consumption in the district reflects these cutbacks. Manufacturers of nonelectrical machinery (which includes refrigeration and farm machinery as well as aircraft parts and ordnance) used 13 per cent less power this past December than a year earlier. Primary metals, electrical machinery, and chemical manufacturers also used less power.

. . . have been reflected in employment . . .

One principal result of the downturn in production in recent months has been a decrease in employment and a rise in unemployment (discussed in the preceding article in this *Monthly Review*). Another result has been lessened demand for rail transportation. Nationally, weekly car loadings so far in January have been running about 10 per cent below year-earlier levels. And a number of railroads have announced employment reductions, including at least two large roads with headquarters in the Eighth District.

. . . and banking figures.

Changes in business loan volume from mid-December to mid-January at member banks in the district and in leading cities of the nation gave further indication of the slowing rate of business activity. Business loans at the district's weekly reporting banks dropped over \$30 million—more than is usually expected in the four weeks. Nationally the trend was similar. In addition to seasonal reductions in borrowing by trade concerns and processors and distributors of agricultural products, a few firms found borrowing less attractive following the expiration of the excess profits tax and some repayments reflected the large volume of capital market offerings in December.

Pressure on the money market was not nearly as pronounced in December and the first few days of January as it had been at the turns of the previous two years. Seasonal drains on bank reserves were prevented from causing undue strain in the market by System purchases of securities. From December 8 to January 7, the repurchase rate to nonbank dealers in Government securities was reduced from 2 per cent to $1\frac{3}{4}$ per cent in order to facilitate year-end money market adjustments.

But consumer spending and other factors were encouraging.

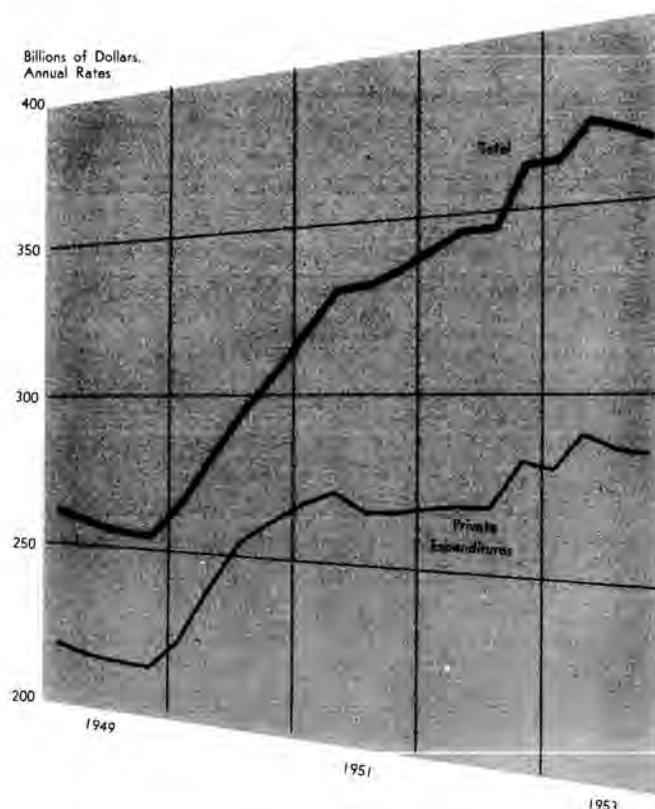
With so much attention being given to the downturn, it should not be forgotten that business generally is still at remarkably high levels and that there are several encouraging factors. Some observers believe much of the inventory adjustment will be accomplished by the end of the first quarter this year. Other elements of strength include: the

steadiness of price averages; the currently general consumer and business confidence as to the months ahead as expressed in the relatively high levels of department store sales in the first three weeks of January; a substantial volume of construction activity which, favored until recently by mild weather, has remained at near-peak levels, and—particularly important in this district—some relief from the drouth for agriculture.

Winter rains and snows finally brought much needed moisture to many farms in the district. Nearly the entire "drouth belt" recently received precipitation in varying amounts. Further, agricultural prices have continued to rise and the parity ratio edged up from 91 in December to 92 in January.

Far outweighing any other factors during the month past in its ultimate effect upon this district's economy is the announced program of the Administration for farmers, labor, national defense, and foreign aid. No one can confidently predict the outcome, but it appears clear from the new \$65.5 billion budget that Government spending will continue in fiscal 1955 to provide a major bulwark to business activity.

Gross national product turned down in 1953.



The DISTRICT RECORD

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Dec., 1953	Nov., 1953	Percent Change* Dec., 1952
Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities).....	12,157	— 8	+ 1
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity).....	80	—13	—17
Coal Production Index—8th Dist. (Seasonally adjusted, 1935-1939=100).....	144p	+ 7	—14
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.).....	311.6	- 0 -	+ 1
Freight Interchanges at RRs—St. Louis. (Thousands of cars—25 railroads—Terminal R.R. Assn.).....	100.2	- 1	- 6
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average—first 4 weeks).....	106.1	—19	—22
Lumber Production—S. Pine. (Average weekly production—thousands of bd. ft.)..	169.5	- 8	- 4
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity).....	88	—11	- 0 -

* Percentage change figures for the steel ingot rate, Southern hardwood rate, and the coal production index, show the relative per cent change in production, not the drop in actual percentage and index points.
p Preliminary.

Banking

DEPOSIT ACTIVITY

	Dec., 1953 (In millions)	Debits ¹ Nov., 1953	Percent Change from Dec., 1952 ²
East St. Louis-National Stock Yards, Ill.....	\$ 138.8	+10%	- 6%
Evansville, Ind.....	171.4	+ 9	+ 5
Little Rock, Ark.....	163.4	+ 6	- 4
Louisville, Ky.....	798.8	+14	+ 2
Memphis, Tenn.....	740.2	+ 3	- 2
St. Louis, Mo.....	2,263.1	+16	+ 2
Total—Six Largest Centers.....	\$4,275.7	+13%	+ 1%
Other Reporting Centers:			
Alton, Ill.....	\$ 37.7	+16%	+ 8%
Cape Girardeau, Mo.....	15.6	+13	+ 9
El Dorado, Ark.....	32.2	+34	+11
Fort Smith, Ark.....	47.4	+10	- 6
Greenville, Miss.....	30.5	+ 2	+ 4
Hannibal, Mo.....	9.7	+ 6	- 3
Helena, Ark.....	10.4	- 9	+ 1
Jackson, Tenn.....	23.5	- 1	+ 3
Jefferson City, Mo.....	52.1	- 0 -	+ 4
Owensboro, Ky.....	44.1	+16	-13
Paducah, Ky.....	39.8	+16	-23
Pine Bluff, Ark.....	46.6	- 8	+ 9
Quincy, Ill.....	37.3	+10	+ 8
Sedalia, Mo.....	13.5	+ 8	+ 4
Springfield, Mo.....	71.9	+12	+ 4
Texarkana, Ark.....	20.4	+ 1	+11
Total—Other Centers.....	\$ 532.7	+ 8%	- 0 -%
Total—22 Centers.....	\$4,808.4	+12%	+ 1%
Total—Seasonally Adjusted (1947-49=100) \$	148.5	+ 1%	+ 1%

¹ Debits to demand deposit accounts of individuals, partnerships and corporations and states and political subdivisions.

² Estimated.

Agriculture

CASH FARM INCOME

	(In thousand of dollars)	Nov., 1953	Nov., 1952	Percentage Change Jan. thru Nov., '53 compared 1952 1951
Arkansas.....	\$113,388	+41%	- 4%	+11%
Illinois.....	174,820	- 1	- 5	+ 2
Indiana.....	92,697	+ 2	- 2	+ 7
Kentucky.....	35,303	+22	- 2	- 5
Mississippi.....	138,956	+71	+20	+34
Missouri.....	113,972	- 6	- 7	- 5
Tennessee.....	68,109	+22	- 5	+ 1
7 States.....	\$737,245	+16%	-2%	+ 4%
8th Dist.....	\$403,307	+ 6%	- 8%	- 6%

Construction

INDEX OF CONSTRUCTION CONTRACTS AWARDED

	(1947-1949=100)	8th F. R. District*
Unadjusted		
Total.....	196.4P	192.4
Residential.....	168.2P	175.3
All Other.....	209.4P	200.4
Seasonally adjusted		
Total.....	229.0P	215.8
Residential.....	197.9P	178.9
All Other.....	243.5P	233.0

* Based on three-month moving average of value of awards, as reported by F. W. Dodge Corporation.

P Preliminary.

ASSETS AND LIABILITIES OF EIGHTH DISTRICT MEMBER BANKS

	(In Millions of Dollars)	Weekly Reporting Banks	All Member Banks
		Change from Jan. 13, '54 Dec. 16, '53	Change from Dec. 30, '53 Nov. 25, '53
Assets			
Loans (Net) ¹	\$1,402	\$-25	\$2,193
Business and Agricultural.....	753	-33	-
Security.....	30	+ 1	-
Real Estate.....	256	+ 1	-
Banks.....	24	- 0 -	-
Other (largely consumer).....	357	+ 6	-
U S. Government Securities.....	1,073	+39	2,040
Other Securities.....	198	- 1	421
Cash Assets.....	947	-21	1,576
Other Assets.....	36	- 0 -	58
Total Assets.....	\$3,656	\$- 8	\$6,288
Liabilities and Capital			
Demand Deposits of Banks.....	\$ 806	\$+31	\$ 836
Other Demand Deposits.....	2,055	-36	3,869
Time Deposits.....	511	+ 5	1,100
Borrowings and Other Liabilities..	51	- 9	67
Total Capital Accounts.....	233	+ 1	416
Total Liabilities and Capital.....	\$3,656	\$- 8	\$6,288

¹ Loan breakdowns reported gross for weekly reporting banks, not available for all member banks.

Trade

RETAIL FURNITURE STORES

	Net Sales Dec., 1953 compared with Nov., '53	Inventories Dec., 1953 compared with Nov., '53
8th Dist. Total ¹	+25%	-11%
St. Louis.....	+19	- 8
Louisville Area ²	+24	- 9
Louisville.....	+23	- 9
Memphis.....	+17	- 26
Little Rock.....	+59	- 0 -
Springfield.....	+53	+ 2
Fort Smith.....	+35	+ 3

* 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; and Evansville, Indiana.

² Includes Louisville, Kentucky; and New Albany, Indiana.

PERCENTAGE DISTRIBUTION OF SALES

	Dec., '53	Nov., '53	Dec., '52
Cash Sales	18%	16%	18%
Credit Sales	82	84	82
Total Sales	100%	100%	100%

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.

DEPARTMENT STORES

	Net Sales Dec., 1953 compared with Nov., '53	Stocks on Hand Dec., '53 comp. with Dec., '52	Stock Turnover Jan. 1 to Dec. 31, 1953 1952	Percentage of Accts. and Notes Receiv- able, Outstanding Dec. 1, 1953, col- lected during Dec.
8th F. R.				
District Total.....	+47%	- 2%	+ 1%	- 1%
Fort Smith Area, Ark. ¹	+62	- 3	+ 3	3.80
Little Rock Area, Ark.....	+49	+ 2	- 1	3.66
Quincy, Ill.....	+52	- 3	+ 1	3.66
Evansville Area, Ind.....	+32	- 5	+ 6	3.71
Louisville Area, Ky., Ind.....	+57	- 2	- 0 -	4.11
St. Louis Area, Mo., Ill.....	+44	- 2	+ 2	4.23
Springfield Area, Mo.....	+51	- 2	- 2	3.81
Memphis Area, Tenn.....	+49	- 1	- 0 -	3.97
All Other Cities ²	+56	- 9	- 3	3.57

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Dec., 1953	Nov., 1953	Oct., 1953	Dec., 1952
Sales (daily average), unadjusted ⁴	185	136	119	189
Sales (daily average), seasonally adjusted ⁴	113	114	108	115
Stocks, unadjusted ⁵	104	132	138	104
Stocks, seasonally adjusted ⁵	118	121	124	119

⁴ Daily average 1947-49=100.

⁵ End of Month average 1947-49=100.

Trading days: December, 1953—26; November, 1953—24; December, 1952—26.

² Fayetteville, Pine Bluff, Arkansas; Harrisburg, Mt. Vernon, Illinois; Vincennes, Indiana; Danville, Hopkinsville, Mayfield, Kentucky; Chillicothe, Missouri; Greenville, Mississippi; and Jackson, Tennessee.

Outstanding orders or reporting stores at the end of December, 1953, were 24 per cent smaller than on the corresponding date a year ago.