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Impact of the Federal Highway Program on the Nation and the Eighth District

CONGESTED is the word for highways. Highway crowding has worsened because vehicle use has increased faster than highway capacity. Congestion is costly and has increased despite substantial Federal aid for highway building. Long-run plans to alleviate the congestion led to the Federal-Aid Highway Act of 1956, which provides for the National System of Interstate and Defense Highways.

Progress on the Interstate System varies from state to state. In the Eighth Federal Reserve District work is going forward on Interstate routes and on other Federal-aid and non-Federal-aid highways.

The speeded-up highway program will have extensive impacts on the nation and the district. Major effects will come from right-of-way acquisition as well as from actual construction.

Completion of the Interstate System should improve traffic flow, though at increased cost. The System will encourage highway businesses, strongly affecting urban centers and suburban developments. Industrial development will be stimulated throughout the nation and the Eighth District.

Federal Reserve Bank
of St. Louis

District Member Bank Earnings in 1956—p. 44

Survey of Current Conditions—p. 46

Impact of the Federal Highway Program on the Nation and the Eighth District

Congested is the word for highways.

SEVERAL YEARS AGO some wag suggested there would come an instant some day when every car space on every road and highway would be filled, and all traffic would come to a grinding halt, with vehicles solidly jammed in place.¹

The exaggeration contains an element of truth. In 1954 it was estimated that there was one registered vehicle for every 700 feet of every lane of road, street and highway. Traffic has been rapidly outgrowing the highways of the nation. Even worse, the congestion has increased despite efforts to relieve it.

The huge highway building program begun in 1956 represents an attempt to alleviate highway crowding and to prepare for future needs. The influences of this major undertaking, mostly favorable but partly unfavorable, will be felt in every corner of America. Every city and town on or near the route of the Interstate superhighway net needs to be alert to grasp the opportunities and to solve the problems presented.

Highway crowding has worsened because vehicle use has increased faster than highway capacity.

Highway travel in the United States is great and increasing rapidly. The Bureau of Public Roads estimates that in 1955 travel by cars, taxis, buses and trucks exceeded 600 billion miles, four-fifths of this by passenger cars. This astronomical figure represents a gain of 100 per cent since 1940 and one-third since 1950. Though urban auto commuters may doubt it, in recent years travel on rural roads has increased more rapidly than on urban streets. However, about 70 per cent of travel on main rural roads is for urban area access.

Vehicle registration figures yield similar astonishing results. More than seven out of ten American families owned automobiles in 1956. There are now

¹ His suggested solution to this cataclysmic problem was to build highways atop the jam and start all over again.

about 65 million automobiles, buses, and trucks using the highways, slightly more than double the number in 1945. If forecasts are borne out, that number may rise to 81 million vehicles by 1965, and perhaps 90 million by 1975.

Congestion is a function of the carrying capacity of a traffic route and of the number of vehicles using the given route during a given time period. Highway crowding has worsened because highway construction and maintenance have not kept pace with the increase in highway use. Highway construction outlays, small during World War II, did not reach prewar levels until 1948 in dollar terms, and until 1952 in terms of work put in place, by which time vehicle-miles of travel were about 60 per cent greater than prewar. Since 1952 highway outlays have increased rapidly but by 1956 still accounted for only two-thirds as great a percentage of total national output as in the 1930's.

Meantime highways and especially urban streets have proved increasingly inadequate for their intended task; intersections, traffic lights, and railway crossings have become even greater bottlenecks. With more people living in suburbs, Americans have become increasingly dependent on the private automobile for transportation. For example, a six-state study in 1951 showed about two-thirds of employed persons using automobile transportation to go to work. Moreover, economic activities dependent on highways loom large in our economy; in gaining a livelihood one of every seven employed persons and one of every six wholesale, retail and service firms relies on a motor-vehicle or highway-connected activity.

Highway travel is concentrated on a small proportion of highway mileage. According to one estimate 19 per cent of the road mileage carries 81 per cent of traffic mileage; even worse, urban arterial streets with 1 per cent of the mileage account for 40 per cent of the vehicle miles. Traffic flow maps invariably show extreme clustering in urban areas.

Congestion is costly . . .

Highway congestion is costly in money, time and lives. Fuel, oil, and tire costs are 15 to 25 per cent less per mile on expressways than on ordinary city streets. In a Los Angeles experiment a driver traveled 133 miles in 2 hours 45 minutes via expressway, but took 6 hours 20 minutes on a similar route by city street. In commercial use this time loss is convertible directly into money cost. Estimates of the avoidable costs of inadequate highways in time, fuel and oil, tires, and repairs have been put at \$3 to \$5 billion a year, a cost ultimately borne by the public either directly or in higher prices of transported products.

Traffic accidents in the United States each year take the lives of 38,000 to 40,000 people and injure over one million others. Aside from the human suffering which results, the economic cost of this toll is estimated at \$3 to \$4 billion per year. With a population of 170 million and over a million people injured per year, every person in the United States now stands a fair chance of being involved in a serious traffic accident at some time in his life. Accident and death rates are sharply lower on modern roads of adequate design; in one comparison the accident rate per 100 million vehicle miles was only 179 on controlled access divided highway as opposed to 425 on other roads in the same areas with similar traffic.

Moreover, highway capacity has widespread locational effect. It shows up in the location of industries which depend on highway rather than rail transportation. In retailing, congestion and inaccessibility of the central business district increases the proportion of retail sales made in outlying and suburban areas. On the other hand, ready access to the city center via modern highway has, in a number of cases, strikingly encouraged suburban residential development.

. . . and has increased despite substantial Federal aid for highway building.

Highways in the United States comprise one great net but many systems. Half the 3,400,000 miles of roads, streets, and highways in the United States is in county systems, slightly over a quarter in city and town streets and township roads, and most of the remainder in state highways.² Cutting across this ownership classification are the Federal-aid systems,

² The Federal Government owns no highways or roads other than those within national parks and forests and military establishments. The shield-marked "U. S. Highways," so designated for travelers' convenience, are nearly all state or local government property.

worked out jointly by the Federal Government and the states (though Federal-aid routes may belong to state, county or city). The Federally aided systems comprise the most heavily traveled routes in the nation.

The Federal-aid *primary* system, totaling some 235,000 miles, connects large and small cities, industrial areas and ports, the principal sources and destinations of traffic. Because all these routes serve largely to bring traffic to cities, Federal aid has been given for urban extensions of the system. The Federal-aid *secondary* system, now commonly called the "farm-to-market" system, covers less heavily traveled feeder routes totaling about 520,000 miles.

Congressional highway appropriations under a series of Federal-Aid Highway Acts dating from 1916 have been allocated to states on the basis of a formula in which population, land area, and mileage of mail routes are given equal weight. The formula has been criticized as favoring the larger and sparsely populated states, but it has assisted in creating a widespread network of roads giving access to all parts of the nation.³

Federal aid to these systems must be matched by an equal amount of state or local funds (the so-called 50-50 sharing) and is distributed within each state 45 per cent to the primary system, 30 per cent to the secondary system and 25 per cent to urban extensions. Federal aid consists in financial help for engineering, right-of-way acquisition and construction. State and local agencies must match the Federal funds, contract for the actual construction and stand all expenses of maintenance and policing.

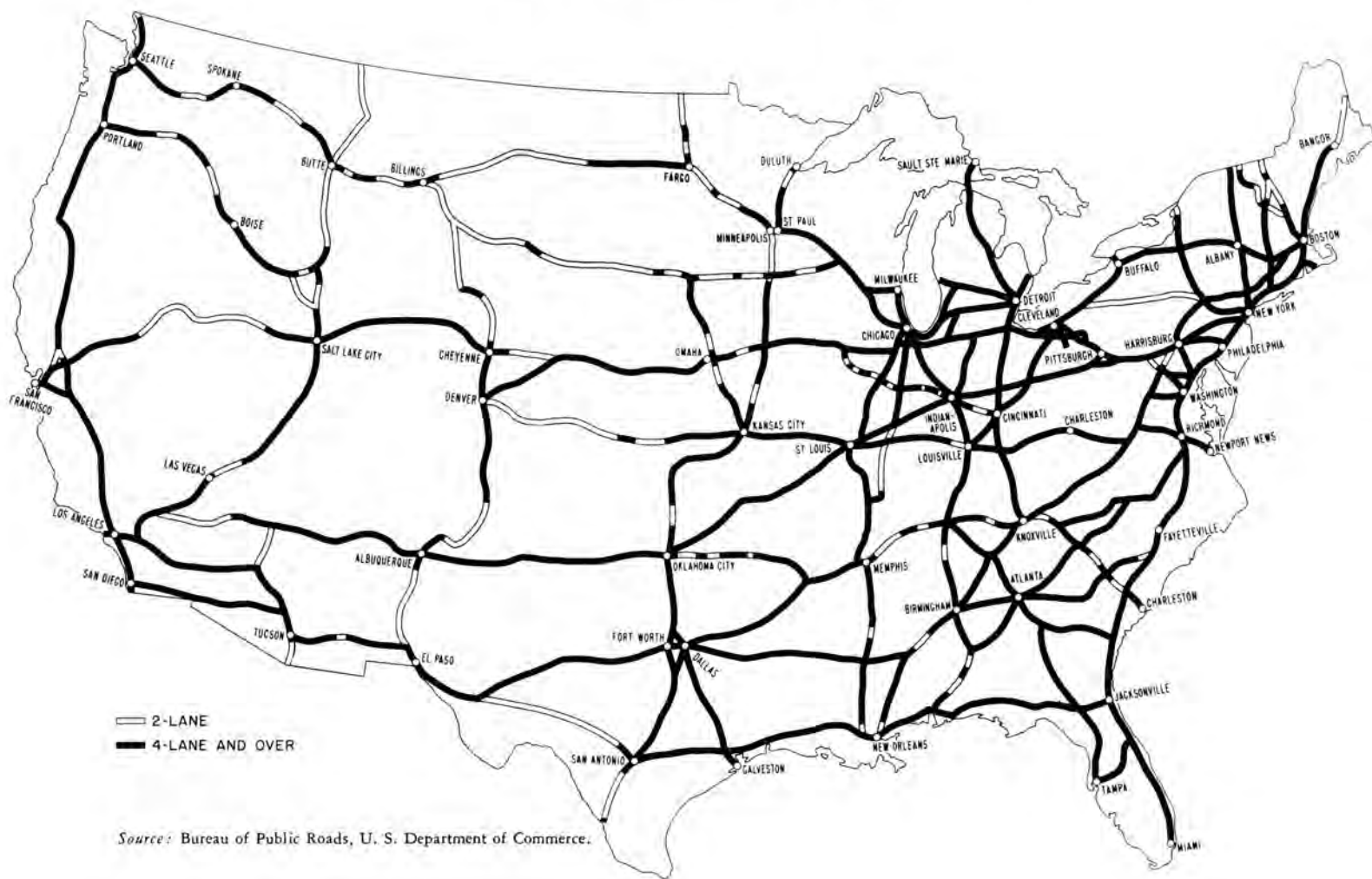
In addition to matching Federal funds, state and local governments spend unmatched funds on non-Federal-aid routes, as well as on administration, policing, maintenance and even some construction on the Federally aided systems. Thus, the quality of highways within a state depends not only on Federal-aid, but on the total resources the state has been able to devote to its highways.

Long-run plans to alleviate the congestion . . .

Recognition of the haphazard evolution of the system gave rise in the late 1930's to the idea of a nationwide system of super highways planned for future needs. By 1944 the idea had developed to the point that Congress, in its Highway Act of that

³ With changing needs, emphasis has shifted from extensions of length of highways toward increasing the traffic-carrying capacity of present routes.

The National System of Interstate and Defense Highways
 Estimated Status as to Lane Width in 1965



year, directed the designation of a third Federal-aid system, the National System of Interstate Highways, not to exceed 40,000 miles, to "connect by routes as direct as practicable, the principal metropolitan areas, cities and industrial centers, to serve national defense, and to connect at suitable border points with routes of continental importance in the Dominion of Canada and the Republic of Mexico." This Interstate System was designated, with routes selected largely from the Federal-aid primary system (see map). But no specific appropriations for its development were made by Congress until 1954 when \$400 million was made available through fiscal 1957, each \$60 of Federal funds to be matched with only \$40 of state funds. This break from traditional 50-50 sharing was later extended in the 1956 Act to 90-10.

... led to the Federal-Aid Highway Act of 1956, ...

Continuing pressure by interested groups and recognition that highway needs were still exceeding construction resulted in passage by Congress and approval by the President on June 29, 1956 of the Federal-Aid Highway Act of 1956. The Act set in motion the largest highway construction program ever, a project likened to the building of 100 Grand Coulee dams or to total construction of all types accomplished in the whole nation in over two years. Major provisions of the 1956 legislation are summarized on the page opposite. The Act authorized \$24.8 billion of Federal funds to be expended on the Interstate System over a 13-year period, each \$9 of Federal funds to be matched by only \$1 of state funds. Furthermore, it raised the annual Federal

Major Provisions of 1956 Federal Highway Legislation

The Federal-Aid Highway Act of 1956

1. The Regular Federal-aid Systems

An authorization of \$125 million is provided for fiscal 1957 (in addition to \$700 million previously authorized), \$850 million for 1958 and \$875 million for 1959, to be matched 50-50 and apportioned among the states according to the usual formula.* Approximately \$100 million is also authorized for each of fiscal years 1958 and 1959 for highways on publicly owned lands.

2. The National System of Interstate and Defense Highways

(a) Early completion of the System is declared essential to national interest. Congress intends the system to be substantially completed within 13 years and simultaneously in all states.

(b) The following appropriations are authorized for the Interstate System:

Fiscal Year	Amount (billions)	
1957	\$1.0—	in addition to \$175 million previously authorized.
1958	1.7	
1959	2.0	
1960-67	2.2—per year	
1968	1.5	
1969	1.025	

(c) Funds for fiscal 1957, 1958 and 1959 are to be allocated among the states one-half on the basis of population and one-half on the usual Federal-aid formula ($\frac{1}{3}$ population, $\frac{1}{3}$ area, $\frac{1}{3}$ road mileage.) For subsequent years apportionments are to be on the basis of the estimated costs of completing the Interstate System in all states, with revised cost estimates to be made periodically.

(d) The Federal share of construction costs is to be 90 per cent (up to 95 per cent in states containing public lands). States may build in advance of apportionment and receive reimbursement but they must obligate funds within two years after apportionment or lose them. Projects must be approved by the Secretary of Commerce before construction.

(e) Construction standards, to be set by the Secretary of Commerce (in cooperation with state highway departments), must be adequate for 1975 traffic. The Act sets vehicle weight and width limits.

(f) 1,000 miles of routes are authorized to be added to the previous 40,000.

(g) The Federal Government may acquire land for right-of-way at a state's request if the state cannot, or cannot promptly. On proportionate reimbursement land title goes to the state, except the outside 5 feet in a state where access is not controlled. The Federal Government may make advances for right-of-way acquisition.

(h) Access must be controlled and no access points added to Federally-approved plans. No commercial establishments are permitted on Interstate System right-of-way.

(i) Toll roads, bridges and tunnels may be approved as part of the Interstate System by the Secretary of Commerce, but no Federal funds may be used for toll facilities.

(j) Construction workers are to be paid not less than the prevailing local wage rate for their skill. Small business participation in construction is to be encouraged.

(k) State highway departments must hold hearings on plans to route any Federal-aid highway either through or around a city, town or village.

(l) Several studies are directed to be made by the Secretary of Commerce:

(1) Periodic estimates of the cost of completing the Interstate System.

(2) A study of the maximum sizes and weights of vehicles to be permitted on the Federal-aid highway system.

(3) A study to aid Congressional decision regarding reimbursing states for toll or free highways built between 1947 and 1957, and incorporated into the Interstate System.

(4) A study of highway safety factors and desirability of Federal assistance in enforcing safety regulations, promoting uniform state highway laws, and requiring safety features in vehicle manufacture.

The Highway Revenue Act of 1956

1. For the period from July 1, 1956 to July 1, 1972, the following taxes are to be established:

(a) The Federal tax on gasoline, diesel fuel and special motor fuels is increased from the previous 2¢ per gallon to 3¢ per gallon.

(b) The Federal tax on tires (highway type) is raised from 5¢ per pound previously to 8¢, on inner tubes to 9¢ per pound; a new tax of 3¢ per pound is levied on retread rubber.

(c) The Federal excise on trucks, truck trailers, and buses is raised from the previous 8 per cent to 10 per cent.

(d) Floor stocks taxes were levied on dealers' inventories of trucks, truck trailers, buses, tires, tread rubber and gasoline as of July 1, 1956 (in amounts to match the added levies mentioned above, which are paid at the manufacturer or producer level). Refunds will be made on inventories in the hands of dealers on July 1, 1972.

(e) A new excise of \$1.50 per year per 1,000 pounds of taxable gross weight is levied on the use of highway motor vehicles (trucks and trailers) of over 26,000 pounds gross.

2. A Highway Trust Fund is set up in the U. S. Treasury to hold receipts of these taxes until their disbursement for Federal-aid highways. If apportionments under the Federal-aid Highway Acts would exceed the Trust Fund balance, apportionments are to be proportionately reduced.

3. The Secretary of Commerce is to study and report to Congress, with the aim of making tax burdens equitable:

(a) The cost of providing highway service for different classes of vehicles, the benefits accruing to the different classes of users, and the proportionate cost share thus attributable to each user class.

(b) The direct or indirect benefits accruing to any class which derives benefit from Federal-aid highways, in addition to benefits from actual use of such highways.

* Compared with about \$500 million a year since World War II

contribution for the regular Federal-aid systems. By adding together, over the 13-year period and at presently indicated rates, 1) Federal-aid funds for the Interstate and other Federal-aid systems, 2) the state matching funds required, and 3) the additional (unmatched) state and local highway outlays, one arrives at the \$101 billion figure sometimes quoted as the size of the present highway program.

... which provides for the National System of Interstate and Defense Highways.

The 41,000 miles of the National System of Interstate and Defense Highways will join 42 state capitals and 90 per cent of all cities of over 50,000 population.⁴ Though representing only 1.2 per cent of highway mileage, the System is expected to carry 20 per cent of all traffic. It will serve directly 65 per cent of the urban and 50 per cent of the rural population of the United States.

The highways of the Interstate System are being designed and built to handle traffic volumes forecast to 1975. They will be controlled-access, divided highways, four-lane except in heavily populated areas where widths go up to eight lanes and in some lightly traveled sections (about 7,000 miles) which will be two-lane but with adequate right-of-way for two additional lanes. Traffic will move at expressway speeds, with cloverleaves and overpasses eliminating intersections; a driver will be able to drive coast-to-coast without encountering a stop light. It is expected that 3,500 lives will be saved every year by virtue of the safety features of the new highways, including the elimination of railroad grade crossings.

Though Interstate System routes largely parallel existing cross country highways, 70 per cent or more will be on new location. Design speeds go up to 70 miles per hour for flat rural terrain; the recommended minimum in urban areas is 50 miles per hour. Traffic lanes will be at least twelve feet wide, shoulders (usable in all weather by all vehicle classes) a minimum of ten feet wide except six feet in mountainous areas. The median (centerstrip in divided highway) will be at least 36 feet wide in rural areas and no less than four feet in urban or mountainous areas or on bridges. Bridges will be mostly deck type (no overhead structure), with minimum 14-foot clearance of any overhead signs or other structures and carrying the full width of traffic lanes and shoulders, except on bridges over 150 feet in length. Frontage roads paralleling the highway will be provided in some places. Attention is to be paid especially to

⁴ The 1956 Act added the words "and Defense" to the System title and 1,000 miles to the authorized length.

safety, adequacy and pleasing appearance. However, concern is being expressed over inability of states to prohibit billboards on private property paralleling Interstate routes, and Congressional consideration of this question is likely.

Urban access being a major highway need, the Interstate System also emphasizes routes into, through and around cities. Of the 40,000 miles of Interstate System presently designated, 5,500 miles are in urban areas. For example, according to present plans the Interstate routes in the Memphis, Tennessee, urban area will include a "circumferential" or belt line encircling the entire city, as well as an east-west route crossing the city just north of the central business district.

Progress on the Interstate System . . .

The importance attached by the Congress to early completion of the Interstate System is evidenced by the "declaration of national interest" written into the 1956 Highway Act as well as by Congressional hearings early in 1957 on construction progress. The 1956 Act authorized more Federal funds for highway construction during the four years following its passage than had been made available during the previous 40-year history of Federal highway aid. The legislation crystallized much thought and work on highway needs; it is presently facilitating long-term planning and construction programs on the part of the states and furnishing financial motivation for prompt action.

Financing at the Federal level is relatively assured by the Highway Revenue Act of 1956 which, presumably, will provide enough money for Federal contributions. The new levies are estimated to yield \$14.8 billion over their 16-year life, and twice that amount should come from previously existing levies on gasoline, tires and highway equipment.

The Secretary of Commerce and the Federal Highway Administrator have reported that as of January 1, 1957, \$2.7 billion of Federal funds authorized for the Interstate System for fiscal 1957 and 1958 had been allocated to states. Projects estimated to involve \$901 million, covering 743 miles of road, had been authorized for bid by the Secretary of Commerce. Of that sum \$286 million (496 miles) had actually been awarded, \$181 million were ready for advertising for bid, \$350 million of right-of-way contracts had been signed and \$84 million in engineering agreements had been made.⁵

⁵ Including the Federal-aid primary, secondary and urban systems, \$1.7 billion of Federal funds had been obligated up to January 1.

In their report the Secretary and the Highway Administrator expressed concern over availability of structural steel, and limited substitution of prestressed concrete beams was reported. Another point of concern was highway construction costs. As of the third quarter of 1956, the Bureau of Public Roads "composite mile" construction cost index was 3.6 per cent higher than a quarter earlier, 8.6 per cent above a year earlier and about 1 per cent above the previous peak of early 1953. Continued cost increases would necessitate revision of financing plans and might ultimately jeopardize the attainment of the full program.

... varies from state to state.

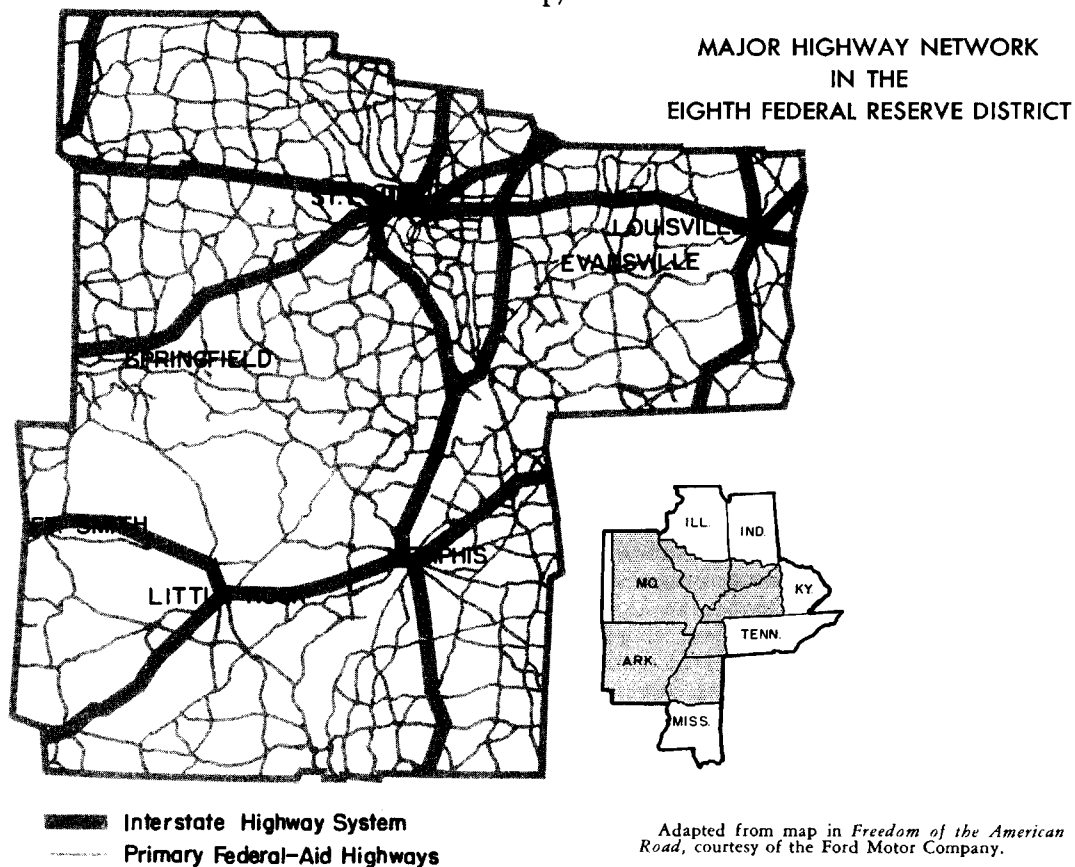
Progress to date has varied from state to state. Illinois, for example, having sufficient funds and engineering time in recent years, had plans for work on Interstate routes prepared in advance; others had to start from scratch. Thus, by January 1, 1957, six states had "obligated" (i.e., contracted out or advertised for bids) their entire fiscal 1957 and part of their fiscal 1958 Federal Interstate allocations; on the other hand, five states had obligated none. Scarcity of engineers in the state highway departments (in some measure the result of non-competitive salaries) has forced nearly all states to contract out substantial

amounts of engineering work to private firms at somewhat higher cost. State laws need revamping on access control, right-of-way acquisition and other points to facilitate the program in many states; fortunately legislatures of 45 states are meeting in 1957.

State financing is a major problem. Despite greater Federal sharing of Interstate costs, the acceleration of the regular Federal-aid system (50-50 matching) and the necessity of continuing non-Federal-aid highway construction are raising the total of state fund requirements. The Bureau of Public Roads estimates that the amount of money states must obtain to match Federal contributions will rise from \$970 million in fiscal 1957 to \$1,015 million in fiscal 1959; this rise is less rapid, however, than the jump of \$317 million in annual state matching fund requirements between 1952 and 1956.

In the Eighth Federal Reserve District work is going forward on Interstate routes . . .

The Eighth Federal Reserve District shares the highway problems of the nation but will likewise share in the nationwide attempts at alleviating the construction of highway traffic. About 2,700 miles of the Interstate System will lie within the Eighth District, connecting all major metropolitan centers and many of the smaller cities. (See accompanying map).



Adapted from map in *Freedom of the American Road*, courtesy of the Ford Motor Company.

Table I shows mileages of the Interstate System allotted to district states, as apportioned between rural and urban areas.

States in the Eighth District area will receive substantial Federal sums for the Interstate System during the coming years. Apportionments for the first three years of the accelerated program, along with the estimates of amounts of required state matching funds, are presented in Table II. As noted in the summary of the 1956 Highway Act, apportionments in subsequent years will be based on the ratio of completion cost in each state to completion cost of the entire Interstate System. Each state Highway Department is now working up its estimate of the cost of completing the System in its state. Work on the System is not awaiting this information however; according to the Bureau of Public Roads, the states listed in Table II had by January 1, 1957, obligated the following proportions of their fiscal 1957 Interstate allocations:

Illinois	100%	Mississippi	38%
Missouri	99	Kentucky	35
Tennessee	85	Indiana	11
Arkansas	49		

TABLE I
MILEAGE OF THE DESIGNATED INTERSTATE SYSTEM
IN EIGHTH FEDERAL RESERVE DISTRICT STATES
AS OF JUNE 30, 1956

	Full State			Eighth District Portion of State*
	Rural	Urban	Total	
Arkansas	482	65	547	547
Illinois	1,351	311	1,662	480
Indiana	901	211	1,112	185
Kentucky	590	78	668	280
Mississippi	611	80	691	150
Missouri	1,062	97	1,159	875
Tennessee	1,002	91	1,093	175
Total	5,999	933	6,932	2,692
United States	34,500	5,500	40,000

Source: U. S. Bureau of Public Roads.

* Estimated by the Federal Reserve Bank of St. Louis.

TABLE II
APPORTIONMENTS OF FEDERAL-AID INTERSTATE FUNDS
TO EIGHTH DISTRICT STATES
FISCAL YEARS 1957, 1958, AND 1959*
(Millions)

	1957	1958	1959	Total	State Matching Funds Required
Arkansas	\$17.0	\$24.7	\$29.1	\$ 70.8	\$ 9.3
Illinois	55.3	80.2	94.2	229.7	30.0
Indiana	28.5	41.4	48.6	118.5	15.5
Kentucky	22.0	31.9	37.5	91.4	11.9
Mississippi	18.6	27.0	31.8	77.4	10.1
Missouri	31.8	46.0	54.2	132.0	17.3
Tennessee	25.1	36.4	42.8	104.3	13.7

* Figures for fiscal year 1957 include a portion of the 60-40 funds authorized by 1954 legislation. Apportionments for 1959 have not been announced; the above 1959 figures represent allocation of the authorized \$2 billion national total in 1957 and 1958 proportions.

Source: U. S. Bureau of Public Roads. Figures for 1959 and state matching funds required are estimated by the Federal Reserve Bank of St. Louis.

Illinois had in addition obligated 18 per cent of its fiscal 1958 Interstate funds. By comparison with the nation, states in this area are doing well; five of the seven states equal or exceed the average accomplishment, and Kentucky is not far below average.

Present efforts are concentrated largely but not wholly in preliminary engineering and right-of-way acquisition.⁶ In Arkansas, one of the first Interstate projects is to be the relocation of U. S. Highway 61, major Memphis-St. Louis link between Turrell, Arkansas, and the Missouri line. In Tennessee the first Interstate construction contract is expected to be let in March or April, covering a section of the Nashville-Birmingham route (U. S. Highway 31).

On August 3, 1956, Missouri became the first state of the nation to award a contract under the new program. One project contracted, a stone's throw from the Federal Reserve Bank of St. Louis, covers a section of the Mark Twain Expressway; others include a project just west of the new Missouri River bridge at St. Charles and one in Laclede County. In January an additional \$11.8 million of Interstate contracts were let.

Illinois, with plans well advanced, has a 1957 Interstate improvement program totalling \$143 million (to be selected from \$264 million of projects with plans well advanced, \$71 million of them in the Southern part of Illinois in the Eighth Federal Reserve District). Early construction is planned on an eight-lane route from Veterans Bridge viaduct through East St. Louis and on a four-lane route from Chain-of-Rocks bridge eastward, both connecting with Interstate routes to Chicago and Indianapolis.

In Kentucky opening work on the Interstate System is planned for spring, provided sale of bonds to finance state matching funds can be arranged by that time. Mississippi has let approximately \$2.5 million of construction contracts in the System plus right-of-way and engineering costs; additional contracts are scheduled for succeeding months.

... and on other Federal-aid and non-Federal-aid highways.

While the Interstate System holds the center of interest in highway building, state, county and city highway departments must keep up work on other Federal-aid systems, as well as on non-aided routes which, though less heavily traveled, constitute the

⁶ Present projects are not the beginning of construction on Interstate routes; the routes having been largely designated in 1947, some 6,000 miles have already been brought to or close to Interstate standards.

TABLE III
MILEAGE OF ROADS AND STREETS IN THE SEVEN-STATE AREA

	In Federal-aid Systems ¹		Other Roads, Streets and Highways ²	Total Mileage in State ³
	Primary ⁴	Secondary		
Arkansas . . .	3,509	13,636	60,072	77,217
Illinois . . .	10,531	10,784	103,138	124,453
Indiana . . .	4,790	15,822	77,263	97,875
Kentucky . . .	3,866	15,203	44,449	63,518
Mississippi . .	5,104	9,492	51,703	66,299
Missouri . . .	8,249	18,896	85,354	112,499
Tennessee . . .	5,240	9,517	55,370	70,127

¹ As of June 30, 1956.

² As of December 31, 1954.

³ Combined estimate based on 1954 and 1956 mileages.

⁴ Includes Interstate mileage except for projects on new location where exact mileage was not determined.

Source: U. S. Bureau of Public Roads.

TABLE IV
NON-INTERSTATE, FEDERAL-AID FUNDS APPORTIONED TO EIGHTH DISTRICT STATES
FISCAL YEARS 1957 THROUGH 1959
(Millions)

	1957	1958	1959*	3-Year Total	State Matching Funds Required
	Arkansas . . .	\$12.3	\$12.6	\$13.0	\$ 37.9
Illinois . . .	36.5	37.9	39.0	113.4	113.4
Indiana . . .	19.8	20.3	20.9	61.0	61.0
Kentucky . . .	14.8	15.3	15.7	45.8	45.8
Mississippi . .	13.3	13.6	14.0	40.9	40.9
Missouri . . .	23.2	23.7	24.4	71.3	71.3
Tennessee . . .	17.3	17.9	18.4	53.6	53.6

* 1959 apportionment not yet announced; estimated by the Federal Reserve Bank of St. Louis from \$875 million national total and previous state proportions.

Source: U. S. Bureau of Public Roads.

greater part of the mileage. Total mileage within the seven states according to Federal-aid status is presented in Table III. Table IV reports the apportionment of non-Interstate, Federal-aid funds to these states in the three-year period.

The expected total outlay for highways in the district is surprisingly large. The seven states falling wholly or partly within the Eighth District will, in the three fiscal years 1957-1959, receive in Federal-aid funds \$824 million for the Interstate System, \$424 million for non-Interstate, Federal-aid highways and minor amounts for national forest highways. The states must raise \$108 million as their share on Interstate routes, and must match the \$424 million non-Interstate apportionment dollar for dollar (under 50-50 sharing).⁷ Assuming all these funds are raised and committed, some \$932 million will be applied to Interstate routes, \$848 million to other Federal-aid routes for a total of over \$1.75 billion in the seven states in three years.

⁷ The states' share on Interstate routes is greater than 10 per cent because some 60-40 funds from the 1954 Highway Act are included in 1957 allocations.

To these capital expenditures must be added state and local government outlays for construction on non-Federal-aid routes, for maintenance of both Federal-aid and non-Federal-aid routes and for administration and policing. Although state figures on expenditures for these purposes are not available, Bureau of Public Roads figures showed that in 1956 Federal-aid projects comprised only about a fifth of total highway spending, about a third of capital outlays and only 45 per cent of capital outlays on non-toll facilities. The bulk of street and highway expense is met by state and local government units. Despite a boost in the Federal share of construction outlays and a probable decline in outlays for toll facilities, state and local expenditures for construction and maintenance may largely maintain their relative positions. Hence, three-year capital outlays in the seven-state area twice the \$1.75 billion on Federal-aid mileage seem likely, with another \$2.5 billion for maintenance, administration and policing. Of the projected \$6 billion three-year outlay, \$4.75 billion would be furnished by state and local governments.

The speeded-up highway program will have extensive impacts on the nation and the district.

An undertaking as large and many-sided as the current highway construction program will inevitably have manifold and important effects. These effects may be divided into three general categories. The first relates to financing and the inter-relationships of national and state governments. The second group of effects stems from the construction process. The third comprises results flowing from the existence and use of the improved roads.

In the first category, the enlarged share of Federal funds applied to highways is shifting the balance of Federal-state powers with respect to highways toward the Federal government, a shift previously evidenced in areas such as employment security and old age benefits. Though conceivably a state could negate Federal requirements as to highway design, routes, conditions of use and so on by refusing to accept Federal matching funds, such a course is highly unlikely. Thus states must be prepared to accept less control over highways within their borders as well as some conditions of highway use not entirely to their liking. For example, size and weight limitations will keep farm equipment off the super highways, and strict control of access will keep would-be users from getting onto or crossing the Interstate routes for long stretches in rural areas.

Moreover, states are being pushed, sometimes involuntarily, toward increased emphasis on highway construction. With demands on most state treasuries tending to exceed available funds, the result may be higher taxes, higher bonded indebtedness (at higher interest rates than in recent years) and perhaps less emphasis on other pressing needs such as enlargement of educational facilities. For example, Kentucky voters last fall authorized a \$100 million bond issue, with proceeds to be applied only as state matching funds for highways, and a \$30 million issue for highways has been recommended by the Governor of Tennessee.

Aside from bond issues, state funds for highways come from gasoline taxes, registration and license fees, gross receipts and mileage taxes, and toll fees; at the local level property taxes and to some extent local gasoline and auto license fees provide road funds. Some tax, license fee, and bonded indebtedness increases appear inevitable if states are to maintain their present programs and match increased Federal fund apportionments.

Major effects will come from right-of-way acquisition . . .

A second series of effects will come from the actual building of the highways. Preliminary planning and engineering will require additional manpower. As mentioned earlier, most states are contracting out portions of this work, but highway department staffs will probably be enlarged somewhat.

Acquisition of right-of-way, a second step in construction, will present problems, particularly within urban areas where it will be necessary to clear houses, commercial and industrial buildings and other structures from the land, and to relocate streets, communications, water and sewer lines. Long-established families and business firms will be forced to move and some business discontinuances may result from this step. Such right-of-way will be costly and will remove properties from the tax bases of local government units. Because of the widths of right-of-way required by Interstate System standards, the superhighways will divert substantial acreages from other uses; the narrowest right-of-way (150 feet) represents 18.2 acres per mile, to which must be added areas for cloverleaves and other appurtenances. Eight-lane divided highway with frontage roads requires a minimum 300 feet of right-of-way, representing 36.4 acres per mile of highway.

On the other hand, route planning and right-of-way acquisition offer some opportunities to improve zoning and industrial planning, and to encourage

slum clearance. Superhighways may be used to separate industrial areas from residential, and minimizing right-of-way costs may dictate following low-property-value routes sometimes coinciding with deteriorated urban areas. Adequate planning is essential to realization of maximum benefits on these scores.

One undesirable result consequent upon the width and limited access features of the superhighways is what may be called the "barrier effect"; that is, though the highways will facilitate travel *along* their route, they will hinder or prevent travel from one side of the highway to the other. An extreme example occurred in an eastern city when a man was arrested for crossing a freeway on foot; he explained that the highway lay between his home and his job a half mile away, and having no automobile his only alternative to crossing on foot was a two hour bus ride. Most cross-travel hindrance, of course, will be less burdensome, and it may be assumed that the most compelling barrier problems will be mitigated by construction of overpasses and underpasses. But these structures add greatly to cost. On balance, cities will have problems in providing fire and police protection and utility services because of the barrier effect. School districts may require realignment also. In rural areas farms may be cut in two, and travel distances across Interstate routes lengthened.

. . . as well as from actual construction.

An inevitable effect of an accelerated highway construction rate will be to draw resources of manpower, cement, steel and other materials into the program. Estimates suggest that 442,000 men will be employed on highway building at the program's peak in the early 1960's, a rise of 58 per cent from the 280,300 so employed in September, 1956 (when total United States construction employment amounted to 3,340,000). The 13-year program is estimated to require 48,737,000 tons of steel, 1,399,000,000 barrels of cement, 9,322,000,000 board feet of lumber and timber piling, and 13,280,000,000 gallons of motor fuels, lubricating oils and grease. About a quarter of steel requirements are in wide-flange structural shapes, currently in such short supply as to slow the entire program appreciably. Cement-making capacity will apparently be ample, and no equipment shortages are foreseen.

Highway construction activity will provide increased need and opportunity for bank financing of highway contractors' operations. Contractors must provide equipment and materials and meet their payrolls during the construction period, subject to

partial reimbursement at stages during that period. Final settlement is made after acceptance of the project by the state or other contracting authority. On large projects the sums tied up in equipment and working capital can thus be substantial.

Completion of the Interstate System should improve traffic flow, though at increased cost.

The improved highways will bring a third series of effects, with some results even preceding completion. Intercity highway travel will be speeded and access to city centers improved, lessening drivers' strain and tension and adding to the sheer pleasure of driving and riding. Speedier truck travel should lower transportation costs to some extent.

Faster and more comfortable road transportation will not be achieved without increasing conscious recognition of the rising economic and social costs of automobile use. The cost of the car itself plus out-of-pocket expenditures for gasoline, tires, repairs and insurance are only a part of the total cost of driving. Every additional automobile which appears on the streets or highways requires an increment of traffic-carrying capacity, parking space, street and highway maintenance, policing and administration, to say nothing of increases in such social costs as growing danger to life and limb, noise and air-pollution.

In the past some of these costs have been ignored, avoided or borne by others than car owners (e.g., property owners, income-tax payers or the general public). It is becoming clear that they can no longer be ignored or substantially transferred to non-users. The Highway Acts of 1956 add to the costs of motor vehicle use through increased taxes on gasoline, tires, trucks, trailers, buses and heavy truck use. With highway construction cost increases and authorized mileage additions, more highway revenue may become necessary. Further moves toward more direct assessment of auto use costs against benefited groups are implied in the costs-and-benefits study required by Congress in the Highway Revenue Act of 1956.

The System will encourage highway businesses, . . .

Easier driving conditions may encourage automobile ownership even further, and increased driving will boost the sales volume of service stations, garages, motels and other highway-service businesses. With limited access on the superhighways, these service businesses will be clustered at access points and motorists will have to plan their stops slightly farther in advance. However, concurrent improvement of other Federal-aid routes will broaden the opportunities for service businesses and for their suppliers.

. . . strongly affecting urban centers and suburban developments.

Effects of improved access on city centers will be important. At first glance, it appears that ease of reaching downtown shopping areas may redress the postwar decentralization trend in retail sales. However, increased pressure on downtown parking facilities may prove a bottleneck unless civic and private action to provide more downtown parking capacity is successful. Furthermore, improved city access may work toward greater decentralization of retailing through the stimulus given to suburban residential development and consequently to suburban shopping facilities.

Concern has been expressed in many small and some larger cities over the effects of by-pass and circumferential routes on business volume, the feeling being that by-pass routes will divert business to other areas. The contention is probably true for certain highway service businesses, depending upon their locations. However, experience in California, where by-pass routes are already common, shows that business volume is usually aided by decreased congestion, permitting better service of the economic functions of the city to its natural market area. Studies of by-pass effects are now being made in Missouri, involving Rolla, Lebanon, Waynesville and Sullivan.

Industrial development will be stimulated throughout the nation and the Eighth District.

A major result of the existence of improved highways will come in industrial locations. More and more industrial firms are coming to depend on highway truck transportation.

The Interstate System of highways, offering speedy truck service between cities as well as into city centers will doubtless encourage new industrial development (and some decentralization of existing industries from within the congested sections) in previously less industrialized areas, where low land costs permit the sprawling one-story factory building demanded by modern straight-line production processes and where easy worker-access and parking space add to the attractions of the sites. Such locational advantages as stem from the improved 41,000-mile highway net will, of course, be widespread over the 48 states and the District of Columbia. Certainly, the Eighth District states, lying squarely in the path of some of the most important of the new superhighways, will benefit at least as much as the others.

D. C. HASTINGS.

District Member Bank Earnings in 1956

Net current earnings of district member banks were in record volume during 1956.

DURING 1956 many member banks in the district made the largest annual net current earnings in history. But some banks earned less than in an earlier year, and a few operated at a loss. In the aggregate, net current operating earnings of these banks rose to \$86 million, 13 per cent above the previous peak in 1955. The greater earnings largely reflected a strong demand for bank credit and a general rise in interest rates. Partial offsets were continued increases in wages, salaries, interest payments on savings accounts and other operating expenses. After losses on security sales and other charges to earnings, net profits of these banks totaled \$65 million, somewhat larger than a year earlier, but below the level of 1954.

Increased operating earnings, largely occasioned by a growth in loans, . . .

Total operating earnings of district member banks climbed to \$209 million, some \$20 million above the previous record established in 1955. The bulk (84 per cent) of the dollar increase resulted from a larger return on loans. Since the demand for credit was heavy, especially in the first half-year, loan volumes rose at a relatively sharp rate. The increase was more than the growth of deposits at many institutions and bankers generally liquidated securities and, in some cases, drew down cash balances in order to meet the loan needs of their customers. Also, many banks became more aggressive in attracting new funds as evidenced by an increase in advertising budgets, large outlays for remodeling banking offices, marking rates on savings accounts higher and so forth. In addition to the larger volume of loans outstanding, the average interest rates on these advances crept up somewhat, particularly on large advances made at the bigger banks, where interest rates are generally the most sensitive. Prime business borrowers, for instance, were required to pay 4 per cent late in the year as against 3½ per cent when the year began.

Earnings on securities, both Government and other, continued to work up also. For Government securities, the rise reflected a jump in the average rate of return from 2.15 per cent during 1955 to 2.47 per cent in 1956, partly offset by a decline in average holdings. For other securities, the increase resulted from larger

holdings reduced by a slight decline in average interest rates on these investments, probably reflecting a relatively larger concentration of new funds in the lower-yielding, tax-exempt obligations.

Indications are that income from service charges on deposit accounts continued to rise. For certain banks, these charges are an important source of revenue; in the aggregate, service charges totaled roughly \$8 million or 4 per cent of total earnings.

. . . were partly offset by a rise in all major expense items.

Expenses of district member banks continued to rise during 1956, not only in the aggregate but in relation to the growth of the banks. In 1956 it cost Eighth District member banks \$2.05 for every \$100.00 of assets to operate. By comparison, total current operating expenses were \$1.93 per \$100.00 of bank resources in 1955, \$1.84 in 1954, \$1.77 in 1953 and \$1.20 in 1946. This steady increase in costs of operation has put pressure on bank managements to earn more on the funds at their disposal.

Current operating expenses amounted to \$123 million, or \$10 million more than during 1955. Roughly half the increase was in wages and salaries. The larger payrolls resulted from both a moderate expansion in the average number of officers and employees and a rise in pay rates. Preliminary indications are that average wage and salary payments were about 6 per cent higher in 1956 than in 1955. Yet studies indicate that in many localities wages and salaries of bank personnel, especially the top officers, lag behind comparable jobs in commerce and industry generally.

For the fourth straight year there was a substantial jump in the amount of interest paid on time and savings deposits. The increase was occasioned by a growth in the volume of time deposits plus the fact that a considerable number of banks paid a higher rate of interest on these accounts.¹ Indications are that interest payments on savings accounts will again rise sharply during 1957, since many banks have recently announced further increases in their rates on these funds. Most other current expenses, such as

¹ The higher rate of interest paid on time and savings deposits in 1956 did not reflect the increase in legal maxima announced December 6, 1956, and effective January 1, 1957. The increase on savings deposits and on time deposits having a maturity of six months or more was from 2½ per cent to 3 per cent.

depreciation, taxes (other than income taxes), advertising, directors' fees and interest on borrowed money, continued to edge upward.

Net profits (before taxes) amounted to \$65 million,...

The record net current operating earnings were reduced by net losses on security transactions which were greater in 1956 than in other recent years. These losses were primarily the result of the continued decline in most security prices, the need for funds by many banks requiring a liquidation of a part of these holdings, and tax advantages to certain banks in taking losses on securities during 1956 by shifting their portfolios. Thus, net profits (before taxes) which totaled \$65 million in the year were only \$3½ million more than in 1955 and \$5 million less than the peak year 1954.

Actual losses on bad loans or on securities in default during 1956, as in other recent years, were quite small for nearly all district banks. However, charges against earnings to build up reserves for such contingencies continued to increase.

... of which \$26 million was absorbed in payment of income taxes,...

Income taxes took a substantial share (\$26 million) of the net profits, an increase of \$1½ million over the aggregate of income taxes charged against operations for the previous year. The rise in income taxes reflected primarily the gain in profits before taxes. As a percentage of profits, income taxes paid by district member banks amounted to 40 per cent during 1956, virtually the same as in 1955.

... and stockholders received \$17 million,...

Stockholders received over \$17 million as cash dividends, \$1½ million more than in 1955. Some banks raised their regular dividend rates, and others declared an "extra." The greater amount of cash dividends continued the steady upward trend in these payments in the postwar period. However, as a consequence of the growth in bank capital accounts, cash dividends remained 2.9 per cent of total capital.

... leaving \$22 million to strengthen bank capital structures.

Retained earnings have been the major source of funds contributing to growth of capital accounts of district member banks. During 1956 these banks kept \$22 million of their profits to add to capital structures. This was about the same in dollar amount as in 1955, but nearly \$5 million less than in 1954. On a percentage basis the amount of profits after taxes retained (56 per cent) was lower than in 1955 (58 per cent) or 1954 (64 per cent).

Despite the smaller percentage of profits retained, member banks continued to add to their capital structures during 1956 at a more rapid rate than total assets or total deposits increased. During the year capital averaged 8.4 per cent of total resources and 9.3 per cent of deposits, compared with 5.6 per cent and 6.0 per cent respectively in 1946. Capital accounts even increased faster than "risk" assets (assets other than cash and Government securities), the ratio rising from 22.1 in 1955 to 22.4 in 1956.

NORMAN N. BOWSHER

**EARNINGS AND EXPENSES
EIGHTH DISTRICT MEMBER BANKS
(In Millions of Dollars)**

	1954	1955	1956 p
Interest and Discount on Loans	101.0	112.3	129.0
Interest on Government Securities	40.9	42.9	43.5
Interest on other Securities	9.5	10.8	12.1
Service Charges on Deposits	6.8	7.5	8.2
Other Current Earnings	15.4	15.6	16.3
Total Current Operating Earnings	173.6	189.1	209.1
Salaries and Wages	52.2	55.0	59.9
Interest on Time Deposits	14.2	15.2	16.8
All other Expenses	39.5	42.7	46.2
Total Current Operating Expenses	105.9	112.9	122.9
Net Current Operating Earnings	67.7	76.2	86.2
Net Losses and Charge-offs	2.5	14.5	21.0
Net Profits Before Taxes	70.2	61.7	65.2
Taxes on Net Income	29.1	24.6	26.1
Net Profits After Taxes	41.1	37.1	39.1
Cash Dividends on Common Stock	14.7	15.6	17.1

p—Preliminary

**SELECTED OPERATING RATIOS
EIGHTH DISTRICT MEMBER BANKS
(In Per Cent)**

	1954	1955	1956
Net Current Earnings to Capital Accounts	14.7	14.9	15.2
Net Profits (after taxes) to Capital Accounts	10.2	8.1	7.9
Cash Dividends to Capital	3.0	2.9	2.9
Total Earnings to Total Assets	2.95	3.10	3.27
Total Expenses to Total Assets	1.84	1.93	2.05
Net Current Earnings to Total Assets	1.11	1.17	1.22
Net Profits to Total Assets	0.76	0.65	0.65
Interest on Government Securities	2.08	2.15	2.47
Interest and Dividends on Other Securities	2.59	2.64	2.57
Earnings on Loans	5.71	5.81	5.83
Capital Accounts to Total Assets	7.8	8.2	8.4
Time to Total Deposits	23.6	24.2	24.3
Interest to Time Deposits	1.23	1.28	1.37
U. S. Government Securities to Total Assets	38.2	37.4	35.8
Other Securities to Total Assets	7.5	8.0	8.3
Loans to Total Assets	29.6	31.3	32.7
Cash Assets to Total Assets	24.0	22.5	22.4

Survey

OF CURRENT CONDITIONS

Released for publication March 1

FEBRUARY'S BUSINESS REPORTS brought further evidence of the leveling off of economic activity in the Eighth Federal Reserve District. Industrial activity showed no major change of pace in late January and February. Following the seasonal pattern, total nonagricultural employment in the district's major areas declined in January but, in contrast to national experience, was generally less than a year earlier. Department store sales in the district continued at about the same rate as in February 1956, but new car sales were reportedly slower. Manufacturing and mining concerns increased their bank indebtedness less than the usual amount for the four weeks ended February 20, though the growth in borrowings by retailers and wholesalers was apparently somewhat larger.

Prices of basic commodities in the sensitive spot markets continued to decline in February. Average wholesale prices, however, remained fairly steady and consumer prices continued to rise. Influenced by reduced prices and improved availability of raw materials, manufacturers' inventories of purchased materials have apparently been reduced during the month. Over the same period, there are indications that retailers' and wholesalers' stocks may have increased moderately.

Industry

Industrial activity in the Eighth District showed no major changes of pace in late January and February. Aside from normal seasonal slowness, production rates were well maintained in most industries.

Steel mills in the St. Louis area operated at about 96 per cent of capacity in February, a slight gain from January's 94 per cent. Because of capacity increases, tonnage output in January and February this year was close to year ago levels despite slightly lower operating rates.

Automobile output in the district in February probably dropped slightly from January, although exceed-

ing output in February a year ago. While one maker cut output rates late in the month, some double-shift and Saturday operations were scheduled by others. Farm equipment makers were back to nearly normal production levels following recalls during January of workers laid off last fall.

Crude petroleum output in the district continued to gain as a result of heavy world demands. January production averaged 396,000 barrels per day compared with 395,000 during November and December and 381,000 in January 1956. On the other hand, coal mining in both district and nation slackened slightly and was behind year ago rates in January and February.

In the lumber industry, southern pine mills continued their operations at last year's levels, but hardwood mills used only 83 per cent of capacity in January and February compared to 92 per cent last year.

Meat packing in the St. Louis area picked up in February after a slight drop in December and January from last fall's high rates. Figures through January show a similar pattern for major packing centers in the district.

Construction

Construction activity was at a high level, but indicators of future activity declined. Outlays for new construction in the nation in January were at a seasonally adjusted annual rate of \$44.8 billion, compared with actual expenditures of \$44.3 billion in 1956. But contract awards for heavy construction in the first eight weeks of the year were 18 per cent less than a year earlier, chiefly because of a sharp drop in contracts for private work. Contracts for public construction were up 10 per cent.

Labor Markets

Following the seasonal pattern, total nonagricultural employment in the district's six large labor mar-

ket areas declined from December to January. Substantial losses in construction, trade and government services were responsible for the seasonal drop. Within the manufacturing sector of employment, there were a few significant changes. Evansville's manufacturing employment rose by 800 because of increases at motor vehicle and refrigerator plants. In Memphis employment in nonelectrical machinery increased by 450 during January following recalls in the farm equipment industry. In the St. Louis area, although employment increased in the aircraft industry and to a lesser degree in the nonelectrical machinery industry, losses were experienced in chemicals, fabricated metals and primary metals industries.

In contrast to national experience, employment in the district's major areas was generally below peak levels. Employment was lower this January than a year ago in the St. Louis, Louisville, Memphis, and Little Rock areas. In Evansville employment was below January levels of 1953 and 1954, although there were 900 more people employed than in January 1956. In Springfield, on the other hand, employment was slightly higher than in any previous January.

Insured unemployment continued to climb in Louisville. During the week ended February 23, the volume of claims for unemployment insurance was about 40 per cent over a year ago and more than 10 per cent over the last week of January. In St. Louis and Memphis, claims were slightly higher than a year ago, but in Evansville they were less.

Trade

Reports from department stores indicated that consumers were buying in February at about the same rate as a year ago. As in January, sales of district stores remained close to the year earlier level in the four weeks ending February 23. In January and in the first part of February, the number of new cars retailed remained less than a year earlier. However, with higher prices than a year earlier, the dollar volume of sales was greater. Sales of some household durable goods slowed in January and the first two weeks of February, according to reports from a small sample of department stores. Sales of major appliances were less than in the same period a year

ago, and furniture and floor covering sales also declined slightly. Radio and television sales, however, were greater.

Prices

Price trends continued to be mixed during February. In the sensitive spot markets, prices of most basic commodities declined further, reflecting weakness in all commodity groups. The more comprehensive index of wholesale prices, however, remained virtually unchanged from mid-January to February 19 as lower prices of farm products and processed foods were approximately offset by higher prices of other commodities. In addition, price supports were cut on a number of agricultural commodities, some important in the Eighth District. However, current prices were generally above levels of a year ago. Farm product prices were up 3 per cent, processed foods were 5 per cent higher, and all other commodities averaged 4 per cent above. Reflecting higher wholesale prices and other costs, prices at the retail level continued to rise. The consumer price index rose to another new record in January and was expected to continue upward in February.

Banking

During the four weeks ended February 20, total loans at weekly reporting banks in the district declined \$26 million or 1.5 per cent, somewhat more than usual for this period. All major loan categories except advances to brokers and dealers for purchasing or carrying securities showed reductions, with the bulk of the decrease centering in business loans. Public utilities made substantial net repayments, and manufacturing and mining concerns increased their indebtedness less than usual for this time of year. The only major industry in the manufacturing and mining category that showed strength was the petroleum group. On the other hand, trade concerns, both retail and wholesale, borrowed on balance in contrast to average net repayments during the corresponding weeks of recent years. The current decline in real estate loans was somewhat sharper than during the comparable weeks last year. However, the decline in "other" loans, largely to consumers, of 2 per cent was roughly normal for this time of year.

The District Record

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Jan. 1957	Jan. 1957* compared with Dec. 1956	Jan. 1956
Industrial Use of Electric Power (Thousands of KWH per working day, selected industrial firms in 6 district cities)	n.a.	n.a.	n.a.
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity)	94	+ 6	- 5
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	81.0 p	-0-	-11
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	396.1	-0-	+ 4
Freight Interchanges at St. Louis. (Thousands of cars—25 railroads—Terminal R. R. Assn.)	101.3	+ 2	- 7
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	115.4	-11	-16
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	205.3	+ 7	- 1
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	83	+ 4	-10

* Percentage change is shown in each case. Figures for the steel ingot rate, Southern hardwood rate, and the coal production index, show the relative percentage change in production, not the drop in index points or in percents of capacity.

p Preliminary. n.a. Not available.

Banking

BANK DEBITS¹

	January 1957 (In millions)	January 1957 compared with December 1956	January 1956
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	\$ 162.2	+ 8%	+ 24%
Evansville, Ind.	204.5	+ 13	+ 11
Little Rock, Ark.	203.7	+ 1	+ 2
Louisville, Ky.	892.7	-10	+ 2
Memphis, Tenn.	880.8	-0-	+ 11
St. Louis, Mo.	2,525.1	- 2	+ 4
Total—Six Largest Centers	\$4,869.0	- 2%	+ 6%
Other Reporting Centers:			
Alton, Ill.	\$ 39.1	+ 1%	-0-%
Cape Girardeau, Mo.	22.0	+10	+25
El Dorado, Ark.	32.4	+ 5	-0-
Fort Smith, Ark.	63.1	+12	+10
Greenville, Miss.	32.4	+ 9	+ 5
Hannibal, Mo.	11.6	+ 4	+ 5
Helena, Ark.	10.9	+ 5	+ 5
Jackson, Tenn.	28.5	+ 5	+ 4
Jefferson City, Mo.	125.1	+64	+39
Owensboro, Ky.	57.2	-10	+ 3
Paducah, Ky.	29.1	-10	+ 4
Pine Bluff, Ark.	46.7	+ 6	+ 20
Quincy, Ill.	43.3	+ 3	+ 5
Sedalia, Mo.	17.8	+10	+ 8
Springfield, Mo.	98.6	+10	+12
Texarkana, Ark.	20.7	- 5	- 1
Total—Other Centers	\$ 678.5	+11%	+12%
Total—22 Centers	\$5,547.5	- 1%	+ 6%

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

	1957	1956	1956
	Jan.	Dec.	Jan.
	174.6	172.9	164.1

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

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Dec. 1956	Percentage Change	
		Dec. '56 from Dec. '55	Jan. thru Dec. 1956 compared with 1955
Arkansas	\$ 67,347	-17%	+14%
Illinois	156,935	+15	+13
Indiana	84,158	+13	+ 3
Kentucky	162,353	+ 7	+ 1
Mississippi	47,352	-29	+1
Missouri	86,194	+ 4	+ 7
Tennessee	72,356	+ 3	+ 9
7 States	676,695	+ 2	+ 8
8th District	343,585	- 4	+ 8

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

Construction

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT*

	(1947-1949=100)	Dec. 1956	Nov. 1956	Dec. 1955
Unadjusted				
Total	n.a.	160.7 p		197.0
Residential	n.a.	148.1 p		254.7
All Other	n.a.	166.6 p		170.2
Seasonally adjusted				
Total	n.a.	187.5 p		253.9
Residential	n.a.	174.2 p		318.4
All Other	n.a.	193.7 p		223.9

* Based on three-month moving average (centered on mid-month) of value of awards, as reported by F. W. Dodge Corporation.
p Preliminary
n.a. Not available.

ASSETS AND LIABILITIES OF EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)	Weekly Reporting Banks		All Member Banks	
	Feb. 20, 1957	Change from Jan. 23, 1957	Jan. 30, 1957	Change from Dec. 26, 1956
Assets				
Loans ¹	\$1,633	\$-26	\$2,623	\$- 67
Business and Agricultural Security	\$65	-16		
Real Estate	51	-0-		
Other (largely consumer)	274	- 2		
U. S. Government Securities	469	- 8	1,914	- 31
Other Securities	847	-25	489	- 6
Loans to Banks	219	+ 2		
Cash Assets	10	+ 4	1,418	-213
Other Assets	877	-17	73	- 1
Total Assets	\$3,628	\$-65	\$6,517	\$-318
Liabilities and Capital				
Demand Deposits of Banks	\$ 660	\$-54	\$ 737	\$-125
Other Demand Deposits	2,019	-17	3,866	-218
Time Deposits	591	+ 7	1,296	+ 17
Borrowings and Other Liabilities	74	- 3	116	+ 7
Total Capital Accounts	284	+ 2	502	+ 1
Total Liabilities and Capital	\$3,628	\$-65	\$6,517	\$-318

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	Stocks on Hand	Stocks-Sales Ratio	Percentage of Accounts and Notes Receivable Outstanding Jan. 1, '57, collected during Jan.		Net Sales
			Instal. Accounts	Excl. Instalment Accounts	
Jan., 1957 compared with Dec., '56 Jan., '56					Jan., 1957 compared with Dec., '56 Jan., '56
8th F.R. District Total	-56%	+ 3%	17	48	-45%
Fort Smith Area, Ark. ¹	-62	+ 8	13	40	+ 5
Little Rock Area, Ark.	-57	+ 3		41	- 2
Quincy, Ill.	-60	+ 1			-35
Evansville Area, Ind.	-56	+ 8	19	45	-15
Louisville Area, Ky., Ind.	-61	+ 5	19	45	- 3
Louisville (City)	-59	-0-			
Paducah, Ky. ¹	-55	+22	18	57	
St. Louis Area, Mo., Ill.	-53	-0-	18	57	
St. Louis (City)	-51	- 3	15	34	
Springfield Area, Mo.	-59	+ 7			
Memphis Area, Tenn.	-54	+ 7			
All Other Cities ²	-62	+ 4			

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.

Outstanding orders of reporting stores at the end of January, 1957, were 11 per cent lower than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Jan. 1957	Dec. 1956	Nov. 1956	Jan. 1956
Sales (daily average), unadjusted ³	94	216	161	95
Sales (daily average), seasonally adjusted ³	125	130	134	127
Stocks, unadjusted ⁴	n.a.	123	154	121
Stocks, seasonally adjusted ⁴	n.a.	136	137	139

³ Daily average 1947-49=100

⁴ End of Month average 1947-49=100

n.a. Not available.

Trading days: Jan., 1957—26; Dec., 1956—25; Jan., 1956—25.

RETAIL FURNITURE STORES

	Jan., 1957 compared with Dec., '56	Jan., '56
8th Dist. Total ¹	-45%	-0%
St. Louis Area	-45	+ 5
Louisville Area	-42	- 2
Memphis Area	-50	-35
Little Rock Area	-58	-15
Springfield Area	-46	- 3

¹ In addition to the following cities, shown separately in the table, the total includes stores in Blytheville, Fort Smith, Pine Bluff, Arkansas; Owensboro, Kentucky; Greenwood, Mississippi.

Note: Figures shown are preliminary and subject to revision.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Jan., '57	Dec., '56	Jan., '56
Cash Sales	14%	14%	14%
Credit Sales	86	86	86
Total Sales	100%	100%	100%