Monthly Review

February, 1955 Volume XXXVII Number 2

Three Aspects of Federal Budget Making

THE ANNUAL TRANSMITTAL to Congress of the Budget Message always raises the question of which type of budget best serves the purposes of fiscal decision-making.

The administrative or traditional budget contains estimates, for the ensuing and current fiscal years, of receipts and disbursements of Federally-owned funds. By various means of authorization, Congress is asked to grant an amount of *new obligational authority,* which does not coincide with expenditures for a particular year.

To estimate the impact of fiscal operations on the economy, it is necessary to combine budget and trust fund transactions in a consolidated cash statement. The "cash" budget yields information on money flows between the Federal Government and the public and furnishes the basis for short-run estimates of the effect of fiscal operations on bank reserves.

A "capital" budget, not used by the Federal Government, would distinguish between "capital" and "current" outlays. Opponents of such a budget consider it a way of concealing chronically unbalanced budgets; proponents advance it as a means to public acceptance of large and necessary outlays by the Federal Government on durable goods.

The three budget types are not alternative, but rather supplementary, control mechanisms to aid in the management of Government affairs.

Federal Reserve Bank of St. Louis

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IN THE MIDST OF HIS ANNUAL BOUT with the Federal taxgatherer, a citizen may be forgiven for putting aside the broader aspects of Federal fiscal problems. Yet current discussions of such matters intrude themselves upon his consciousness. The Federal Budget for 1956, after nearly a year in process of formulation, was sent by the President to Congress on January 17 of this year. Since then the general press and the financial journals have treated at length such subject as the effects of the proposed expenditures on different Government programs, the effect of a continuing budget deficit on the performance of the economy, and the prospects for a balanced budget in ensuing years.

Another, perhaps more fundamental, question has elicited a flurry of journalistic comment. Economists, Government officials, and economic research organizations have argued that a "cash-consolidated" budget gives a more accurate picture of the impact of fiscal operations on the economy than does the "administrative" budget in present use. Others have suggested that a system of "capital" accounting be incorporated in a cash budget to permit separation of items of current expense from asset acquisitions. The average citizen finds it difficult enough to make his way through the present administrative budget, which is presented to him in a volume about the size of the St. Louis telephone directory. When he contemplates the complexities suggested by other types of budgets he is likely to despair of comprehending his Government's financial operations. A solution to his intellectual difficulties lies in the realization that different types of budgets yield information useful for different purposes of decision-making.

The administrative or traditional budget contains estimates, for the ensuing and current fiscal years, of receipts and disbursements of Federally-owned funds

To understand the various proposals for presenting budgetary information it is first necessary to become familiar with the elements of the conventional or administrative budget. By the Budget and Accounting Act of 1921, as amended, the President is required to present to Congress in January of each year an estimate of government revenues and expenditures for the ensuing fiscal year, a revised estimate for the current fiscal year, and an accounting of receipts and expenditures for the fiscal year which ended on the preceding June 30.

On the receipts side of the budget are included funds owned directly by the Government and paid into the Treasury to the credit of the general and special funds. Excluded from budget receipts are money obtained by borrowing, money paid into revolving funds such as those of Government corporations and the Post Office, and money earmarked for one of the trust funds. In general, then, budget receipts consist of the income taxes, excise taxes, and custom duties which people and businesses pay into the United States Treasury.

TABLE I

SUMMARY OF THE BUDGET

(Fiscal years. In billions)

	1953 actual	1954 actual	1955 estimate	1956 estimate
New obligational authority:				
Under existing legislation	$ 80.3	$ 62.8	$ 57.2	$ 53.1
Under proposed legislation			.1	5.5
Total new obligational authority	80.3	62.8	57.3	58.6
Budget receipts:				
Under existing legislation	64.8	64.7	58.8	57.7
Under proposed legislation			.2	2.3
Total budget receipts	64.8	64.7	59.0	60.0
Net budget expenditures:				
Under existing legislation	74.3	67.8	63.5	60.5
Under proposed legislation				1.9
Net budget expenditures	74.3	67.8	63.5	62.4
Budget deficit	9.4	3.1	4.5	2.4
Public debt at end of year	266.1	271.3	274.3	276.0
Balances of appropriations carried forward at end of year	78.4	68.0	53.9	49.6

Budget expenditures are outlays of Federally-owned funds on the national security program, interest on the public debt, Federal services and benefits, agriculture and agricultural resources, and so on. Expenditures of the general fund are stated on a *gross basis,* receipts not ordinarily being deducted from expenditures. Expenditures of the so-called "public-enterprise" revolving funds are reported on both a *gross* and a *net* basis, but in the main budget statement receipts are deducted from expenditures to get a net figure. For example, it is estimated that gross expenditures for agriculture and agricultural resources in the fiscal year 1956 will be $7.6 billion. But receipts, consisting mostly of collections on loans and sales of commodities, will amount to about $5.4 billion. Thus, the net estimated expenditures for the programs will be about $2.2 billion.[1] Net budget expenditures are estimated on a "checks issued" basis—i.e., the date of a check or cash payment determines the fiscal year in which the expenditure falls. However, interest on the public debt counts as an expenditure in the year in which it becomes payable even though the coupons (or savings bonds) may not be presented for payment in that year. Retirement of Government debt and investment in United States Government securities by Government corporations are always excluded from expenditures. Certain payments from one Government fund to another are eliminated from both the receipt and expenditure side.

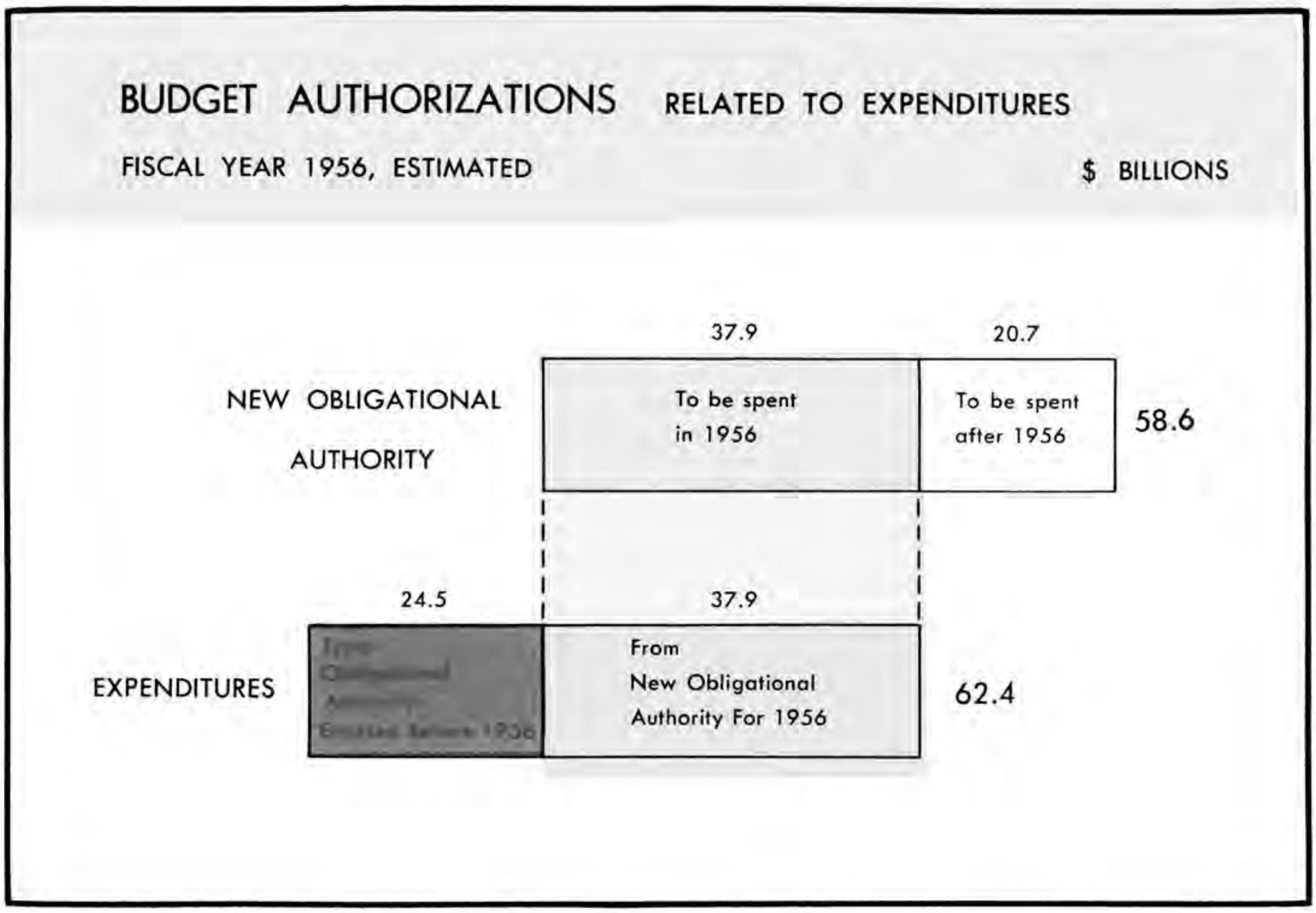
By various means of authorization, Congress is asked to grant an amount . . .

Federal agencies cannot commit themselves to expenditures or pay bills until Congress authorizes them to do so. Usually authorization takes the form of an *appropriation,* which permits an agency to incur obligations and pay bills as they come in. Sometimes, though, Congress will grant a *contract authorization,* which gives authority to incur obligations but not to spend money; such an authorization requires a subsequent *appropriation to liquidate contract authorization* to allow the actual expenditure of funds. Occasionally *reappropriations* and *reauthorizations* are necessary to continue available balances of prior appropriations or authorizations which would otherwise expire, though for a few purposes, such as interest on the public debt, Congress grants permanent authorizations under which sums become available year after year without further legislative action. Finally, *authorizations to expend from debt receipts* may be necessary to make borrowed funds available to an agency or to enable a Government-owned corporation to borrow directly from the public.

. . . of new obligational authority, which does not coincide with expenditures for a particular year.

Whatever form Congress may use, the sum of the various types of authorization, less the part of appropriations which is to liquidate previous contract authorization, constitutes *new obligational authority.* The amount of new obligational authority granted will not be the same as expenditures for a particular year. There will ordinarily be a time lag between authorization and the receipt of goods and services, and in the case of such capital goods as an atomic energy installation or an aircraft carrier the interval between incurring an obligation and making final payment may be several years. Thus it happens that expenditures in any year come partly from new obligational authority granted for that year and partly from authority granted in previous years. For example, in fiscal 1956 about 40 per cent of the estimated expenditures of $62.4 billion will be from obligational authority granted in previous fiscal years, and about 60 per cent of the expenditures are to be from authorizations requested for 1956. Finally, it is anticipated that $20.8 billion, or about one-third, of the

[1] On a gross basis budget expenditures for 1956 will be $73.3 billion, but after receipts of Government corporations and the postal service of about $10.9 billion are deducted, net expenditures amount to $62.4 billion.



new obligational authority will not be spent until fiscal 1957 or later. The above chart will help the reader to get these relationships in mind.

In periods when Congress is making huge appropriations for the purpose of building up the military machine, new obligational authority in any year may greatly exceed budget expenditures. Table II shows how the conflict in Korea affected unexpended balances of appropriations in the early 1950's.

In fiscal 1955 and 1956 payments for military equipment authorized in previous years will exceed the dollar value of new equipment ordered, with the result that cumulative unspent balances of appropriations will decline. By July 1, 1956, these balances will be down nearly $30 billion from their peak at the end of fiscal 1953.

The administrative budget thus provides a means for closely estimating receipts and expenditures of Government-owned funds in any year and for keeping track of congressional authorizations over time. The primary function of the traditional budgetary statements is to furnish a system of easy accounting controls to prevent overspending of appropriations.

TABLE II

BUDGET AUTHORIZATIONS, EXPENDITURES, AND UNSPENT APPROPRIATIONS 1950-1956

(In Billions of Dollars)

Fiscal Year	New obligational authority*	Expenditures	Amount brought forward into the year	Cumulative unspent balances of appropriations**
1950	49.3	39.6	11.5	14.1 e
1951	82.9	44.0	14.1	50.3 e
1952	91.4	65.4	50.3	68.8
1953	80.3	74.3	68.8	78.4
1954	62.8	67.8	78.4	68.0
1955 e	57.3	63.5	68.0	53.9
1956 e	58.6	62.4	53.9	49.6

e Estimated

* Included authorizations to contract and to make expenditures from borrowed money, as well as appropriations to make expenditures from the general revenues of the Government.

** Includes reappropriations of spending authority which would lapse if not used in a given fiscal year, as well as continuing and new appropriations. Does not include authorizations to contract or spend from borrowed money.

Source: *The Budget of the United States Government for the Fiscal Year Ending June 30, 1956.*

To estimate the impact of fiscal operations on the economy, it is necessary to combine budget and trust fund transactions in a consolidated cash statement.

The administrative budget does not, however, permit an accurate measurement of the impact of fiscal operations on the economy. In order to have some notion of what that impact may be within a particular year it is essential to have an estimate of the total amount of money which will be collected from people in taxes and the total amount which will be turned back as cash expenditures. The orthodox budget does not accurately describe cash flows to and from the public, for it does not include receipts and expenditures of the trust funds, such as old-age and survivors insurance, unemployment insurance, railroad retirement, and the like. Moreover, the customary budget counts as expenditures certain payments which do not find their way into the hands of the public. Chief items in this category are interest on the Government securities in which the trust funds are invested and accrued interest on savings bonds, which is counted as a budget expenditure at the time of accrual. In Special Analysis A of the budget document is found a summary of Federal Government receipts from and payments to the public, here presented in somewhat simplified form as Table III. The Federal Government includes budget transactions, trust fund transactions, and the transactions of those Government corporations carried on the books of the Treasury. The public includes household units, business firms, the Federal Reserve and Postal Savings Systems, state and municipal governments, and international organizations.

TABLE III

RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

(In Millions of Dollars)

Description	Fiscal Year 1955 Estimated
Budget receipts	$60,000
Trust fund receipts	11,283
Intragovernmental transactions	– 2,455
Seigniorage on silver	– 35
Total receipts from the public	$68,793
Budget expenditures	$62,408
Trust fund expenditures	8,845
Intragovernmental transactions	– 2,455
Net accrued interest and other noncash transactions	– 563
Total payments to the public	$68,235
Excess of receipts over payments	$ 558

Source: *The Budget for the Fiscal Year 1956, p. 1131.*

The "cash" budget yields information on money flows between the Federal Government and the public, . . .

Consolidation of budget receipts and expenditures with trust fund transactions yields helpful information. In fiscal 1956 receipts of the trust funds will be about $2.5 billion more than expenditures from them; the excess cash will be invested in Treasury securities, payment to the public of these trust fund expenditures is postponed, and the excess cash received from the public by the trust accounts is available to the Government. Of the transactions between Government agencies and trust funds, interest paid on United States securities held by trust funds amounted to about $1.7 billion.[2] Of the noncash transactions, accrued interest on savings bonds will amount to more than $500 million in fiscal 1956. This amount plus the $2.5 billion excess of cash receipts in the trust funds changes a $2.4 billion deficit in the administrative budget to a $500 million surplus when only the money flows between the Federal Government and the public are considered.

If present estimates hold, the impact of Federal taxing and spending in fiscal 1956 will be almost neutral. No one would pretend, of course, that the cash deficit or cash surplus is the only thing to be considered in assessing the effect of the budget on the economy. The kinds of taxes levied play a part in determining the level of economic activity, and the debt managers, by tapping alternative sources of borrowed funds, may encourage or discourage business expansion. As the budget document itself points out, ". . . not only cash flows, but also many other Federal financial activities have important economic effects." For example, a large increase in new appropriations will likely stimulate economic activity before the funds themselves are actually paid out. The repeal or modification of a tax law may affect business decisions to invest or disinvest before cash flows between the Federal Government and the public have been influenced.

. . . and furnishes the basis for short-run estimates of the effect of fiscal operations on bank reserves.

Incidentally, familiarity with the consolidated cash statement as presented in the budget document is of help in day-to-day monetary analysis. Treasury operations have an important effect on the reserves of

[2] Presently United States Government securities held by the trust funds amount to about $50 billion, or close to one-fifth of the public debt.

commercial banks as may been seen from an inspection of Table IV. In the first two business days of 1955, for example, changes in Treasury deposits in the Federal Reserve banks added $177 million and $103 million to bank reserves.

TABLE IV

FACTORS AFFECTING MEMBER BANK RESERVES

(Sign indicates effect on member bank reserves)

(In Millions of Dollars)

	January 3, 1955	January 4, 1955
Treasury Federal Reserve Deposits	+177	+103
Currency	— 2	+ 39
Gold and Foreign Federal Reserve Deposits	— 21	— 17
Federal Reserve Bank Credit	+355	+ 4
Other Factors	+ 35	— 7
Change in Member Bank Reserves	+544	+122

Additions to, or subtractions from, bank reserves by the Treasury are the net result of a complex of transactions. The *Daily Statement of the United States Treasury* presents in a table of "Cash Deposits and Withdrawals" a consolidated cash statement of Treasury operating transactions.[3] The Treasury cash statement is a convenient way of grouping Treasury transactions so as to show their effect on member bank reserves (see Table V.)

TABLE V

SOURCES AND USES OF TREASURY FEDERAL RESERVE DEPOSITS

(Signs indicate effect on member bank reserves)

(In Millions of Dollars)

	January 3, 1955	January 4, 1955
Individual income taxes	— 33	— 99
Corporate income taxes	— 2	— 11
Other cash receipts	— 31	— 62
Total deposits	— 66	—172
Defense Department expenditures	+199	+265
Foreign aid programs	+ 14	— 2
Other cash expenditures	— 17	+102
Total withdrawals	+196	+365
Net withdrawals	+130	+193
Net cash borrowing	— 25	— 6
Change in other cash balances	+ 72	— 84
Treasury Federal Reserve Deposits	+177	+103

Cash income of the Treasury reduces commercial bank reserves, for individuals and business firms draw checks on their accounts to make tax remittances or other payments. But the Treasury may deposit funds in its Federal Reserve account, from which nearly all withdrawals are finally made, or it may temporarily leave funds in the Tax and Loan accounts of commercial banks.[4] Insofar as tax receipts are left in Tax and Loan accounts there is no immediate effect on bank reserves, and in Table V an adjustment for Tax and Loan account changes is made under the heading "Change in Other Cash Balances." And, of course, net cash borrowing (or repayment) affects bank reserves. Treasury cash withdrawals from its Federal Reserve deposits normally go into private accounts in commercial banks and thus add to bank reserves.

A "capital" budget, not used by the Federal Government, would distinguish between "capital" and "current" outlays.

Traditionally, Americans have applied one principle of private financial practice to governmental budgets and rejected another. They have felt that the budget should be balanced within the annual accounting period, that outgo should not exceed income. Yet, except in the budgets of certain municipalities, no distinction has been made between "capital" and "current" outlays.[5]

Capital goods, whether those of a business firm or a household, are ordinarily defined as goods which yield their service flows over a period of time longer than the annual accounting period. A manufacturing firm does not charge off the whole cost of a new plant in one year, nor does a family consider the purchase of a house as a drain on a single year's income. But under present Federal practice all expenditures, whether on plant and equipment which may last for decades or on the current pay of soldiers and sailors, are financed in the same way.

For a half century or more writers in public finance have discussed the pros and cons of adapting a capital budget to governmental accounting. Both Denmark and Sweden have adopted budgetary systems which distinguish between the operating budget and the capital, or investment, budget, and other countries, notably Canada, have separated the "ordinary" from the "extraordinary" budget. Under a system of capital accounting, durable goods may be entered in the

3 Although figures for Treasury cash deposits and withdrawals differ somewhat from Federal receipts from and payments to the public, the differences are small (about 1/10 of 1 per cent) and can for many purposes be neglected. For a reconciliation of the two statements see *The Budget for Fiscal Year 1956*, p. 1132.

4 In fact, the purpose of Tax and Loan accounts is to cushion the withdrawal of bank reserves as a consequence of tax and other payments. The Treasury closely gears its withdrawals from the Tax and Loan accounts to its expenditures.

5 Special Analysis D distinguishes between investment and operating expenditures but is not intended to be a capital budget. See *The Budget for the Fiscal Year 1956*, p. 1153-1164.

capital budget whether the expenditures are self-liquidating or non-income-yielding, or the capital budget may contain only remunerative enterprises. Whichever system is adopted, the original cost of the durable goods is met by borrowing, by transfer of amortization or depreciation allowances from the operating to the capital budget, or by receipts from inheritance or gift taxes. It is essential to the notion of a capital budget that losses on income-earning projects, after depreciation and interest charges as well as operating expenses, be carried by the operating budget. Similarly, nonincome earning assets, such as schools, parks, or roads must be a charge against the operating budget to the extent of interest and depreciation charges plus operating expenses.

Continuing international tensions, a rapidly growing population, and increasing urban congestion have brought demands for vast capital outlays which in turn have suggested the separation in the Federal budget of asset purchases from current expenditures. About two-thirds of Federal spending today is for the national security program. The reasons for quickly increasing the rate of school-and-road-building are compelling. The question arises whether in the interest of efficient allocation of resources a new type of budgetary procedure should not be adopted.

Opponents of such a budget consider it a way of concealing chronically unbalanced budgets; . . .

Opposition to a system of capital accounting at the Federal level has historically been based on a number of grounds. Some writers have insisted that the borderline between "capital" and "current" outlays is too fuzzy to permit a useful distinction between the two types. Others have contended that a multiple budget makes, at best, for an "incomplete budget and, at worst, for an evasion of fiscal responsibility by concealing chronically unbalanced budgets. And students of the problem, unconvinced by either of these objections, have remarked that private businesses distinguish capital outlays from others because capital expenditures are ordinarily financed by the issue of securities, whereas government borrowing should largely be determined by current levels of income and employment.

. . . proponents advance it as a means to public acceptance of large and necessary outlays by the Federal Government on durable goods.

Proponents of capital budgets rejoin that a projection of outlays over several years is necessary to intelligent decision-making concerning the allocation of the tax dollar. They point out, moreover, that the pressure for financing by direct borrowing of the responsible agencies will grow.[6] Public acceptance of elaborate schemes for building roads and school buildings may well depend, they insist, upon provision for the amortization of necessary outlays over a carefully estimated period of useful life and the inclusion of interest and depreciation charges in a meaningful operating budget.

The three budget types are not alternative, but rather supplementary, control mechanisms to aid in the management of Governmental affairs.

Presently the three budget types just described should not be viewed as alternative but rather as supplementary tools to aid in the management of big Government. For the purposes of exercising control functions the administrative budget, with its stress on accounting for each period's income and outgo of Federally-owned funds, is not likely to be superseded. There will probably be some shift in emphasis, however, toward analyses which yield more information of economic significance.[7] People who would be informed will come more and more to rely upon the consolidated cash statement, which helps to assess the role of Government in maintaining business stability and influencing the reserves of commercial banks. Finally, the possibility of adopting a capital budget will doubtless receive serious consideration as people increasingly sense the need for greater insight into the related problems of allocating tax monies among Federal activities and balancing the cost of capital outlays against the benefits of resulting service flows.

Ross M. Robertson

6 The issue of securities which are the obligation of the issuing corporation and not directly guaranteed by the Government enable the corporation to obtain funds without adding to the public debt. Certificates of interest issued by the Commodity Credit Corporation and notes of the Federal National Mortgage Association are examples. The lease-purchase method of obtaining public buildings is another device for obtaining the benefits of a capital good without additions to the public debt.

7 There have been repeated requests, for example, for changes in the *form* of the budget so that more information will be available concerning whole programs and less concerning details of expenditures by departments.

1954 OPERATIONS

OF THE FEDERAL RESERVE BANK OF ST. LOUIS

THE TOTAL VOLUME of work handled by the Federal Reserve Bank of St. Louis again increased in 1954. In the accompanying table showing the volume of selected operations at the St. Louis office of this bank and its three branches, 11 of the 17 items are larger than in 1953. Furthermore, only three of the six categories showing some slackening in activity were in the areas where sizable numbers of items are normally handled each year.

As usual, the dollar volume of work done in 1954 reached striking proportions. Over $58 billion worth of checks were cleared, almost $38 billion in funds were transferred at the St. Louis office of this bank and its branches, over $10 billion of United States securities were issued, exchanged and redeemed, approximately $1.5 billion worth of advances (including renewals) were granted banks, and over $1 billion in currency and coin were processed. Dollar volume was down from last year in a number of cases, reflecting among other things the lessened business activity generally.

While the figures in the table give a rough idea of the size and scope of operations during the year, there are numerous activities not represented there and several interesting developments that deserve further comment.

Operational Activities

Check collection operations continued as the largest single function of the bank in terms of number of employees and volume of work handled. Productivity was increased, a factor being the addition of more floor space in improved quarters. A continued gain in use of the check routing symbol program was also experienced. About 92 per cent of the checks drawn on Eighth District banks bore the routing symbol at the end of the year, ranking the district in sixth place among the 12 Federal Reserve districts in this respect.

In the Money Department, a change in the method of sorting fit Federal Reserve Notes (those in condition for re-issuance) accounted for the slight relative drop in volume during 1954. Up to July 19, the law forbade a Reserve bank putting into circulation in its district any notes but its own. Consequently, the fit notes of all other Reserve banks received by it had to be sorted out and returned to the banks of issue. With a change in the law, the Reserve banks were given permission to pay out notes of other banks and in late July, discontinued the practice of returning fit notes to the banks of issue. Instead, they began paying such notes out in their respective districts. In the past, this bank had consistently received from other Reserve banks more of its own fit notes—in number and in dollar volume—than it had sent

COMBINED VOLUME OF OPERATIONS

AT THE ST. LOUIS BANK AND THE LOUISVILLE, MEMPHIS AND LITTLE ROCK BRANCHES IN 1954 AND 1953

Number of Pieces Handled	1954	1953
Checks (Total)	184,402,000	182,954,000
City Checks	25,304,000	24,689,000
Country Checks	98,963,000	97,811,000
Checks on this Bank	182,000	174,000
Government Checks	43,057,000	43,239,000
Postal Money Orders (cards)	16,896,000	17,041,000
Currency	215,198,000	223,640,000
Coin	365,974,000	329,941,000
Transfer of Funds	120,000	115,000
Non-cash Collections	470,000	429,000
U. S. Government Interest Coupons	673,000	723,000
Discounts and Advances	612	1,388
Safekeeping of Securities:		
Securities Received and Released	173,000	163,000
Coupons Detached	296,000	297,000
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged, and Redeemed	7,097,000	6,450,000
Other Government Issues	309,000	248,000
Withheld Tax Depository Receipts Processed	531,000	514,000
Treasury Tax and Loan Account Transactions	140,000	131,000
Dollar Volume		
Checks Handled (Total)	$58,527,804,000	$60,697,045,000
City Checks	34,111,540,000	37,728,457,000
Country Checks	14,316,663,000	14,062,546,000
Checks on this Bank	2,827,054,000	2,392,953,000
Government Checks	6,986,479,000	6,222,225,000
Postal Money Orders	286,068,000	290,834,000
Currency	1,284,335,000	1,373,107,000
Coin	32,250,000	29,416,000
Transfer of Funds	37,992,699,000	39,792,037,000
Non-cash Collections	341,685,000	368,797,000
Discounts and Advances	1,478,340,000	5,792,385,000
Safekeeping of Securities:		
Coupons Detached	26,772,000	25,102,000
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged, and Reedemed	809,644,000	651,243,000
Other Government Issues	9,827,636,000	8,038,132,000

Figures are rounded to the nearest thousand except for the number of discounts and advances.

back to the other eleven Reserve banks. Thus, with the discontinuance of the practice of returning fit notes to banks of issue, St. Louis began to show a reduction in the total volume of currency received from banks and a compensating increase in the volume of new currency put into circulation. Another activity not shown by the table is the wrapping of coin, which involved about 163 million pieces.

The handling of deposits of post office funds received from postmasters was undertaken by this bank on May 1. These deposits consist of currency, some coin, paid money orders, checks and redeemed United States Savings Stamps. By the end of the year, over 4,000 postmasters were forwarding remittances to this bank for processing. During the period, this bank received 252,780 remittances aggregating $181,766,000.

Noncash collections, consisting of such items as drafts, promissory notes, stocks, bonds and coupons, increased in 1954 except for the number of United States Government interest coupons handled.

During 1954 the discount rate was lowered in two steps (February and April) from 2 per cent to 1½ per cent. However, since member banks' reserve positions generally were much easier and other methods of adjusting reserve positions were available, there was a very sharp drop in the aggregate amount and number of advances to member banks from 1953. There were no applications for industrial loan financing under Section 13b of the Federal Reserve Act in either 1953 or 1954.

Safekeeping of securities was provided by this bank for 476 of the 490 member and 514 of the 969 nonmember banks in the Eighth Federal Reserve District during 1954. Use of these facilities by nonmember banks is limited to the holding of savings bonds or of securities pledged either as collateral for the Treasury Tax and Loan Account or to secure deposits of public funds.

Fiscal operations constituted in 1954, as usual, the second largest related group of services of this bank from the standpoint of number of employees required. The bulk of the work of Fiscal Agency Department continued to be the handling of Public Debt securities, with United States Savings Bonds requiring the largest proportion of employees' time. In addition, the department continued the verification and destruction of unfit United States Silver Certificates, handled subscriptions for new security offerings for the Commodity Credit Corporation and the Reconstruction Finance Corporation, and served as an intermediary in the collection of funds, particularly with regard to Federal Taxes.

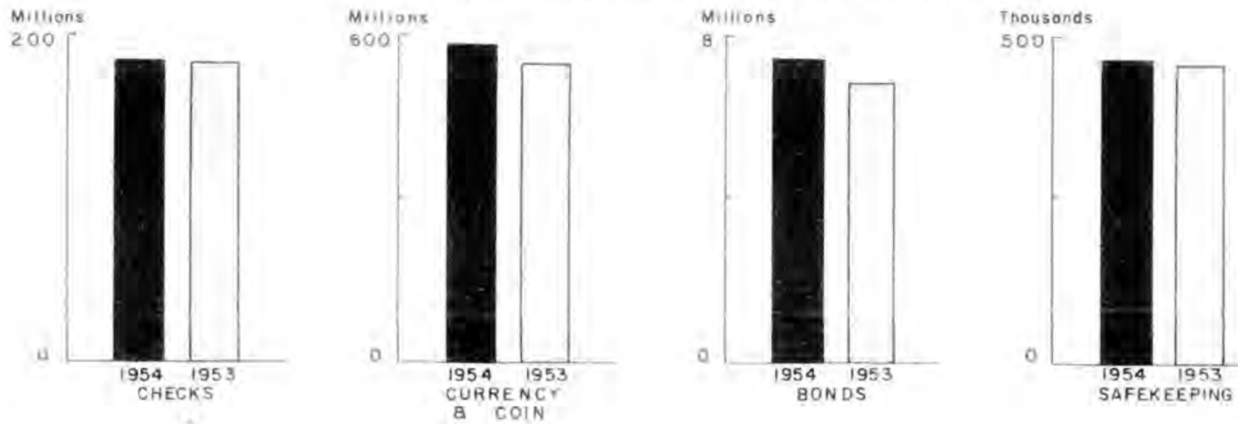
Central Tabulating Department, a newly formed department, began operations on May 1, 1954. The first task of this department was to tabulate deposit tickets covering deposits of surplus funds by Postmasters in certain areas of the Eighth District. Also, the machine processing of records on securities held in safekeeping was taken over by this new department. The next major job given the department was the integration of a tabulating installation to help Fiscal Agency Department process Federal taxes and savings bonds for the United States Treasury. In addition, various statistical analyses for use of the Research Department were prepared. During its eight months of operation, the work of this department has already involved the handling of millions of items.

A large part of the work of the Accounting Department during the year dealt directly with member banks. At the close of the year there were 490 member banks maintaining reserve accounts and 37 nonmember banks carrying accounts for settlement of check clearings with this bank. Throughout the year banks were furnished with daily transcript of entries that arose from collection and clearing of checks, noncash collections, transfers of funds, money shipments and receipts and other deposits and withdrawals of bank funds. The Accounting Department also recorded all internal expenses and income and kept track of transactions with other Federal Reserve Banks.

During the course of the year, under established policy, the Examination Department made examinations of State member banks in the district.

The Auditing Department made the customary internal audits of operations of this bank and its branches during 1954. In addition, the annual examination of the Federal

PIECES HANDLED—1954 AND 1953 (Selected Activities)



DESIGNATIONS AND APPOINTMENTS ANNOUNCED IN DECEMBER

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

Redesignated Chairman of the Board and Federal Reserve Agent for the year 1955.

MR. CAFFEY ROBERTSON, President
Caffey Robertson Co.
Memphis, Tennessee

Redesignated Deputy Chairman of the Board for the year 1955.

MR. JOSEPH H. MOORE
Charleston, Missouri

Reappointed Class C director for a three-year term beginning January 1, 1955.

Little Rock Branch

MR. SHUFORD R. NICHOLS
Des Arc, Arkansas

Reappointed director for a three-year term beginning January 1, 1955.

MR. A. HOWARD STEBBINS, JR., President
Stebbins and Roberts, Inc.
Little Rock, Arkansas

Appointed director for the unexpired portion of a term ending December 31, 1955.

Louisville Branch

MR. PIERRE B. MCBRIDE, President
Porcelain Metals Corporation
Louisville, Kentucky

Reappointed director for a three-year term beginning January 1, 1955.

Memphis Branch

MR. A. E. HOHENBERG, President
Hohenberg Bros. Company
Memphis, Tennessee

Reappointed director for a three-year term beginning January 1, 1955.

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

Little Rock Branch

MR. H. C. MCKINNEY, JR., President
The First National Bank of El Dorado
El Dorado, Arkansas

Reappointed director for a three-year term beginning January 1, 1955.

MR. E. C. BENTON, President
Fordyce Bank and Trust Company
Fordyce, Arkansas

Appointed director for a three-year term beginning January 1, 1955.

Louisville Branch

MR. M. C. MINOR, President
The Farmers National Bank of Danville
Danville, Kentucky

Reappointed director for a three-year term beginning January 1, 1955.

MR. W. SCOTT MCINTOSH, President
State Bank of Hardingsburg
Hardinsburg, Indiana

Appointed director for a three-year term beginning January 1, 1955.

Memphis Branch

Mr. John A. McCall, President The First National Bank of Lexington Lexington, Tennessee	Reappointed director for a three-year term beginning January 1, 1955.
Mr. Wm. B. Pollard, President National Bank of Commerce in Memphis Memphis, Tennessee	Reappointed director for a three-year term beginning January 1, 1955.

Member of Federal Advisory Council

Mr. W. W. Campbell, Chairman of the Board National Bank of Eastern Arkansas Forrest City, Arkansas	Reappointed member of the Federal Advisory Council to represent the Eighth Federal Reserve District for the year 1955.

Reserve Bank of St. Louis and its branches was made in December by the Chief Federal Reserve Examiner and his staff for the Board of Governors of the Federal Reserve System.

The general efficiency of operations throughout the year was aided by improvement in work scheduling and equipment and thorough maintenance of all property. Security measures also continued to be emphasized. New office space and floor plans that helped streamline operations were put into effect at St. Louis for Check Collection Department, Accounting Department, and the Savings Bond Division of Fiscal Agency Department.

Developments at Branches

While the general activities of the branches are combined with parallel activities at the St. Louis office in this report, several branch developments not covered in the over-all picture deserve special note. At the Louisville Branch, a new site was acquired and preliminary planning for a new building was begun. At Memphis, a major space realignment of departments was carried out and a new cafeteria was established. At Little Rock, the interior of the branch building was redecorated.

Other Activities

Besides the contacts maintained with banks in the Eighth District in carrying out actual banking operations, the Federal Reserve Bank of St. Louis continued to keep in touch with the financial and business community through other visits, conferences and meetings. Over 1,400 bank visits were made during the year. Over 350 meetings were attended and bank personnel directly participated in more than half of these. Programs in which the bank took part included a number of talks on business and banking, over 80 presentations of an educational lecture on banking and the money supply, and 15 conferences on agricultural credit. Many of the meetings were jointly sponsored with other groups such as banker's associations and colleges.

A seminar in central banking for Eighth District college and university specialists in these subjects was conducted at the St. Louis office in February. Over 3,000 visitors toured the bank's premises, at either St. Louis or one of the branches, and the bank was host to a number of special guests and international visitors. Films on the work of the Federal Reserve Bank and the System were made available for showing to numerous groups during the year.

Research continued during the year on a wide variety of problems of interest to the Federal Reserve Bank of St. Louis and the System as a whole. The department continued its regular data collection throughout the year and published certain results of its analyses and interpretations of the data in the *Monthly Review.* Also, a number of unpublished special studies were completed and new projects begun in 1954 in the fields of central banking and the Eighth District economy.

Total employment at the St. Louis and branch offices at the end of 1954 was 1,209 compared with 1,288 at the end of 1953. There was about the same relative reduction at all offices, accounted for in part by increased efficiency as a lower turnover was experienced. A total of 31 employees entered the 10-year club during the year and 9 entered their twenty-sixth year of service. Nine employees retired upon attainment of age 65.

Designations and appointments in December by the Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Reserve Bank of St. Louis are shown above and on page 22.

There were also the following additional official appointments during 1954: Victor M. Longstreet was appointed Vice President and designated Manager of the Louisville Branch, replacing Charles A. Schacht, who retired; Fred Burton was appointed Vice President and designated Manager of the Little Rock Branch, replacing Clarence M. Stewart, who retired; Donald L. Henry was appointed Assistant Manager of Louisville Branch.

Earnings

Total current earnings of the Federal Reserve Bank of St. Louis were $18,352,000 during 1954, compared with $25,448,000 in 1953. The decline was attributable to a reduction in this bank's holdings of securities in the System Open Market Account, a lessened volume of loans to member banks and a lower average yield on both securities and loans. Also, despite lower net expenses, net earnings before payments to the United States Treasury were substantially below 1953. Out of net earnings, $10,381,000 was paid to the United States Treasury as interest on Federal Reserve notes, $568,000 was paid to member banks as dividends and $1,154,000 was transferred to surplus.

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

February 1, 1955

Directors

M. Moss Alexander, *Chairman*

Caffey Robertson, *Deputy Chairman*

S. J. Beauchamp, Jr.
William A. McDonnell
Phil E. Chappell
Joseph H. Moore
J. E. Etherton
Louis Ruthenburg
Leo J. Wieck

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*
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*
George W. Hirshman, *General Auditor*

LITTLE ROCK BRANCH

Shuford R. Nichols, *Chairman*
Donald Barger
E. C. Benton
Harvey C. Couch, Jr.
H. C. McKinney, Jr.
A. Howard Stebbins, Jr.

Fred Burton, *Vice President and Manager*
M. L. Bennett, *Assistant Manager*
Clifford Wood, *Assistant Manager*
W. J. Bryan, *Assistant Manager*

LOUISVILLE BRANCH

Smith Broadbent, Jr. *Chairman*
David F. Cocks
Magnus J. Kreisle
Pierre B. McBride
W. Scott McIntosh
M. C. Minor
Noel Rush

Victor M. Longstreet, *Vice President and Manager*
L. K. Arthur, *Assistant Manager*
L. S. Moore, *Assistant Manager*
Donald L. Henry, *Assistant Manager*

MEMPHIS BRANCH

Henry Banks, *Chairman*
A. E. Hohenberg
John A. McCall
William B. Pollard
Ben L. Ross
John D. Williams
John K. Wilson

Darryl R. Francis, *Vice President and Manager*
C. E. Martin, *Assistant Manager*
S. K. Belcher, *Assistant Manager*
H. C. Anderson, *Assistant Manager*

Survey OF CURRENT CONDITIONS

A gradual rise in business activity, . . .

THE GRADUAL RISE in economic activity in district and nation which began last fall continued in January. Increasing production in the automobile and steel industries accounted for much of the rise in activity, but important support came also from a number of other durable and nondurable goods manufacturing industries and the continuing construction boom. Activities which usually decline at this time of year, such as outdoor work, apparently declined no more than seasonally. Department store sales, after reaching record levels for the month of December, were considerably higher in January than a year ago. Despite the upswing in business activity the general price level remained fairly steady.

. . . evident in December, . . .

Data recently available confirm the rise in activity which was evident in December. The Federal Reserve Board index of industrial production, at 130 per cent of the 1947-49 average in December, was one point above November and four points higher than in December, 1953. The increase at that time was greatest in durable goods industries, largely because of the increase in auto production.

A similar rise in durable goods output was shown by use of electric power at selected industrial firms in major Eighth District cities. Total use of electric power rose 1 per cent in December from November and was 6 per cent better than a year ago. Power use at primary metals plants in the district advanced 17 per cent above a year ago, at fabricated metals factories, 15 per cent, and at transportation equipment production facilities, 6 per cent.

. . . continued in January as the automobile industry, other manufacturing, . . .

The rise in industrial production continued in January with a national rate of automobile production 3 per cent higher than in December and 44 per cent higher than a year ago. District auto plants were also operating at a high rate and a second shift was added at one plant in mid-January. Steel ingot production both in district and nation flowed at more than 80 per cent of capacity after a slight dip during the holidays. Lumber production, after a better than usual December, was down about the customary amount in early January. Support for the market is expected from an increase in furniture manufacturers' orders, a British announcement that restriction on imports of hardwoods from the United States would be relaxed (thus opening a market that has been almost completely lost since the War), and continued high rates of construction. District crude oil output in early January was at a daily average rate of 341,000 barrels—almost reaching the wartime peak of 347,000 barrels, set in 1943.

However, reductions in defense production and some inventory adjustments continued. A large ordnance plant announced a reduction in ammunition production. And one large district producer of consumer's durables closed a plant for the month of January to reduce finished stocks. Coal producers, although increasing mine output slightly in December, were unable to maintain production as high as a year ago as warm weather stifled household demand.

. . . and a high rate of construction supported the advance.

Construction contract awards and housing starts in recent months give an indication of the unusually high volume of construction underway as this year began. The number of housing starts in December in the nation was an all-time high for the month. In the Eighth District construction contracts for about $306 million were let in the final quarter of 1954, projects on which a major part of the actual work will carry over into 1955. Residential contracts awarded in the district reached a record level in dollar value, about 50 per cent greater than a year earlier.

Prices remained fairly steady, . . .

With activity increasing in the United States and continuing at a high level in Europe, demand for goods strengthened. However, the price level has remained remarkably stable. Some industrial materials, such as steel scrap, aluminum pig, and copper, have increased in price since December but others, such as finished steel, have remained stable. Prices of farm products recovered somewhat from the seasonally low level of mid-December.

Prices of important Eighth District farm products advanced moderately in January, largely reflecting a rise of approximately 20 per cent in broiler prices. Tobacco prices, on the other hand, declined 15 per cent. Prices for all other major commodities changed only moderately.

Farm real estate prices in district states for the twelve-month period ending November 1, 1954, varied from declines of 1 or 2 per cent in the four southern district states to a 1 per cent increase in Missouri and a 6 per cent rise in Illinois and Indiana. For the district the dollar value of farm land advanced 2 per cent, as did the national average.

The BLS index of retail prices was down slightly at mid-December from its November level, and January sales of white goods and clothing may have lowered it slightly more since then.

. . . manufacturing employment improved, . . .

Although total employment in January was down seasonally from its December level, there was probably some further improvement in the durable goods industries which experienced the largest reductions in employment during the recent period of inventory adjustment and declining defense production. The January increase in insured unemployment can be attributed primarily to normal seasonal movements, especially in trade, without the major layoffs in manufacturing which were occurring at this time last year. According to a mid-January survey of employer intentions in major labor market areas made by the Department of Labor, continuing job gains in manufacture of automobiles, aircraft, iron and steel products, farm machinery, furniture, and equipment for trade and service establishments are expected for the next two months.

. . . and consumers continued to spend at a high rate.

For the first three weeks of January, 1955, department store sales volume, both nationally and for the district, was substantially above that a year earlier. Seasonal promotions and more favorable shopping weather were factors in the increase. Traditional "white" sales, of both durable and nondurable goods met with success.

In the nation and in the district department store sales during December, on an adjusted daily average basis, advanced more than seasonally from November. December sales were at record levels for the month in the St. Louis, Little Rock, and Memphis areas. But in the Louisville and Evansville areas volume failed to gain seasonally from November and was somewhat below previous December peaks.

At district reporting furniture stores December sales volume was substantially larger than in November, and totaled slightly larger than in December, 1953.

Inventories of reporting district department stores and furniture stores at the end of December, 1954 were considerably lower than a month earlier and slightly under the level a year ago. Outstanding orders on December 31, 1954 at district department stores were substantially lower than on November 30, but somewhat larger than on December 31, 1953.

Bank credit . . .

Bank credit contracted at weekly reporting banks in the district during the five weeks ended January 26. The decline in loans was in large part occasioned by a net reduction in advances to businesses and farmers. The bulk of the reduction by businesses reflected seasonal net repayments by trade concerns and processors and distributors of agricultural products. Loans on securities also were off. Reportedly the increase in margin requirements on stock purchases from 50 to 60 per cent in early January had only a slight effect on these loans. On the other hand, "other" (largely consumer) loans rose in contrast to an average decline during the like weeks of other recent years. And real estate loans rose moderately compared with little change at this time normally.

The weekly reporting banks reduced their investment portfolios $25 million, reflecting large net sales of Government securities, primarily Treasury bills and Government bonds. Partially offsetting the decline in holdings of Government obligations were sizable net additions in other securities primarily at the St. Louis banks in the week ended January 26.

. . . and total deposits declined . . .

Total deposits declined substantially (about $200 million), banks in all reporting centers sharing in the loss. The decrease resulted in part from sizable Treasury calls on tax and loan accounts, but individuals and businesses reduced their balances also. To help meet the drains of funds, these banks reduced their reserve balances and other cash accounts and increased their borrowings.

. . . and interest rates rose in January.

During the first three weeks of January most interest rates moved upward. For sensitive yields, the rise was fairly sharp. The average yield on Treasury bills issued on January 20 was 1.41 per cent, which was higher than any weekly rate during 1954 and compares with an average of 1.05 per cent on bills issued January 6 this year. Dealer rates on prime 4-6 months commercial paper were marked up ¼ of 1 percentage point to a level of roughly 1½ per cent. Several factors tended to increase both short and long-term interest rates. Demand for new capital funds to finance construction by local governments continued large. New capital placements by municipalities in January were estimated at $750 million, or about double the amount floated in the corresponding month a year ago. Issuance of around $570 million of notes by the FNMA also added to the demand for funds. Rates worked up in expectation (since confirmed) of a long-term bond in connection with the Treasury's February-March refundings. The rate changes also reflected a tightening of bank reserve positions and press reports of a change in monetary policy.

The District Record

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Dec. 1954	December, 1954 compared with* Nov. 1954	Dec. 1953
Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities)	12,932	+ 1%	+ 6%
Steel Ingot Rate, St. Louis area (operating rate, per cent of capacity)	76	—12	— 5
Coal Production Index—8th Dist. (Seasonally adjusted, 1935-1939=100)	149 p	+ 7	— 1
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	334.1	+ 2	+ 7
Freight Interchanges at RRs—St. Louis. (Thousands of cars—25 railroads—Terminal R. R. Assn.)	99.6	+ 5	— 1
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	115.0	— 1	+ 8
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	195.0	+ 8	+15
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	85	— 4	— 4

* 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 index points or in percents of capacity.
p Preliminary.

Banking

BANK DEBITS[1]

	Dec. 1954 (In millions)	Dec., 1954 compared with Nov. 1954	Dec. 1953
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	$ 141.9	— 4%	+ 2%
Evansville, Ind.	173.9	+ 9	+ 1
Little Rock, Ark.	186.9	+10	+14
Louisville, Ky.	891.3	+20	+12
Memphis, Tenn.	816.8	+ 2	+10
St. Louis, Mo.	2,414.3	+19	+ 7
Total—Six Largest Centers	$4,625.1	+15%	+ 8%
Other Reporting Centers:			
Alton, Ill.	$ 39.1	+15%	+ 4%
Cape Girardeau, Mo.	15.8	+ 8	+ 1
El Dorado, Ark.	30.4	+19	— 6
Fort Smith, Ark.	56.4	+ 3	+19
Greenville, Miss.	38.7	+12	+27
Hannibal, Mo.	10.0	+12	+ 3
Helena, Ark.	11.6	—18	+11
Jackson, Tenn.	26.2	— 7	+11
Jefferson City, Mo.	56.3	— 6	+ 8
Owensboro, Ky.	51.6	+30	+17
Paducah, Ky.	33.4	+18	—16
Pine Bluff, Ark.	42.1	—13	—10
Quincy, Ill.	39.1	— 1	+ 5
Sedalia, Mo.	15.5	+16	+15
Springfield, Mo.	78.4	+ 8	+ 9
Texarkana, Ark.	18.1	+ 4	—11
Total—Other Centers	$ 562.7	+ 5%	+ 6%
Total—22 Centers	$5,187.8	+13%	+ 8%

INDEX OF BANK DEBITS—22 Centers
Seasonally Adjusted (1947-1949=100)

1954 Dec.	1954 Nov.	1953 Dec.
160.2	155.9	148.5

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

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Nov. 1954	Nov. '54 compared with Nov. '53	Jan. thru Nov. 1954 compared with 1953	1952
Arkansas	$ 85,117	— 4%	— 5%	—15%
Illinois	173,077	+ 7	-0-	— 2
Indiana	95,980	-0-	— 1	-0-
Kentucky	36,969	+ 3	— 6	— 6
Mississippi	101,104	—12	—24	— 8
Missouri	100,420	— 8	— 2	— 5
Tennessee	50,494	—13	—12	—18
7 States	$643,161	— 3%	— 5%	— 5%
8th District	$338,176	— 6%	— 8%	— 9%

Source: State data from USDA preliminary estimates unless otherwise indicated.

Construction

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT*

(1947-1949=100)

	Nov. 1954	Oct. 1954	Nov. 1953
Unadjusted			
Total	197.3 p	208.6	196.9
Residential	254.3 p	246.2	169.7
All Other	170.8 p	191.1	209.4
Seasonally adjusted			
Total	230.5 p	245.8	229.6
Residential	299.2 p	251.2	199.6
All Other	198.6 p	222.2	243.5

* Based on three-month moving average (centered on mid-month) of value of awards, as reported by F. W. Dodge Corporation.
p Preliminary

ASSETS AND LIABILITIES EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)

Assets	Weekly Reporting Banks Jan. 26, 1955	Change from Dec. 22, 1954	All Member Banks Dec. 29, 1954	Change from Nov. 24, 1954
Loans[1]	$1,397	$— 48	$2,260	$+18
Business and Agricultural	711	— 56		
Security	39	— 3		
Real Estate	276	+ 1		
Other (largely consumer)	391	+ 11		
U. S. Government Securities	1,177	— 42	2,258	+40
Other Securities	238	+ 17	451	-0-
Loans to Banks	15	+ 1		
Cash Assets	867	—113	1,500	— 1
Other Assets	42	+ 1	59	+ 2
Total Assets	$3,736	$—184	$6,528	$+59
Liabilities and Capital				
Demand Deposits of Banks	$ 752	$— 86	$ 847	$+25
Other Demand Deposits	2,095	—111	3,978	+20
Time Deposits	538	-0-	1,168	— 1
Borrowings and Other Liabilities	97	+ 13	91	+12
Total Capital Accounts	254	-0-	444	+ 3
Total Liabilities and Capital	$3,736	$—184	$6,528	$+59

[1] For weekly reporting banks, loans are adjusted to exclude loans to banks; the total is reported net; breakdowns are reported gross. For all member banks loans are reported net and include loans to banks; breakdown of these loans is not available.

Trade

DEPARTMENT STORES

	Net Sales: Dec.,'54 compared with Nov., 1954	Dec.,'53	12 mos. '54 to same period '53	Stocks on Hand: Dec. 31, '54 comp. with Dec. 31, '53	Stock Turnover Jan. 1 to Dec. 31, 1954	1953	Percentage of Accts. and Notes Receivable Outstanding Dec. 1, 1954, collected during Dec.: Instal. Accounts	Excl. Instalment Accounts
8th F.R. District Total	+47%	+ 4%	— 1%	— 1%	4.12	3.81	18%	51%
Fort Smith Area, Ark.[1]	+62	+ 4	— 1	— 6	3.71	3.66	......	48
Little Rock Area, Ark.	+48	+ 2	+ 1	— 4	3.92	3.67	13	46
Quincy, Ill.	+45	+ 3	+ 2	+25	3.84	3.71	......	......
Evansville Area, Ind.	+33	—10	—13	......	......	......	......	......
Louisville Area, Ky., Ind.	+47	+ 1	— 1	— 3	4.44	4.11	21	48
Paducah, Ky.	+66	—12	—21	......	......	......	......	......
St. Louis Area, Mo., Ill.	+44	+ 6	+ 1	— 5	4.28	3.84	21	58
Springfield Area, Mo.	+59	+18	+ 2	+ 9	3.55	3.26	......	......
Memphis Area, Tenn.	+55	+ 8	+ 2	+14	4.13	3.97	16	40
All Other Cities[2]	+60	— 4	—11	+ 3	2.75	2.87	11	35

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

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Dec. 1954	Nov. 1954	Oct. 1954	Dec. 1953
Sales (daily average), unadjusted[3]	193	137	123	185
Sales (daily average), seasonally adjusted[3]	118	115	112	113
Stocks, unadjusted[4]	103	127	129	104
Stocks, seasonally adjusted[4]	105	116	115	118

[3] Daily average 1947-49=100
[4] End of Month average 1947—49=100
Trading days: Dec., 1954—26; Nov., 1954—25; Dec., 1953—26.

OUTSTANDING ORDERS OF REPORTING STORES AT THE END OF DECEMBER, 1954, WERE 18 PER CENT LARGER THAN ON THE CORRESPONDING DATE A YEAR AGO.

RETAIL FURNITURE STORES

	Net Sales: Dec., 1954 compared wth Nov.,'54	Dec.,'53	Inventories: Dec., 1954 compared with Nov.,'54	Dec.,'53
8th Dist. Total[1]	+18%	+ 4%	—12%	—5%
St. Louis	+11	+ 1	+16	—5
Louisville Area[2]	+21	+10	—16	—6
Louisville	+19	+ 9	—17	—6
Memphis	+33	+ 7	*	*
Little Rock	+31	-0-	*	*
Springfield	+45	+ 1	— 7	+4

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

[1] In addition to following cities, includes stores in Blytheville, Fort Smith, Pine Bluff, Arkansas; Owensboro, Kentucky; Greenwood, Mississippi; and Evansville, Indiana.

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

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Dec., '54	Nov., '54	Dec., '53
Cash Sales	16%	14%	17%
Credit Sales	84	86	83
Total Sales	100%	100%	100%