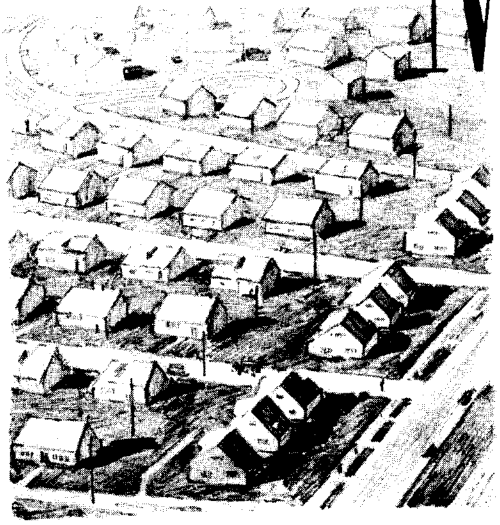
Monthly Review

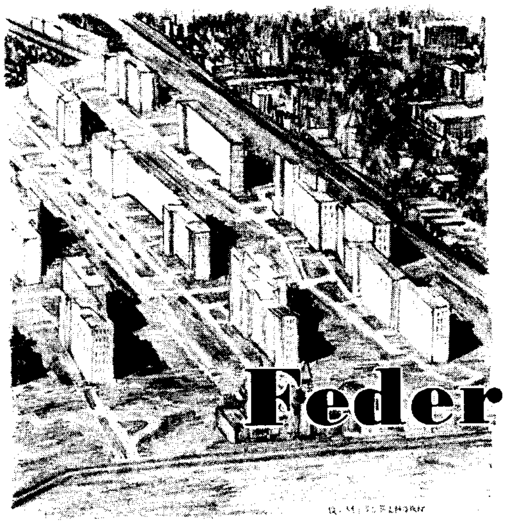
February 1958 Volume XXXX Number 2

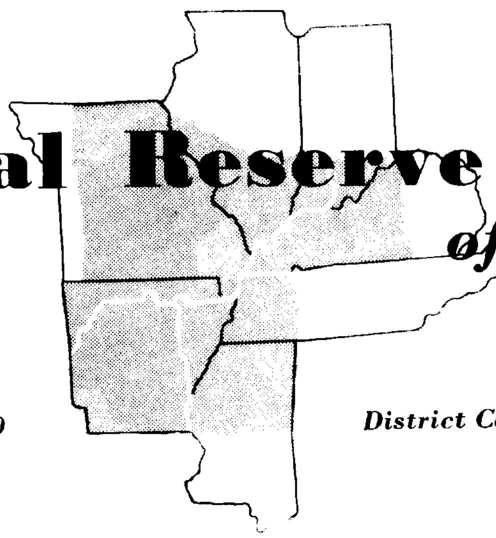


Homebuilding Trends and Needs

AT THE CONCLUSION of World War II, one of the nation's most pressing needs was to increase and improve the housing supply. In response to the urgent demand for housing, some 13 million dwelling units have been built since 1945. Rising incomes and easier mortgage terms have encouraged home ownership. Since 1950, the rate of homebuilding has been influenced by the supply of mortgage funds and rising home prices.

In the nation and district, the quality of the housing supply has been improved by public housing and urban renewal projects. In addition, privately owned housing has been improved by substantial outlays for additions and alterations and for maintenance and repairs. While progress has been made, much still remains to be done to eliminate substandard housing and provide for our expanding population.





Federal Reserve Bank of St. Louis

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Homebuilding Trends and Needs

At the conclusion of World War II, one of the nation's most pressing needs was to increase and improve the housing supply.

WITH HOMEBUILDING during the depression thirties and World War II at a substantially lower rate than the increase in population and households, the nation's housing supply became woefully inadequate. In that period of fifteen years, less than five million dwelling units were erected, while there was an increase of about nine million in the number of households.[1] The pressure of population growth upon the housing supply resulted in the well-remembered acute shortage of housing in the early postwar period which found many families doubling up or using seasonal and other inadequate housing.

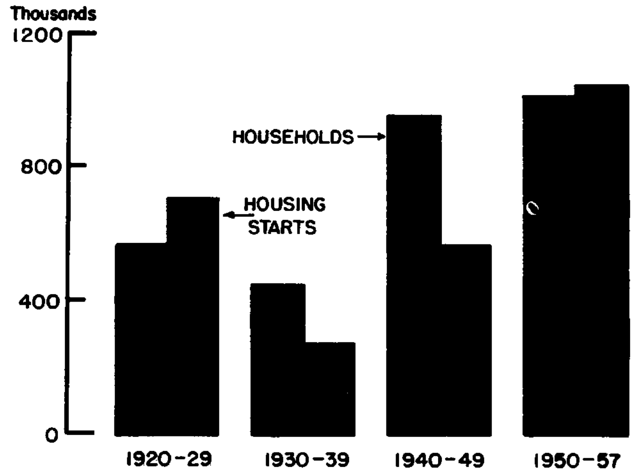
In addition to the pressing need for additional housing, many of the units used were substandard. In 1950, according to the Census, 7 per cent of all urban dwelling units were dilapidated and another 14 per cent, although not dilapidated, lacked essential plumbing. Thus, nearly 7 million, or roughly one in five of the total of 32.7 million dwelling units in urban places, were below standards considered desirable in American housing. In 1940 the National Housing Agency had estimated that 7 million, or about one-fourth of the 30 million houses, were substandard.

[1] This article covers only "nonfarm" housing. To avoid needless repetition, references throughout will be to nonfarm housing even though not so specifically stated.

In response to the urgent demand for housing, some 13 million dwelling units have been built since 1945.

In response to the urgent need for housing, the growth of population and number of families, and the desire and ability to obtain better housing, nearly 13 million dwelling units have been built since 1945. During that time the number of nonfarm households has risen by 11 million to a total of about 44 million. In addition to the new housing more units have been made available as a result of conversions of nonresidential buildings to residential use and the subdivi-

Net Annual Change in Nonfarm Households and Housing Starts
Selected Periods 1920 - 1957



Source: Bureau of Labor Statistics.

sion of larger units into multiple dwelling units. While some units were lost over the same period due to various causes, there has been substantial improvement in the overall housing situation since 1945.[2]

The number of married couples without their own households, one index of the pressure of population on the housing supply, has declined sharply in the postwar period. In April 1947 some 2.9 million couples, 9 per cent of the total, were without their own households. By March 1957 this number had declined to about 1.3 million or only 3.3 per cent of the total number of married couples. There is still little slack in the housing supply, however. In 1957 only about 2.3 per cent of the dwelling units not dilapidated and usable the year round were vacant and available for rent or sale. This vacancy percentage was actually somewhat less than in 1956 but was above the April 1950 rate of 1.6 per cent.

Rising incomes and easier mortgage terms have encouraged home ownership.

An important aspect of the postwar growth of the housing supply in the nation has been the increase in home ownership. The proportion of families owning their homes increased from 44 per cent in early 1949 to 54 per cent in early 1957, and the number rose from 20 to 28 million. The growth of home ownership reflects, in addition to the more widespread use of the amortized mortgage, a number of factors, chief among them being rising incomes, large liquid asset holdings and favorable mortgage financing terms.

Personal income has risen rapidly in the postwar period, not only in the aggregate, reflecting an expanding labor force, but also on a per capita or per family basis. Even after allowance for rising prices and population growth, incomes in 1957 were about one-half larger than in 1940. The large liquid asset holdings accumulated during the war and postwar period have also enabled consumers to purchase houses. Throughout the postwar period holdings of currency, bank deposits and Government securities continued to increase, although at a less rapid rate than income, and have been substantially larger than in the prewar period in relation to income. Perhaps one of the most basic factors accounting for the rise in home ownership in the postwar period has been the availability of favorable mortgage terms. Government insured and guaranteed mortgages, because of the lower initial and monthly payments, have enabled many persons to purchase houses which they would not have been otherwise able to purchase under the type of mortgage financing generally available in the prewar period.

Since 1950, the rate of homebuilding has been influenced by the supply of mortgage funds . . .

Homebuilding expanded rapidly from the end of World War II through 1950. During these early years funds were readily available from current and past savings but the production of building materials and supplies was a limiting factor which was gradually overcome. Since about 1950 the situation has changed and the flow of mortgage funds has at times restricted the volume of residential construction. Other forces were at work, too. Chief among these were the controls imposed on homebuilding in the Korean period. In 1952, when Regulation X was dropped, residential construction expanded slightly, but remained below the peak 1950 output. The reduction in homebuilding in 1951 and 1952 resulted partly from reduced availability of residential mortgage funds. The growing need for capital funds by business and industry from 1951 through the first part of 1953 was accompanied by rising interest rates on securities. As these interest rates rose, the fixed rate of 4 per cent on VA mortgages and 4¼ per cent on FHA mortgages made these investments less attractive to investors. As a result, the flow of funds into FHA and VA mortgages was reduced and higher downpayments and shorter amortization periods were required. Partially offsetting the reduced flow into Government-underwritten mortgages, there was an increased flow of funds into conventional residential mortgages. Accompanying the diminished supply of residential mortgage funds, the rate of homebuilding turned down in the spring of 1953.

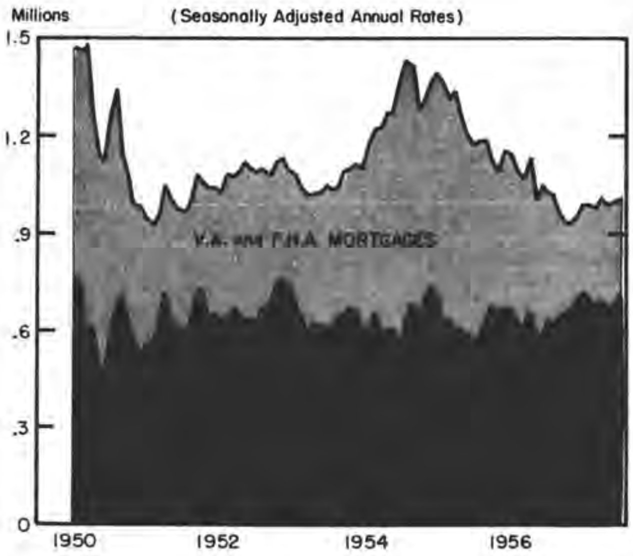
In the latter part of 1953 the demand for capital funds by business temporarily decreased, monetary policy was eased, and interest rates declined sharply. As a result, commitments for VA and FHA mortgages expanded in the second half of 1953. Beginning in the latter part of that year the rate of homebuilding turned upward, rising 40 per cent from August 1953

[2] The 1956 National Housing Inventory conducted by the Bureau of the Census indicated a net increase of 9.4 million farm and nonfarm dwelling units between April 1, 1950, and December 31, 1956. Total additions of 12.6 million units were offset by 3.2 million units lost through demolition, merger and other means.

to December 1954, after allowance for seasonal changes. With a large volume of funds flowing into VA and FHA mortgages, lending terms were eased. The average maturity period increased and downpayments were reduced.

In 1955 and 1956 the rate of homebuilding declined again, reflecting in part the impact of tightening capital market conditions. Capital outlays by business turned upward in 1955, and interest rates rose. Homebuilders shifted away from the mass market, producing more units for upper income groups and fewer

Housing Starts by Conventional, FHA and VA Financing
1950 - 1957



Source: *Housing Statistics*, Housing and Home Finance Agency.

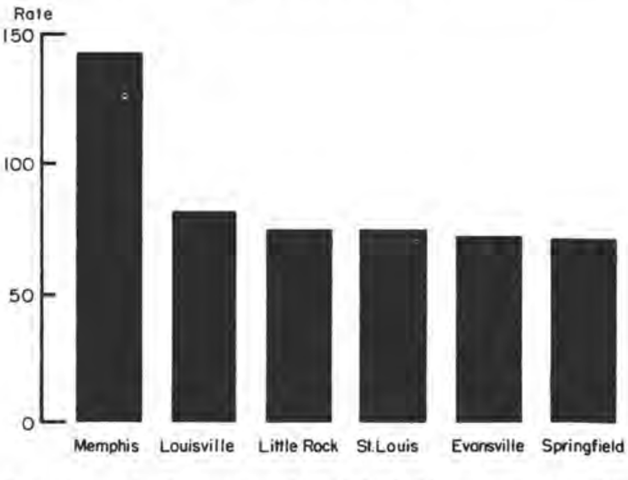
for lower income groups.[3] As can be seen in the accompanying chart, the volume of homebuilding financed with FHA or VA mortgages declined, while the rate of homebuilding financed by conventional mortgages remained relatively stable.

To stimulate activity in residential construction, steps were taken to alleviate the tight mortgage situation. In December 1956 the allowable interest rate on FHA mortgages was increased from 4½ to 5 per cent to make them more attractive to lenders. The decline in housing construction came to a halt in the spring of 1957. After May, private housing starts were at a seasonally adjusted annual rate of about one million units, moderately above the low reached in the first quarter of the year. In August 1957 minimum downpayment requirements were reduced and the maximum interest rate allowed on FHA-insured home mortgages was raised to 5¼ per cent. Support of the mortgage market by the Federal National Mortgage Association was augmented by legislation which increased the funds available for projects. In January 1958 FHA made house buying easier by allowing closing costs to be included in the amount financed and adjusting allowable discounts in some areas.

Homebuilding since 1950 in the Eighth Federal Reserve District has roughly paralleled national trends. The number of dwelling units authorized by local building permits in the Eighth District, as tabulated by the United States Bureau of Labor Statistics, totaled an estimated 44,000 in 1950. In the next three years district homebuilding ranged from 26,000 to 32,000 units a year. In 1954 and 1955 residential construction turned upward, reaching 41,000 in the latter year. In the past two years homebuilding in the district declined and, based on permits issued in the first eleven months of the year, was lower in 1957 than in any year since 1950.

The number of dwelling units built from 1950 through 1956 was about the same relative to population in most of the metropolitan areas in the district. Memphis was an outstanding exception, with the

Ratio of Dwelling Unit Permits to Population*



* Rate of new dwelling units authorized by building permits per 10,000 population in 1950. Based on BLS reports on Dwelling Units Authorized. Rate calculated by raising reported total by estimated coverage.

[3] One-family homes selling for more than $15,000 increased from 26 per cent of the total started in the first quarter of 1954 to 44 per cent two years later.

rate of homebuilding apparently about twice as large as in other district metropolitan areas.

. . . and rising home prices.

In addition to reductions in availability of mortgage funds, the rate of residential construction has been limited to some extent by rising costs. The average construction cost per unit has doubled in the postwar period: from $5,600 in 1946 to $11,875 in the first nine months of 1957. The rise resulted from higher costs, increasing size and more built-in equipment.

In the postwar period construction costs rose about 42 per cent with construction wage rates rising more sharply than for factory workers and wholesale prices of building materials faster than industrial goods.

As families grew in size and needed more room, the typical two-bedroom house built in the early postwar period was replaced by the three-bedroom home. The average floor area of dwelling units rose from 983 square feet in 1950 to 1,230 square feet in the first quarter of 1956.

The rise in the costs of new housing and in rents has been sharper than the advance in average consumer prices. As a result, the proportion of personal disposable income devoted to housing has increased in recent years although it is still less than in the prewar period. For example, housing outlays last year constituted about 11.5 per cent of disposable personal income compared with less than 9 per cent a decade ago. In 1929 housing outlays absorbed 14 per cent of such income.

The rapid growth of cities in the postwar period has pushed homebuilding into the outer fringes, where streets and utilities are often lacking. The lack of such community facilities has limited homebuilding in some areas. Where such facilities are installed they add to land costs, further raising the price and limiting the market for housing. Where they are not installed they lower the quality of the housing.

In the nation and district the quality of the housing supply has been improved by public housing . . .

As part of the Federal program to aid in the elimination of slums, low-rent public housing has been built in a number of areas with Federal aid which has provided financial and other assistance to local housing authorities. At the end of 1956 there were 424,000 units under active management in the low-rent public housing program and 14,000 under construction. The 1956 Housing Act permitted the Public Housing Administration to sign new contributions contracts for not more than 35,000 additional low-rent public housing units each year for two years.

In the Eighth Federal Reserve District at mid-1957, there were nearly 26,000 dwelling units administered

TABLE 1

ANNUAL SUMMARY

NEW DWELLING UNITS AUTHORIZED BY LOCAL BUILDING PERMITS

(In thousands)

Metropolitan Area	1950	1951	1952	1953	1954	1955	1956	Percentage Change First Eleven Months 1956-1957
St. Louis	18.8	10.0	11.1	9.7	13.3	13.2	10.8	—22%
Louisville	3.4	4.0	2.0	1.3	7.7	8.8	5.6	—20
Memphis	9.2	5.9	8.3	6.6	7.0	6.9	4.0	— 5
Evansville	1.5	1.0	1.1	1.4	1.9	1.6	1.1	—39
Little Rock	2.8	1.4	1.1	1.0	1.3	1.4	1.2	—39
Springfield	1.0	0.7	0.8	0.5	0.6	0.6	0.9	— 5

Source: Estimated from data compiled by Bureau of Labor Statistics. Reported totals increased to area estimates on basis of percentage of area's total nonfarm population in places reporting.

by the Public Housing Administration. In addition, there were 652 units under construction and nearly 6,000 in various stages of development. The location and status of low-rent public housing in the district are indicated in Table 2.

. . . and urban renewal projects.

The renewal of worn-out parts of cities is a necessary step in making them more livable. To help communities carry out their plans for urban renewal when local and private resources are not adequate, the Federal Government grants aid to local redevelopment authorities for approved programs. Such aid includes advances of funds for planning and surveys in preparation of an urban renewal project, loans to the local public agency to complete the project and capital grants to defray up to two-thirds of the deficit incurred. Capital grant funds of $826 million were reserved or had been paid out for 432 urban renewal projects from March 1950 to the end of 1956. At the end of 1956 there were 19 areas under various stages of redevelopment in the Eighth Federal Reserve District. In February 1956 Little Rock, Arkansas, became the first city in the nation to receive Federal approval for site operations in an urban renewal project initiated under the Housing Act of 1954.

In St. Louis the Land Clearance for Redevelopment Authority recently selected the organization to undertake redevelopment of the 465-acre Mill Creek Valley area. The total investment to be made over a ten-year period for new residential and industrial buildings in the redevelopment of this area is estimated at $250 million.

In addition, privately owned housing has been improved by substantial outlays for additions and alterations and for maintenance and repairs.

The desire for better housing has been met in part by additions and alterations to existing structures. Last year construction outlays for private residential buildings totaled $16.6 billion. Of the total, $3.9 billion, or 24 per cent, was for additions and alterations (not counting repairs) on private residential units. Over nine-tenths of the outlays for residential additions and alterations during the postwar period were on owner-occupied properties and only one-tenth on tenant-occupied housing. As a result of such outlays, the quality of the existing housing supply has been improved in the postwar period.

As homeowners well know, it takes a lot of time and money to keep their homes in good repair. Maintenance and repair expenditures were estimated by the Department of Commerce at $7 billion in 1956 and were probably larger in 1957.

TABLE 2

PUBLIC HOUSING ADMINISTERED BY THE PUBLIC HOUSING ADMINISTRATION EIGHTH FEDERAL RESERVE DISTRICT JUNE 30, 1957

NUMBER OF DWELLING UNITS

		Under Development		
	Total	Total	Under Construction	Under Active Management
Arkansas	2,502	40	—	2,462
Metropolitan Areas				
Little Rock	1,418	—	—	1,418
Fort Smith	320	—	—	320
Nonmetro. Areas	764	40	—	724
Illinois	4,273	850	46	3,420
Metropolitan Area				
St. Louis	2,760	500	—	2,260
Nonmetro. Areas	1,513	350	46	1,160
Indiana	1,331	—	—	1,331
Metropolitan Areas				
Evansville	591	—	—	591
Louisville	622	—	—	622
Nonmetro. Areas	118	—	—	118
Kentucky	6,855	544	496	6,303
Metropolitan Areas				
Evansville	200	—	—	200
Louisville	5,005	496	496	4,509
Nonmetro. Areas	1,650	48	—	1,594
Mississippi	1,164	704	106	460
Nonmetro. Areas	1,164	704	106	460
Missouri	9,857	3,658	4	6,199
Metropolitan Areas				
St. Louis	9,857	3,658	4	6,199
Springfield	—	—	—	—
Nonmetro. Areas	—	—	—	—
Tennessee	6,375	759	—	5,615
Metropolitan Area				
Memphis	5,091	599	—	4,491
Nonmetro. Areas	1,284	160	—	1,124
Total	32,357	6,555	652	25,790

Source: *Housing Operations Directory,* June 30, 1957, Housing and Home Finance Agency, Public Housing Administration.

While progress has been made, much still remains to be done to eliminate substandard housing and provide for our expanding population.

While considerable progress has been made in meeting the most urgent needs for housing, a large portion of the urban population is still housed in substandard units. The situation was described in the 1956 Annual Report of the Housing and Home Finance Agency as follows: "Such fragmentary data as are available suggest that, despite the high rate of new building since 1950, the aggregate number of families living in substandard houses in 1956 was probably not greatly different from what it was in 1950."

The fact that there may be nearly the same aggregate number of families living in substandard housing in 1956 as in 1950 reflects what is common knowledge, the continued existence of vast slum areas in our cities and the up-to-now steady influx of persons from rural to urban areas which seems generally to have aggravated the substandard housing problem. Moreover, the housing stock continually ages despite repair and maintenance expenditures; in this field the economy must make increasing dollar expenditures just to stay even.

Along with the need to bring the quality of existing units closer to what are acceptable housing standards, there promise to be expanding demands in the years ahead as a result of population growth and increased family formation. The population of the country increased nearly 3 million persons last year and projections for the next few years assume that this rate will be maintained.

WILLIAM H. KESTER

1957 OPERATIONS

OF THE FEDERAL RESERVE BANK OF ST. LOUIS

THE OPERATIONS OF A RESERVE BANK involve an almost unbelievable number of items and astronomical dollar totals. It is not unusual for one bank to process several million checks, coins, pieces of currency, bonds and other financial claims in a single day with an aggregate value in billions of dollars. These activities contribute substantially to the efficient functioning of the economy, but they are meshed so smoothly into the banking structure as to attract little public attention.

During the year 1957 many activities of the Federal Reserve Bank of St. Louis continued to expand from the record levels reached in the previous year. The need for a few operations, however, moderated. The accompanying table presents a rough idea of the size and scope of operations during the year.

Three activities of the bank are notable for their consistently large volume; they are check collection, currency and coin handling and fiscal agency operations. Processing of checks and other transit items continued to be the biggest single function of the bank in terms of number of employees. Both the number and dollar volume of checks processed, however, decreased from the peak reached in 1956, with the decline centering in Government checks and postal money orders. The number of individual and business checks coming through the bank continued to grow. The drop in Government checks processed was due to a change in procedures by the Treasury Department, which discontinued its paying operations at the Federal Reserve banks. Postal money orders continued to decline in use, a trend that has been going on for several years.

When measured in terms of number of individual items handled, the Money Department was the largest in the bank. The department handled 569 million pieces of currency and coin during the year, aggregating $1,230 million. These were gains of 2 per cent and 1 per cent, respectively, from the previous year. The Fiscal Agency Department handled (issued, exchanged and redeemed) somewhat more Savings Bonds during 1957 than in 1956, but the total dollar volume of the bonds handled declined. The number and volume of other Government issues processed in 1957 were much greater than in 1956.

During 1957 the bank transferred about $41 billion of funds. Although this was 2 per cent less than the peak amount in the year before, somewhat more service was provided in terms of number of transactions, 136,000 as against a previous high of 133,000 in 1956. The activity in non-cash collections, which consists of handling such items as drafts, promissory notes, stocks, bonds and coupons, was higher in 1957 than during the previous year. The amounts of securities received, released and held by the Safekeeping Department of the bank were also greater during 1957. In addition the department clipped more coupons in 1957 than in 1956, but for a somewhat smaller dollar value. During the year 1957, securities were held for 95 per cent of the member banks and 47 per cent of the nonmember banks in the Eighth District. All securities held for nonmember banks were Savings Bonds or issues pledged as collateral to Treasury Tax and Loan Accounts and to secure deposits of public money.

During 1957 the discount rate of the bank was changed twice. It was raised from 3 per cent to a level of 3½ per cent in August, and it was reduced to 3 per cent again in November. The volume and number of loans to member banks were somewhat less in 1957 than during 1956, but about 8 per cent more member banks were accommodated.

Many other tasks, which cannot be readily measured by statistics, were performed by the Federal Reserve Bank of St. Louis during 1957. Much effort went into gathering, processing and interpreting data on the economy to assist officers and directors of this bank (and others of the Federal Reserve System) in carrying out their responsibility to adjust the supply, cost and availability of money and credit to the needs of the economy.

During the past year the Audit Department made periodic checks in all operating departments to verify the accuracy of the records and compliance with laws and regulations. The Accounting Department not only recorded all internal expenses and income, but also kept track of transactions with other Reserve Banks and those between this bank and district member banks. The Examination Department, under established policy, made examinations of state member banks in the district.

Further, operations of the bank ran more smoothly because of the efficient work of others such as personnel in the Planning, Machine Tabulation, Field Service and Purchasing Departments, the legal counsel, librarians, cafeteria workers, guards, maintenance men, porters, cleaning force, telephone operators and garage men.

During the year 1957, assets and liabilities of the Federal Reserve Bank of St. Louis showed only moderate net changes. Following is a brief comparative statement of condition of the bank:

Assets

(In thousands of dollars)	December 31, 1957	December 31, 1956
Gold Certificate Reserves	$ 952,089	$ 865,073
Federal Reserve Notes of Other Banks	17,588	13,676
Other Cash	25,649	23,358
Discounts and Advances	435	1,100
U. S. Government Securities	980,896	1,027,452
Uncollected items	188,650	208,733
Other Assets	15,180	14,799
Total Assets	$2,180,487	$2,154,191

Liabilities and Capital Accounts

Federal Reserve Notes (Net)	$1,226,564	$1,211,030
Deposits:		
Member banks—reserve accounts	699,440	699,664
U. S. Treasurer—general account	25,982	31,062
Other	15,176	18,498
Deferred availability items	163,043	146,316
Other Liabilities	439	540
Total Capital Accounts	49,843	47,081
Total Liabilities and Capital Accounts	$2,180,487	$2,154,191

COMBINED VOLUME OF OPERATIONS

AT THE ST. LOUIS BANK AND THE LOUISVILLE, MEMPHIS AND LITTLE ROCK BRANCHES IN 1957 AND 1956

Number of Pieces Handled	1957	1956
Checks (Total)	185,984,000	197,516,000
City Checks	30,185,000	28,347,000
Country Checks	114,625,000	110,593,000
Government Checks	26,791,000	42,992,000
Postal Money Orders	14,383,000	15,584,000
Currency	205,884,000	204,558,000
Coin	362,840,000	355,360,000
Transfer of Funds	136,000	133,000
Non-cash Collections	500,000	489,000
U. S. Government Interest Coupons	689,000	626,000
Discounts and Advances	1,181	1,211
Safekeeping of Securities:		
Securities Received and Released	170,000	148,000
Coupons Detached	318,000	317,000
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged and Redeemed	7,042,000	7,012,000
Other Government Issues	354,000	246,000
Withheld Tax Depository Receipts Processed	755,000	736,000
Treasury Tax and Loan Account Transactions	158,000	152,000

Dollar Volume		
Checks Handled (Total)	$62,203,350,000	$64,102,854,000
City Checks	39,504,868,000	39,468,688,000
Country Checks	17,947,521,000	17,191,936,000
Government Checks	4,496,416,000	7,171,032,000
Postal Money Orders	254,545,000	271,198,000
Currency	1,196,109,000	1,187,789,000
Coin	33,751,000	32,227,000
Transfer of Funds	40,720,435,000	41,409,687,000
Non-cash Collections	346,683,000	346,052,000
U. S. Government Interest Coupons	79,281,000	70,376,000
Discounts and Advances	3,416,365,000	4,640,220,000
Safekeeping of Securities:		
Coupons Detached	33,609,000	34,278,000
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged and Redeemed	639,526,000	757,675,000
Other Government Issues	10,385,248,000	7,933,886,000

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

Employment at the bank and branches totaled 1,114 at the end of 1957 compared with 1,145 at the end of 1956. Reductions in personnel occurred at St. Louis and Memphis, partially offset by slight increases at Little Rock and Louisville.

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

February 5, 1958

Directors

Pierre B. McBride, *Chairman*
J. H. Longwell, *Deputy Chairman*
S. J. Beauchamp, Jr.
J. E. Etherton
H. Lee Cooper
Harold O. McCutchan
Kenton R. Cravens
Leo J. Wieck
Jesse D. Wooten

Officers

Pierre B. McBride, *Chairman of the Board*
Delos C. Johns, *President*
Guy S. Freutel, *First Vice President*
Howard H. Weigel, *Vice President and Secretary*
Joseph C. Wotawa, *Vice President*
Dale M. Lewis, *Vice President*
William J. Abbott, *Vice President*
George E. Kroner, *Vice President*
Earl R. Billen, *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*
Marvin L. Bennett, *Assistant Vice President*
W. E. Walker, *Assistant Vice President*
Paul Salzman, *Assistant Vice President*
Janes M. Geiger, *Assistant Vice President*
Orville O. Wyrick, *Chief Examiner*
Wilbur H. Isbell, *Assistant Chief Examiner*
Gerald T. Dunne, *Counsel and Assistant Secretary*
George W. Hirshman, *General Auditor*

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Robert H. Alexander
Donald Barger
J. W. Bellamy, Jr.
E. C. Benton
J. V. Satterfield, Jr.
Waldo E. Tiller

Fred Burton, *Vice President and Manager*
Sherley C. Davis, *Cashier*
Clifford Wood, *Assistant Cashier*
W. J. Bryan, *Assistant Cashier*

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Philip Davidson
Magnus J. Kreisle
W. Scott McIntosh
J. D. Monin, Jr.
Merle E. Robertson
John G. Russell

Donald L. Henry, *Vice President and Manager*
John W. Menges, *Cashier*
L. K. Arthur, *Assistant Cashier*
Clarence J. Woertz, *Assistant Cashier*

MEMPHIS BRANCH

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John E. Brown
J. H. Harris
S. L. Kopald, Jr.
Simpson Russell
John D. Williams
John K. Wilson

Darryl R. Francis, *Vice President and Manager*
E. Francis DeVos, *Cashier*
H. C. Anderson, *Assistant Cashier*
Benjamin B. Monaghan, *Assistant Cashier*

The following designations and appointments were made during 1957:

The Board of Governors of the Federal Reserve System redesignated Mr. Pierre B. McBride, Louisville, Kentucky, as Chairman of the Board of the Federal Reserve Bank of St. Louis and Federal Reserve Agent at the bank for the year 1958. Mr. McBride is President of Porcelain Metals Corporation, Louisville, Kentucky. He was appointed a Class C Director of the bank in January 1957 and designated Chairman and Federal Reserve Agent for that year. During the six years immediately preceding his appointment to the St. Louis Board, Mr. McBride served as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis.

Mr. J. H. Longwell, Columbia, Missouri, was appointed by the Board of Governors as Deputy Chairman of the Board of Directors of the Federal Reserve Bank of St. Louis for the year 1958. Mr. Longwell, a Class C Director of the bank since January 1957, is Director of Division of Agricultural Sciences at the University of Missouri.

The Board of Governors also appointed Mr. Jesse D. Wooten, of Memphis, Tennessee, a Class C Director of the bank for a three-year term beginning January 1, 1958. Mr. Wooten is Executive Vice President of the Mid-South Chemical Corporation in Memphis. As a director of the bank he succeeds Mr. Joseph H. Moore, Charleston, Missouri, whose term expired at the end of 1957.

During the year two directors were elected by the member banks in the Eighth Federal Reserve District:

Mr. H. Lee Cooper, President, Ohio Valley National Bank of Henderson, Henderson, Kentucky, was elected by member banks in Group 2 as a Class A Director of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1958. He suceeded Mr. Phil E. Chappell, of Hopkinsville, Kentucky, whose term expired at the end of last year. Mr. Cooper began his banking career in 1929 in Smith Mills, Kentucky. He is a former director of the Louisville Branch of the Federal Reserve Bank of St. Louis, having served during the years 1946 through 1951.

Mr. Leo J. Wieck, Vice President and Treasurer, The May Department Stores Co., St. Louis, Missouri, was re-elected by member banks in Group 1 as a Class B Director of this bank, for a three-year term beginning January 1, 1958. Mr. Wieck has been a director since March 1954.

The Board of Governors of the Federal Reserve System made the following appointments to the Boards of Directors of the branches:

Mr. Robert H. Alexander, Farmer, Scott, Arkansas, was appointed a member of the Little Rock Branch Board for a three-year term beginning January 1, 1958.

Mr. Waldo E. Tiller, President, Tiller Tie and Lumber Company, Little Rock, Arkansas, was appointed a member of the Little Rock Branch Board effective January 1, 1958, for the unexpired portion of a term ending December 31, 1958.

Mr. Philip Davidson, President, University of Louisville, Louisville, Kentucky, was reappointed as a member of the Louisville Branch Board for a three-year term beginning January 1, 1958.

Mr. Frank Lee Wesson, President, Wesson Farms, Inc., Victoria, Arkansas, and President, Missco, Inc., Osceola and Blytheville, Arkansas, was appointed a member of the Memphis Branch Board on October 3, 1957, for the unexpired portion of a term ending December 31, 1958.

Mr. S. L. Kopald, Jr., Executive Vice President, Humko Division, National Dairy Products Corporation, Memphis, Tennessee, was appointed a member of the Memphis Branch Board for the unexpired portion of a term ending December 31, 1960.

The Board of Directors of the Federal Reserve Bank of St. Louis made the following appointments to the Boards of Directors of the branches:

Mr. E. C. Benton, President, Fordyce Bank and Trust Company, Fordyce, Arkansas, was reappointed as a member of the Little Rock Branch Board for a three-year term beginning January 1, 1958.

Mr. J. W. Bellamy, Jr., President, National Bank of Commerce of Pine Bluff, Pine Bluff, Arkansas, was appointed a member of the Little Rock Branch Board for a three-year term beginning January 1, 1958.

Mr. W. Scott McIntosh, President, State Bank of Hardinsburg, Hardinsburg, Indiana, was reappointed as a member of the Louisville Branch Board for a three-year term beginning January 1, 1958.

Mr. John G. Russell, President, The Peoples First National Bank and Trust Company of Paducah,

Paducah, Kentucky, was appointed a member of the Louisville Branch Board for a three-year term beginning January 1, 1958.

Mr. John E. Brown, President, Union Planters National Bank of Memphis, Memphis, Tennessee, was appointed a member of the Memphis Branch Board on September 12, 1957, for the unexpired portion of a term ending December 31, 1957. Mr. Brown was reappointed as a member of the Memphis Branch Board for a three-year term beginning January 1, 1958.

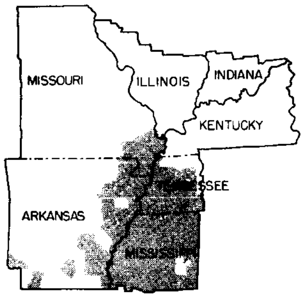
Mr. Simpson Russell, President, The National Bank of Commerce of Jackson, Jackson, Tennessee, was appointed a member of the Memphis Branch Board for a three-year term beginning January 1, 1958.

The Board of Directors of the Federal Reserve Bank of St. Louis also appointed Mr. William A. McDonnell, Chairman of the Board, First National Bank in St. Louis, St. Louis, Missouri, a member of the Federal Advisory Council to represent the Eighth Federal Reserve District for the year 1958. Mr. McDonnell served as a director of the Federal Reserve Bank of St. Louis from 1951 through 1956, and as a director of the Little Rock Branch for the year 1944.

The following official appointments were made at the Federal Reserve Bank of St. Louis and branches during 1957: Guy S. Freutel was promoted to First Vice President, effective April 1; Donald L. Henry was appointed Vice President of the bank and Manager of the Louisville Branch, effective March 1; John W. Menges was appointed Cashier and Clarence J. Woertz was appointed Assistant Cashier of the Louisville Branch, effective March 1; Janes M. Geiger was promoted to Assistant Vice President of the bank, effective June 16, and Wilbur H. Isbell was appointed Assistant Chief Examiner, effective September 1; E. Francis DeVos was appointed Cashier of the Memphis Branch, effective September 1.

Frederick L. Deming resigned as First Vice President of the bank, effective March 31, 1957, to accept the position of President of the Federal Reserve Bank of Minneapolis. Victor M. Longstreet resigned as Vice President of the bank and Manager of the Louisville Branch, effective February 28, 1957. John J. Christ retired as Assistant Vice President of the bank, effective January 1, 1958.

District Cotton Income Drops



Bad weather in 1957 depressed farm income in Eighth District cotton counties

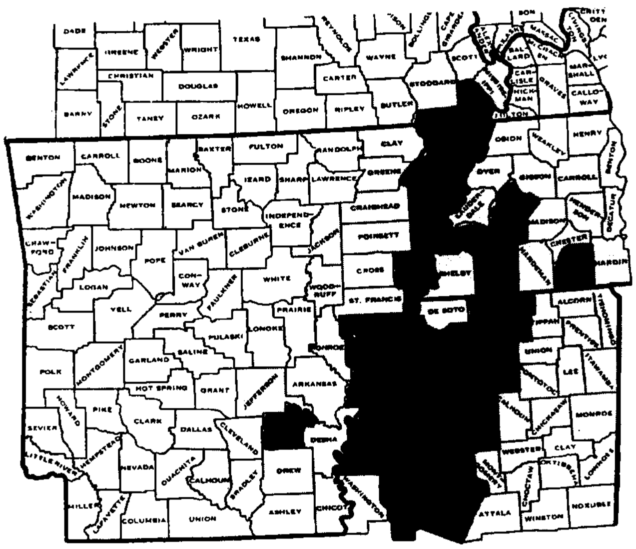
FARM INCOME in a large part of the Eighth District was severely reduced by bad weather in 1957. Areas most seriously affected were the Delta counties of Southeast Missouri and portions of nearby Arkansas and Tennessee counties. However, cotton production was down throughout the district. Excessive rainfall over the central Cotton Belt during the spring and harvesting seasons left in its wake reduced yields, abnormally high production costs, a heavy debt carryover and problems of financing in 1958 which may tax the capacity of the farm financing agencies in the most seriously affected counties.

Total 1957 cotton production in the district states was estimated at 2,750 thousand bales, 67 per cent of 1956 output. However, 1957 production in Missouri was only 185 thousand bales, or 41 per cent of that in 1956. Estimated production in ten district counties which specialize in cotton production was less than 50 per cent of the 1954-1956 average (Charts I and II).[1] Some reduction in cotton output had been expected because of acreage placed under the Acreage

[1] Estimated on basis of cotton ginned prior to December 1 by counties and the United States Department of Agriculture estimate of total production for the state.

CHART I

Percentage of Total Farm Sales Derived from Cotton and Cottonseed in 1954

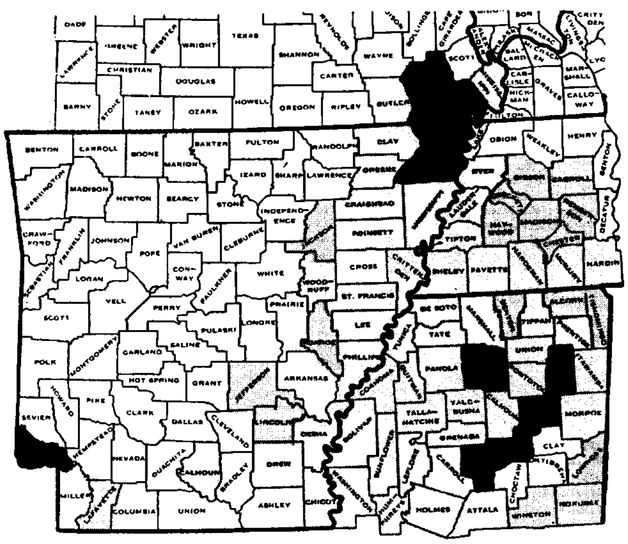


75-100%

50-74%

CHART II

1957 Cotton Production Compared with 1954-1956 Average



Under 50%

50-74%

75% and Over

Reserve Program of the Soil Bank, but the severe decline was a result of abnormally bad weather which was not anticipated. In district states, the following percentages of acres allotted to cotton were placed in the Acreage Reserve Program: Arkansas, 13 per cent; Mississippi, 15 per cent; Missouri, 5 per cent; Tennessee, 12 per cent.

Cotton production was not expected to decline as much as acreage because a large part of the land put in the Soil Bank was in low-yield areas. Trade sources estimate that only about 7 per cent of the allotted acres in the high-yielding Delta counties of Mississippi, Arkansas and Tennessee were placed in the Soil Bank.

Trouble started in the spring when heavy rains delayed planting and cultivating. Rainfall over the Cotton Belt portion of the district exceeded 150 per cent of normal during the fifteen decisive weeks ending July 21.[2] A small area including most of the Delta counties in Southeast Missouri had more than twice the normal amount of rain during those weeks. After July 21, the heavy rainfall tapered off, and for most of the summer growing conditions were about normal. Then, in the harvesting season of September through November, the Cotton Belt portion of the district received another deluge of rain. To cap the difficulties, an early frost damaged a large portion of the late-planted crop.

The cotton crop apparently suffered more damage from the weather than did the other crops. Cotton requires a longer growing season and better land preparation than do most major crops. Planting in the upper Belt must be completed within about four weeks' time after the season opens in order that the bolls may mature before frost; and the days of dry weather essential during this period for proper seedbed preparation were cut short last spring.

The shorter growing season required for soybeans and corn permitted near-normal production of these crops. As Table I shows, corn and soybean yields held near or above 1956 levels and were substantially above the 1946-1955 average.

2 Normal precipitation is based on the thirty-year period 1921-1950, inclusive.

TABLE 1

COTTON, CORN AND SOYBEAN YIELDS PER ACRE FOR SELECTED DISTRICT STATES

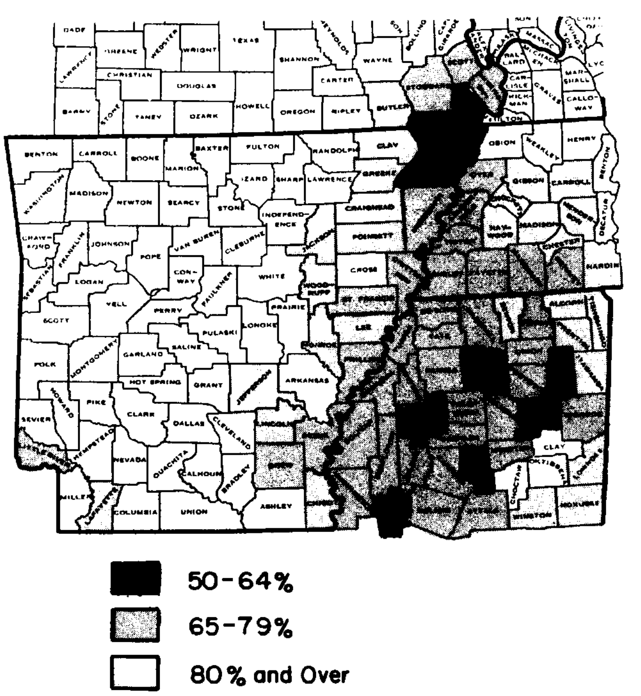
	Pounds of Cotton			Bushels of Corn			Bushels of Soybeans		
	1946-1955 average	1956	1957	1946-1955 average	1956	1957	1946-1955 average	1956	1957
Missouri	384	586	302	35.8	48.0	44.0	18.0	20.0	21.5
Arkansas	360	500	418	20.2	27.0	27.0	17.0	18.0	23.5
Mississippi	363	483	417	20.4	25.0	25.0	15.6	16.0	19.0
Tennessee	374	488	424	28.8	32.5	31.0	17.8	16.5	22.5

Because of the aforementioned difficulties, the value of farm products sold in the cotton areas was down substantially in 1957. Sales were down almost 50 per cent from the 1954-1956 level in Dunklin, New Madrid and Pemiscot counties, Missouri. Estimated sales in ten district counties which specialize in cotton production were only 50 to 64 per cent of the 1954-1956 average (Chart III).[3] Thirty-nine counties were in

3 Total value of cotton and soybean crops were included in estimated sales for the year in which the crops were produced.

CHART III

Estimated 1957 Sales of Farm Products as Per Cent of Average 1954-1956 Sales in Counties Which Specialize in Cotton Production*



* Excludes Choctaw County, Mississippi, because cotton production is not sufficient to merit publishing separately in the United States Department of Commerce "Cotton Ginned" reports.

the 65-79 per cent group, and twenty-nine had estimated sales in excess of 79 per cent of the previous three-year average. The drop in cash farm income in 1957 was the most precipitous decline that has occurred in the area in recent years. The average estimated decline in income from 1956 to 1957 for all major cotton counties in Eighth District Mississippi was approximately 30 per cent. In contrast, over the previous three years, cash farm income increased in these counties nearly 10 per cent.

As would be expected, business activity has been dampened throughout the area. Declines in retail sales became apparent in the rural counties early in the harvesting season. Farm machinery sales probably declined most sharply, with automobiles a close second. However, sales of all types of merchandise appear to be off from levels of recent years. The larger cities in and adjacent to the area also felt the pinch of reduced farm income. According to preliminary data, department store sales in Memphis were 4 per cent smaller in 1957 than in 1956.

Financial institutions have also been adversely affected by low farm income. The normal harvest season buildup in cash balances at commercial banks failed to materialize. Furthermore, a large per cent of the farm borrowers were unable to repay their 1957 production notes. Although some of the farm credit agencies were hard pressed for funds, very few forced liquidations were made. Commercial banks and the other agencies renewed most of the paper where payment could not be made in full.

In addition to the large loan carryover, demand for new loans by farmers in 1958 is expected to be high. According to bankers in the area, farmers' cash resources are down substantially from recent year-end levels. Therefore, many who normally take care of some production costs out of the previous year's earnings may find it necessary to borrow a larger per cent of the total of such costs.

Both public and private lending agencies are making efforts to supply the area's 1958 farm credit needs. Some commercial banks have made arrangements with larger correspondent banks to help them carry a part of the expanded credit load. Anticipating the increased demand for loans, several production credit associations have undertaken a program to expand their capital. With increased lending capacity they expect to be able to carry their present portfolio and to finance practically all the farmers that they financed last year. In addition, the Farmers Home Administration has declared the more depressed counties disaster areas for emergency loan purposes. Such loans can be made for 1958 operating expenses, plus the payment of interest on chattel and real estate mortgage debts.

CLIFTON B. LUTTRELL

The District Record

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Dec. 1957	Dec. 1957* compared with Nov. 1957	Dec. 1957* compared with Dec. 1956
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity)	60	−31%	−33%
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	74.5 p	−2	−8
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	395.5	+2	−0−
Freight Interchanges at RRs—St. Louis (Thousands of cars—25 railroads—Terminal R. R. Assn.)	88.1	−8	−12
Livestock Slaughter—St. Louis area (Thousands of head—weekly average)	101.5	−6	−15
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	182.7	−10	−5
Lumber Production—S. Hardwoods (Operating rate, per cent of capacity)	61	−14	−24

* 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 change in index points or in percents of capacity.

p—Preliminary.

Banking

BANK DEBITS[1]

Six Largest Centers:	Dec. 1957 (In millions)	Dec. 1957 compared with Nov. 1957	Dec. 1957 compared with Dec. 1956
East St. Louis—National Stock Yards, Ill.	$ 165.4	+18%	+10%
Evansville, Ind.	185.4	+5	+2
Little Rock, Ark.	219.4	+10	+8
Louisville, Ky.	970.4	+12	−3
Memphis, Tenn.	932.3	+5	+6
St. Louis, Mo.	2,666.1	+17	+3
Total—Six Largest Centers	$5,169.0	+13%	+3%
Other Reporting Centers:			
Alton, Ill.	$ 41.4	+15%	+7%
Cape Girardeau, Mo.	18.0	+6	−10
El Dorado, Ark.	32.2	+16	+4
Fort Smith, Ark.	59.5	−1	+6
Greenville, Miss.	30.9	−5	+4
Hannibal, Mo.	12.5	+8	+12
Helena, Ark.	14.4	−11	+20
Jackson, Tenn.	27.7	−5	+2
Jefferson City, Mo.	87.7	−6	+15
Owensboro, Ky.	57.5	+13	−10
Paducah, Ky.	32.6	+7	+1
Pine Bluff, Ark.	61.7	+6	+40
Quincy, Ill.	46.7	+8	+11
Sedalia, Mo.	17.7	+3	+9
Springfield, Mo.	100.3	+12	+12
Texarkana, Ark.	22.4	+11	+3
Total—Other Centers	$ 663.2	+5%	+8%
Total—22 Centers	$5,802.2	+12%	+4%

INDEX OF BANK DEBITS—22 Centers

Seasonally Adjusted (1947-1949=100)

1957 Dec.	1957 Nov.	1956 Dec.
174.2	166.1	168.1

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

EIGHTH DISTRICT WEEKLY REPORTING MEMBER BANKS

(In millions of dollars)

Assets	Jan. 22 1958	Change from Dec. 18 1957
Loans[1]	$1,640	$−70
Business and Agricultural	861	−54
Security	50	+2
Real Estate	279	−0−
Other (largely consumer)	477	−17
U.S. Gov't. Securities	877	−6
Other Securities	225	−0−
Loans to Banks	38	+1
Cash Assets	889	−65
Other Assets	47	+1
Total Assets	$3,716	$−139
Liabilities and Capital		
Demand Deposits of Banks	$ 741	$−63
Other Demand Deposits	2,004	−68
Time Deposits	600	−2
Borrowings and Other Liab.	73	−7
Total Capital Accounts	298	+1
Total Liab. and Capital	$3,716	$−139

Principal Changes in Commercial and Industrial Loans[2]

Business of Borrower	Net Change During 5 Weeks Ended 1-22-58
Manufacturing and Mining:	
Food, liquor and tobacco	$−15
Textiles, apparel and leather	+3
Metals and metal products	−1
Petroleum, coal, chemicals and rubber	−0−
Other	−2
Trade Concerns:	
Wholesale	−13
Retail	−10
Commodity dealers	−5
Sales finance companies	−4
Public Utilities (including transportation)	−2
Construction	−4
All Other	+1
Total	$−52

[1] Loans are adjusted to exclude loans to banks; the total is reported net; breakdowns are reported gross.

[2] Changes in business loans by industry classification from a sample of banks holding roughly 90% of the total commercial and industrial loans outstanding at Eighth District weekly reporting member banks.

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Nov. 1957	Percentage Change: Nov. '57 from Nov. '56	Jan. thru Nov. 1957 compared with 1956	Jan. thru Nov. 1957 compared with 1955
Arkansas	$ 98,304	−9%	−22%	−6%
Illinois	167,308	−7	+2	+13
Indiana	89,194	−5	+3	+5
Kentucky	70,546	+2	+3	+5
Mississippi	64,458	−27	−28	−23
Missouri	93,629	−9	−5	+4
Tennessee	56,603	−1	−10	−1
7 States	$640,042	−9	−5	+3
8th District[1]	$334,655	−11	−11	−2

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

[1] Estimates for Eighth District revised based on 1954 Census of Agriculture.

Construction

CONSTRUCTION CONTRACTS AWARDED IN EIGHTH FEDERAL RESERVE DISTRICT *

(Value of contracts in thousands of dollars)

	Nov. 1957	Oct. 1957	Nov. 1956
Total	$84,252	$102,690	$86,212
Residential	38,826	49,553	34,033
Nonresidential	24,044	36,017	28,989
Public Works and Utilities	21,382	17,120	23,190

* Based upon reports by F. W. Dodge Corporation.

Trade

DEPARTMENT STORES

	Net Sales: Dec. 1957 compared with Nov. '57	Net Sales: Dec. 1957 compared with Dec. '56	Net Sales: 12 mos. '57 to same period '56	Percentage of Accounts and Notes Receivable Outstanding Nov. 30, '57 collected during Dec.: Instl. Accounts	Excluding Instalment Accounts
8th F.R. District Total	+46%	−0−%	−1%	16%	53%
Fort Smith Area, Ark.[1]	+41	−5	−1		40
Little Rock Area, Ark.	+40	−1	−2		29
Quincy, Ill.	+42	−4	−4		
Evansville Area, Ind.	+38	−9	−4		
Louisville Area, Ky., Ind.	+59	+2	−2	18	46
Louisville (City)	+54	−0−	−6		
Paducah, Ky.[1]	+58	−2	+3		
St. Louis Area, Mo., Ill.	+45	+2	+1	17	62
St. Louis (City)	+40	−2	−3		
Springfield Area, Mo.	+45	+3	+3		
Memphis Area, Tenn.	+46	−4	−4	12	34
All Other Cities[2]	+46	−12	−6		

[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 December 1957 were thirteen per cent less than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Dec. 1957	Nov. 1957	Oct. 1957	Dec. 1956
Sales (daily average), unadjusted[3]	238	163	138	237
Sales (daily average), seasonally adjusted[3]	141	135	126	141
Stocks, unadjusted[4]	127	169	169	134
Stocks, seasonally adjusted[4]	141	151	151	148

[3] Daily average 1947-49=100

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

Trading days: December 1957–25; November 1957–25; December 1956–25.

RETAIL FURNITURE STORES

	Net Sales: Dec. 1957 compared with Nov. '57	Dec. '56
8th Dist. Total[1]	+29%	−0−%
St. Louis Area	+26	−0−
Louisville Area	+37	+6
Memphis Area	+46	−4
Little Rock Area	+31	+16
Springfield Area	+37	−2

[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; Evansville, Indiana; and Cape Girardeau, Missouri.

Note: **Figures shown are preliminary and subject to revision.**