

Review

**FEDERAL RESERVE BANK
OF ST. LOUIS • P. O. BOX 442 • ST. LOUIS 66, MO.**

	Page
ECONOMIC HIGHLIGHTS	
Business Activity Rises at Slower Rate	2
Growth in the Money Supply Slackens	3
PRICE MOVEMENTS IN PERSPECTIVE	5
<p>In the peacetime years since 1820 prices have moved both up and down but have shown little net change for the period as a whole. Most of the apparent rise in prices in recent years may be attributable to imperfect means of measurement.</p>	
DISTRICT DATA	12

Economic Highlights

Business activity expanded rapidly in April and May. Preliminary data indicate that the improvement continued during June but at a reduced rate. Total output of goods and services rose approximately 2.5 per cent (annual rate of 10 per cent) from the first quarter to the second quarter.

The money supply increased sharply from November last year through March, but was unchanged during the second quarter this year. Total bank credit has expanded slowly in recent months with practically all of the increase occurring in investments, as bank loans have remained about unchanged. Government cash expenditures exceeded cash receipts, after adjustment for seasonal variation, in the first half of 1961 with the largest deficit occurring in the first quarter.

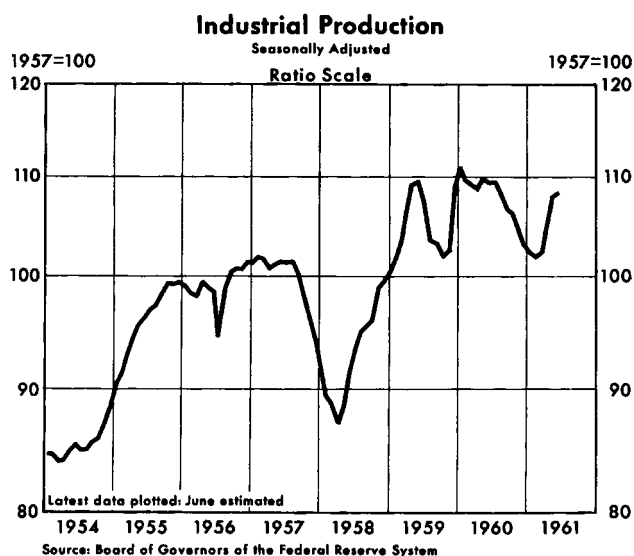
Business Activity Rises at Slower Rate

Industrial production increased sharply in April and May, and preliminary reports indicate a further expansion in June. From its first quarter-level of 102 per cent of the 1957 average, the Federal Reserve Board's index of industrial production rose to 105 per

cent less than seasonally during the first four weeks of the month, and output of the automobile industry was maintained at a high level in anticipation of earlier than usual model changeovers.

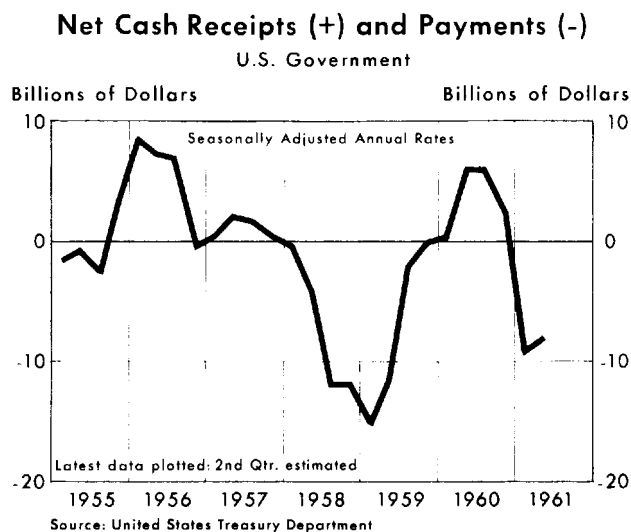
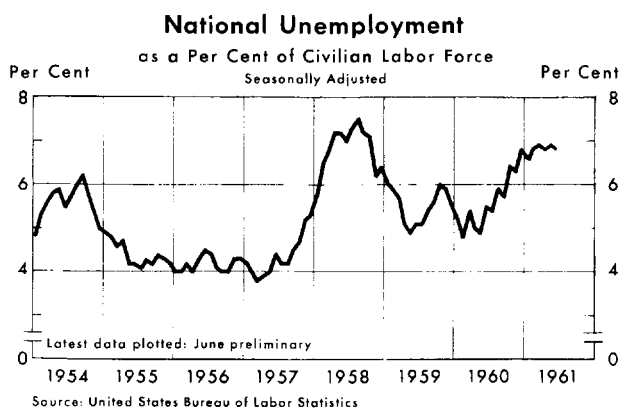
Construction activity has improved in recent months. Expenditures on new construction, seasonally adjusted, rose 2 per cent from April to May, the third consecutive monthly increase. However, those construction indicators which precede actual construction expenditures have lagged. Housing starts in May, though above April's level, were 1 per cent below the March level and 3 per cent below May 1960, the prerecession peak month. Construction contracts awarded during May were down 2 per cent from April.

Employment expanded in May and June. Total employment, seasonally adjusted, increased by about 1 million from December 1960 to June 1961. The level in June of this year was slightly above the May 1960 level. The average workweek and the amount of overtime pay registered gains in May and probably rose in June. The proportion of the civilian labor force unemployed, seasonally adjusted, remained at just under 7 per cent, roughly the same rate that has prevailed since December 1960. In May 1960 the rate of unemployment was about 5 per cent.



cent in April and then to 108 per cent in May. The rise in April and May was largest in steel and auto production; most other sectors showed strength also.

Preliminary indications suggest that output expanded modestly in June. Steel production declined



Retail sales have shown only modest net changes in recent months. Retail sales rose slightly in May offsetting a decline that had occurred in the previous month. Practically all of the increase was attributable to increased automobile sales. In June new car sales remained near the strong May level. During the month of June sales of reporting department stores, seasonally adjusted, were above their May level.

Average prices decreased slightly from February through May of this year. The consumer price index was virtually unchanged, going from 127.5 to 127.4 (1947-49 — 100) during the period, as declines in prices of food, housing, and clothes were largely offset by increases in the cost of medical care and other services. The wholesale price index declined from 119.9 to 119.0, reflecting primarily declines in average prices of farm products, processed foods, and textiles and cotton products. In June there was limited price cutting in selected steel products.

Cash expenditures of the Federal Government exceeded cash receipts by an estimated seasonally adjusted annual rate of over \$8 billion in the first half of 1961. According to preliminary data the deficit in the second quarter was slightly less than in the first quarter. Government expenditures rose from the first to the second quarter, although the rise was less than the increase in Government receipts.

Growth in the Money Supply Slackens

Total reserves of member banks, adjusted for seasonal variation, rose from May to June but remained below the level reached earlier in the year. Bank reserves, which reached a low of about \$18.1 billion in April 1960, climbed rapidly to a level of \$19.1 billion in November. Reserves leveled off at about \$19.1 billion from November 1960 through February 1961, after which they turned down. In April and May bank reserves averaged roughly \$18.9 billion, while in June they averaged about \$19.0 billion.

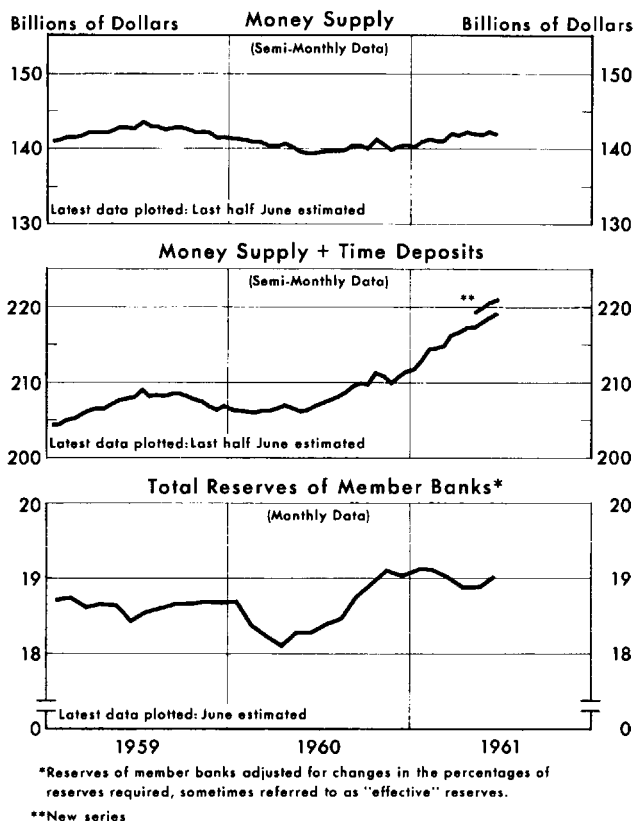
The rapid increase in total reserves from April to November 1960 contributed to an increase in excess reserves. Excess reserves averaged about \$750 million in the three months ending in January 1961 but declined to a level of roughly \$550 million in May and June. This decline in excess reserves reflected an expansion in bank credit and the money supply. Since December of last year member bank indebtedness to

the Reserve Banks has been averaging less than \$100 million.

From the second half of March 1961 through the second half of June the seasonally adjusted money supply (defined as demand deposits adjusted and currency in the hands of the public) was virtually unchanged. This was in sharp contrast to the 4.5 per cent annual rate of increase in the quantity of money from the second half of November 1960 to the second half of March. The money supply defined more broadly to include time deposits expanded at an estimated annual rate of 5 per cent in the period from the second half of March to the second half of June. This growth was substantially below the 9.1 per cent annual rate of increase that occurred in this measure of money from the last half of November to the second half of March. As pointed out in "Liquid Assets in Recovery" which appeared in the June 1961 issue of this *Review*, the money supply

Money Supply and Member Bank Reserves

Seasonally Adjusted



of the nation expanded more rapidly and almost without interruption during the early phases of the 1954 and 1958 business recoveries.

Total loans and investments of commercial banks have increased in much the same fashion as the money supply plus time deposits. Total bank credit expanded at an annual rate of 14 per cent from the end of November 1960 through February 1961. From February through April bank loans and investments leveled off, but they expanded in May. Indications based on reports from banks in leading cities are that bank credit expanded in June although probably at a lesser rate than in May.

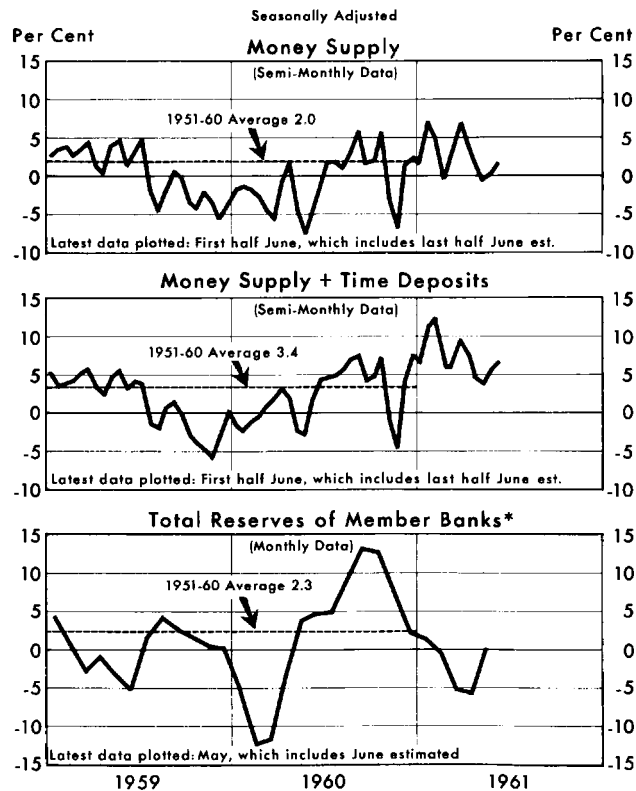
Bank loans, seasonally adjusted, showed little net change from the end of March 1961 to the end of May but were about \$3.5 billion above the November level. Investments of commercial banks increased by \$3.0 billion from the end of November 1960 to the end of May, rising sharply in April and May. Bank loans which normally increase in June, were about unchanged in the first half of the month at weekly reporting banks, while investments continued to expand. The liquidity position of commercial banks has improved slightly in recent months as indicated by the decline in the loan-to-deposit ratio.

Interest rates have worked up and stock prices have declined slightly from mid-May to early July. Yields on Treasury bills continued to fluctuate within the 2.25-2.40 per cent range. Short-term interest rates have shown little net change since the middle of last year. Rates on Government securities maturing within 3 to 5 years increased from roughly 3.15 per cent in mid-May to about 3.65 per cent in early June. From early June through the first week of July yields on intermediate-term securities have been about unchanged on balance. Yields on long-term Government and corporate bonds rose moderately from mid-May to early July. During the early stages of the two previous recoveries interest rates, particularly short-term rates, increased more sharply.

Stock prices, which reached an all-time high about the middle of May, have since declined. Standard and Poor's 500 composite stock index averaged about 67.2 (1941-43=10) in mid-May but declined to roughly 65.4 by the first week of July. During the first half of May transactions on the New York stock exchanges averaged about 5 million shares per day but in late June and early July the volume of stock transactions declined to a level of less than 3 million per day.

Annual Rates of Change in Money Supply and Member Bank Reserves

3-Period Moving Averages, Weighted 1-2-1



Price Movements in Perspective

Introduction

DURING THE PAST 140 YEARS, aside from years of major wars and the two or three years immediately thereafter, the price level of the United States has shown remarkable stability. Despite this historical record there is a widely held belief that the price history of the United States has been one of more-or-less continuous, gradual, or "creeping" inflation. Partly on the strength of this popular belief a sense of futility often pervades discussions of prospects for future price stability.

The first section of this article reviews price level movements through a substantial period of United States history. The second part of the article discusses some of the difficulties and limitations associated with preparing and interpreting price indexes.

Historical Movements in the Price Level

Historical changes in average prices are illustrated by Chart 1 (consumer price index) and Chart 2 (wholesale price index). The most immediate impression conveyed by Chart 1 is that the price level has risen markedly during the past century and a half. The index increased from a level approximately 25 per cent of the 1947-1949 average in the 1820's to the current level which is roughly 28 percent higher than the 1947-1949 average, an increase of approximately 410 per cent. On the other hand, there were prolonged periods when the price level was relatively stable and periods when the price level fell.

Although the price data used in this article have shortcomings, especially in earlier years, they are adequate for revealing major shifts in the average

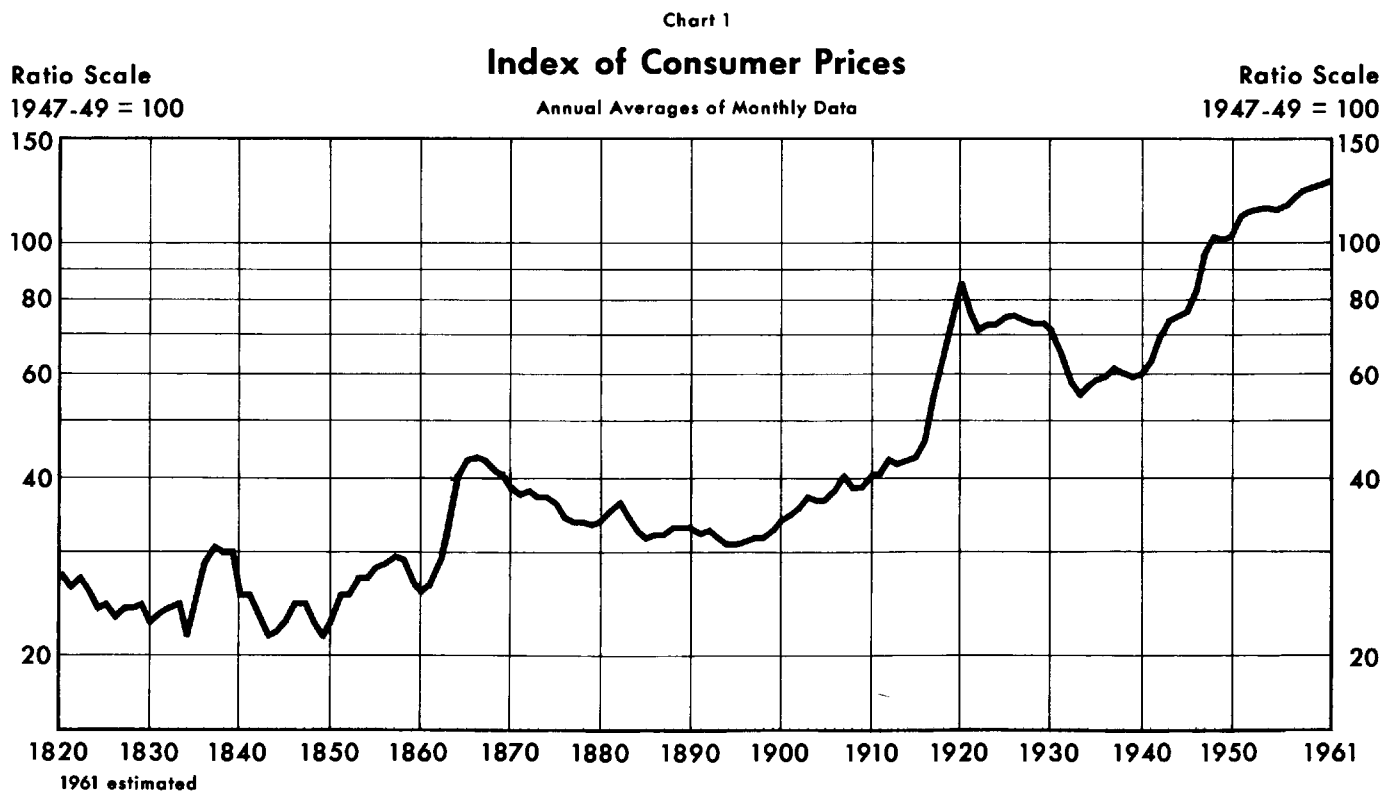
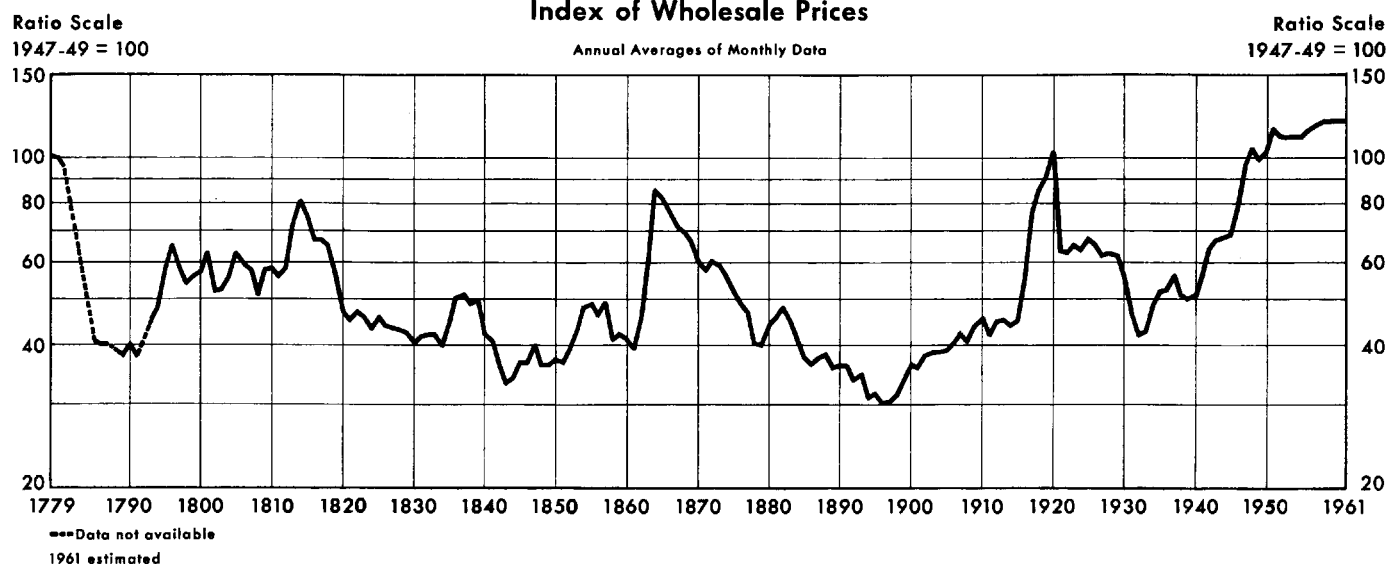


Chart 2

Index of Wholesale Prices



price level. The indexes used here were not constructed for the purpose of measuring changes in the price level and, therefore, have limitations when so used. The Bureau of Labor Statistics' consumer price index, for example, seeks to measure changes in prices paid by consumers rather than changes in the general price level. More specifically, it measures changes in retail prices of a "market basket" of goods and services bought by urban families.¹

The consumer price data consist of a cost-of-living index from 1820 (the earliest year for the series) to 1913² and the BLS consumer price index from 1913 to the present. The wholesale price series includes three indexes. The index for the period 1779-1890 is Warren and Pearson's wholesale price index.³ The two indexes for the period from 1890 to the present were

prepared by the Bureau of Labor Statistics.⁴ The consumer and wholesale price indexes presented in Chart 1 and Chart 2 were made to approximate a continuous series by a linking process.⁵

⁴ The data discussed in this paragraph are presented in convenient form, along with descriptions of the manner in which they were prepared, in a U. S. Department of Commerce publication, *Historical Statistics of the United States: Colonial Times to 1957*, pp. 101-130.

⁵ Linking was accomplished by shifting each index to a 1947-1949 base. The procedure consisted of dividing each number in the earlier series by the ratio between the terminal number of that series and its counterpart in the base series.

Table I
Consumer Price Movements in the United States
Selected Periods

(Index Numbers are Annual Averages)
1947-1949 = 100

Periods*	Index Number at Beginning of the Period	Index Number at End of the Period	Per Cent Change
1820-1861	28	27	- 4
1861-1866 (Civil War)	27	44	+ 63
1866-1915	44	43	- 2
1915-1920 (World War I)	43	86	+100
1920-1940	86	60	- 30
1940-1947 (World War II)	60	96	+ 60
1947-1950	96	103	+ 7
1950-1955 (Korean War)	103	115	+ 12
1955-1961	115	128**	+ 11

*The war periods in Tables I and II include the two years immediately following the wars. For the purpose of this article the Mexican War and the Spanish-American War were not considered major wars.

**Average of CPI from January to May.

¹ The present index is based on prices of about 300 individual items which are important expenditures of families of wage earners and clerical workers. The selection was made on the basis of a study of expenditures of 8,000 families in 1950. The average size of the families covered in the index was estimated to be about 3.3 persons and their average family income after taxes in 1952 was estimated at about \$4,160. The sample of 46 cities on which the index is based was chosen to represent all urban places with a population of 2,500 or more in 1950. Prices for foods and fuels and some services are obtained monthly in all cities. Prices for most other goods and services are obtained monthly in the five largest cities and quarterly on a rotating cycle in forty-one cities. Separate indexes are computed for twenty large cities.

² Federal Reserve Bank of New York; *Index of Estimated Cost of Living in the United States* (1938 revision mimeographed). This continuous series was obtained by linking together parts of indexes already available.

³ George F. Warren and Frank A. Pearson. *Prices*, John Wiley and Sons, New York, 1933, pp. 11-13, 25-27.

In Table I and Table II the period between 1820 and 1961 is divided into nine subperiods and changes in consumer and wholesale prices are listed for each. The subperiods distinguish periods of major wars (which include the two years following the wars) from periods of relative peace.

There were substantial price level increases during each of the periods associated with major wars. In each of the peacetime periods prior to World War II there were declines in the consumer price level. Wholesale prices generally rose more sharply than consumer prices during war periods, but the rises were roughly offset by declines in the peacetime years, except during the periods following World War II.

Taking the 119 years of peace, consumer prices have been virtually stable on balance (average annual rate of change has been a negative 0.2 per cent). Within the periods of peace, in which on the whole there were little or no net change of prices, there were periods of price decline and periods of rise. For example, there were steady increases in the average price level in 1849-1857 (37.0 per cent in 8 years), 1896-1915 (38.7 per cent in 19 years), and 1955-1961 (11.4 per cent in 6 years.) Viewed in historical perspective then, a period of a few years of price rises does not necessarily indicate a long-term upward trend and is not inconsistent with long-run price stability.

Price Movement During and Immediately Following Wars

During each of the major wars there was a dramatic increase in the price level. A war effort involves putting huge quantities of human and material resources into the military effort. In order to do this it is necessary for the Government to bid resources away from private uses or to allocate resources into war production by a system of controls. The country's gross national product has an income side and a product side. As more and more resources are channeled into the production of war goods, incomes rise without a corresponding increase in the supply of consumer and business goods and services. Unless fiscal and monetary actions are taken to restrain private spending appropriately, the expansion in income leads to an excessive total demand, and thus to price inflation. This is what happened during the Civil War, during World War I, and during World War II.

The problem of war finance in curbing inflationary pressures is to reduce consumer and business demands to a level which is consistent with the supply of goods and services which can be made available. Several methods and combinations of methods are available to a government. One possibility is to increase taxes sufficiently to drain off private buying power. Accordingly, taxes were increased during this country's major wars. However, it has generally been felt that, in a free society, to finance the war effort entirely by taxes

Table II
Wholesale Price Movements in the United States
Selected Periods

(Index Numbers are Annual Averages)
1947-1949 = 100

Average Annual Rate of Change	Periods	Index Number at Beginning of the Period	Index Number at End of the Period	Per Cent Change	Average Annual Rate of Change
— 0.1	1820-1861	47	40	— 15	— 0.4
+12.6	1861-1866 (Civil War)	40	78	+ 95	+19.0
— 0	1866-1915	78	45	— 42	— 0.9
+20.0	1915-1920 (World War I)	45	100	+122	+24.4
— 1.5	1920-1940	100	51	— 49	— 2.5
+ 8.6	1940-1947 (World War II)	51	96	+ 88	+12.6
+ 2.3	1947-1950	96	103	+ 7	+ 2.3
+ 2.4	1950-1955 (Korean War)	103	111	+ 8	+ 1.6
+ 1.8	1955-1961	111	120*	+ 8	+ 1.3

*Average of WPI from January to May.

levied during the war might be so burdensome on workers and other income receivers as to decrease incentives and thereby inhibit the rise in output.

In order to reduce private demand further, additional measures can be taken. For example, the Government, by conducting War Loan drives and by encouraging participation in payroll savings programs, can encourage individuals and businesses to save. Also, restraints can be placed on spending by direct rationing and by a system of allocations.

To the extent that Government expenditures are not met by taxation and by borrowing from the nonbank public, the Government must obtain funds from the banking system. Unless restraining action is taken by the monetary authority such fiscal actions may lead to an excessive expansion of bank credit (and thus the money supply) and thereby contribute to inflationary pressures.

In the past, monetary and fiscal restraints, though used, were not applied with sufficient vigor to halt price inflation during major wars. Moreover, in each case, the price inflation continued for a period of years after the termination of hostilities.

Price increases immediately following major wars probably reflect a delayed impact of forces accumulated during the years of war. Either because of price controls and rationing or because the goods are simply not available, consumers and businesses are forced to postpone many purchases. As a result, there is substantial pent-up demand at war's end. Moreover, be-

cause wars are generally financed in large part by borrowing, at the end of the war the public holds large quantities of liquid assets which they are willing to exchange for goods. Despite some restraints placed on spending, individuals and businesses have generally attempted to spend more than their current incomes in early postwar periods, exerting upward pressure on prices. The alternative of sufficiently vigorous monetary and fiscal policies to balance demands and supplies at existing prices has generally been considered unpalatable during this transition period.

Peacetime Price Movements

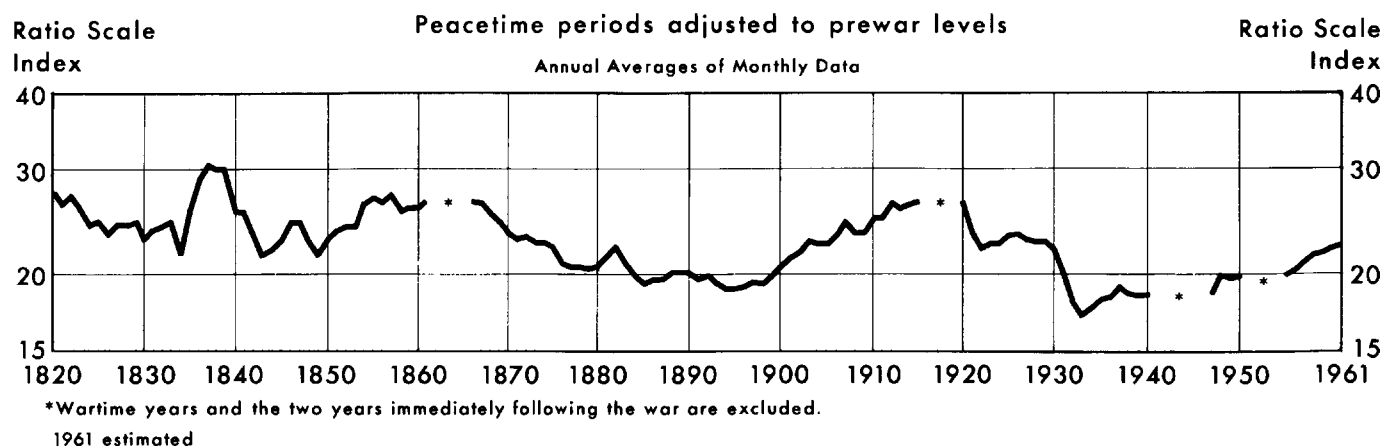
During the periods between major wars consumer prices showed little net change. In two of the interwar periods prices showed virtually no net change, declining only modestly. In one period the price level declined markedly. In the two relatively short periods since World War II average consumer prices crept upward.

The four decades prior to the Civil War were characterized by fluctuations in prices around a relatively stable level. There were rapid increases in the price level in the 1834-1837 and in the 1849-1857 periods; these were periods of marked expansion in economic activity. Following each of these periods of rapid rise, there was a sharp decline in prices.

Prices drifted downward beginning in 1867. There was a sharp, but brief, rise in the price level between 1879 and 1882, but this increase was erased during the

Chart 3

Peacetime Movements in the Consumer Price Index



1882-1885 period. The price level began to work up prior to the turn of the century, and advanced at an average annual rate of 1.9 per cent from 1900 to 1915. The advance was not uninterrupted, however, being partially offset by declines in prices in 1903-1905, 1907-1909, and 1912-1913.

In the period between the First and Second World Wars the price level declined markedly. After a sharp two-year decline in prices beginning in 1920, prices were about stable through the remainder of the decade. After the 1929 decline in business activity, prices fell rapidly. Not until 1933 was the decline in prices arrested. By 1940, the consumer price index stood at a level 30 per cent below the peak following World War I.

Price Movements Since World War II

Since World War II there has been an almost uninterrupted rise in the index of consumer prices. The average annual rate of increase during the nine peacetime years since 1947 was 2.0 per cent. Since 1955 (6 years) the rate of increase has been 1.8 per cent. These rates may be compared with the 4.6 per cent average annual rate of increase from 1849 to 1857 (8 years) and the 2.0 per cent average annual rate from 1896 to 1915 (19 years).

One part of the explanation of the increase in prices since World War II may relate to the peculiar character of the pent-up demand after the war. Following other wars the rapid rise in the price index abated after about two years. Apparently the war-postponed demand had been exhausted within that short span. There are considerations which indicate that the backlog of demand following World War II was much greater than had been the case following any previous war. In the first place, World War II was a long, costly war. Never before had the United States geared itself so intensively to a war effort. Secondly, the war followed closely on the heels of the longest and deepest depression in the history of this country. Therefore, at war's end in 1945 demand had been postponed for approximately 15 years. This was especially true for housing and other durable goods.

The character of the peace following World War II has differed markedly from previous periods. Because of the so-called cold war this country has directed substantial quantities of resources into the maintenance of national security. In the decade following World War

I national security expenditures averaged about 1.3 per cent of total production of goods and services. In ten peacetime years since World War II (1947-1949 and 1954-1960 inclusive), national security expenditures have averaged about 11 per cent of total output.⁶

An additional explanation of the price increases since World War II may lie in the generally cautious attitudes with which the early postwar economy was viewed. Many professional economists had emphatically predicted a sharp recession as the economy shifted to peacetime production. The liquidity which had been built up during the war was held by many individuals for precautionary purposes. This early caution may have served to spread out the release of liquidity over a longer period of time.

Public policy since World War II has sought both to ameliorate the effects of economic decline and to arrest and reverse declines as soon as possible. The adverse effects of economic contraction have been softened during the postwar period. One means by which the Government attempts to maintain consumer demand is through unemployment compensation. As workers become unemployed their buying power is sustained at a higher level than would otherwise be the case. In addition, Government price support programs for agricultural commodities serve to resist price declines on farm commodities which might result from increased output or shifts in demand.

The tentative conclusions reached from this brief review of the nation's price history are that: The increase in the price level from 1820 to the early 1950's was achieved in four distinct steps. The only sustained increases prior to World War II were those accompanying or immediately following major wars. The process was not continuous, gradual, or creeping. Chart 3 dramatizes this point and is intended purely for illustrative purposes. The index presented in this chart eliminates movements during war years and the two years following each war.⁷ Though there are periods during which prices increase and periods during which prices decline, the impression conveyed by this chart is one of price stability. There has been a steady upward drift in the price index since World War II, but this rise has not been as rapid and has not lasted as long as in some other peacetime periods.

⁶ National security expenditures include military activities of the Department of Defense, Atomic Energy Commission, stockpiling, and defense production expansion.

⁷ The construction of the index in Chart 3 simply involved shifting each post-war index to its prewar level.

Is the Upward Drift in Prices Real?

Though it was recognized at the beginning of this article that existing price indexes are inadequate in several respects, it was suggested that they would serve to reveal the major price level movements. However, it is one thing to reveal episodic movements in prices and quite another to distinguish between a slow drift and a period of relative stability and changes in level over long periods of time. When large shifts or extreme differences are of concern it is often permissible to use rough measures; small biases are likely to be swamped by the magnitude of the changes. Questions relating to the validity and reliability of the indexes must be given close scrutiny, however, with regard to the problem of measuring small movements or a general lack of movement. It is quite possible under such circumstances for an index to have inherent biases which cause it to move slowly in one direction or another—or which may tend to make it rigid and insensitive to minor change. It becomes necessary to determine the direction in which biases may operate and to adjust the results accordingly.

The congressional Subcommittee on Economic Statistics of the Joint Economic Committee has undertaken a comprehensive review of Government price statistics. Under a contract between the Bureau of the Budget and the National Bureau of Economic Research the Price Statistics Review Committee was formed. This committee submitted its findings to Congress in early 1961.⁸ Its report called attention to several weaknesses both in the consumer price index and in the wholesale price index. Especially significant in present context is the suggestion that these weaknesses may give the indexes an upward bias.

It is generally agreed that the most important limitation of the consumer price index is its failure to take full account of changes in quality. Since it is believed that quality changes have usually been quality improvements, this means that while the price index may be rising the market basket of the goods measured has been upgraded. Prices of truly comparable goods, even though not now available, might be assumed to have risen somewhat less in price.

There are at least two problems concerning the treatment of new goods in the consumer price index. One problem concerns their introduction. If consumers shift to new goods in preference to old ones, they ap-

parently do so because the new goods offer added satisfaction or enjoyment. However, new goods are sometimes introduced into the index in such a way that price increases emerge, not taking into account the improved living standards. A second problem exists in connection with the adequate representation of new goods. There is a typical life cycle in the relative price of a good. When a good is first introduced there is a tendency for its price to be comparatively high. As the good encounters competitive substitutes and as economies of scale are realized in its production, its price tends to fall. Later, as the popularity of the good wanes and production is cut back, its relative price tends to rise. An index that, in practice, tends to underrepresent new goods whose prices tend to decline relative to other goods will have an upward bias. The consensus of the report to the Joint Economic Committee is that the consumer price index has some upward bias on this account.

The importance of each of the goods included in the consumer price index was determined according to the quantity purchased in a base period. Hence, the effect on the total index of a change in price of a good is determined by the spending pattern which prevailed during the base period. Common sense suggests that consumers will tend to shift their purchases away from those items whose prices rise, and towards items whose prices fall. To the extent that this is an accurate description of ordinary behavior and to the extent that revisions in the index lag, the index has an upward bias.

There are indications that the wholesale price index contains many of the biases discussed above. The upward movement in the wholesale price index, which is based on price quotations obtained from manufacturers rather than buyers' prices, consistently exceeds other independent estimates of probable increases in prices.⁹

These suggestions concerning the probability of an upward bias in the indexes cast doubt on the meaning of the gradual upward movement in prices during the last decade. Indeed it is not clear that, properly measured, there has been any upward movement in the price level during this period, especially since 1953. In any event it is probable that the price indexes have somewhat overstated the true increase. It is even

⁸ "The Price Statistics of the Federal Government," Joint Economic Hearings on Government Price Statistics, Part I, January 24, 1961, pp. 21-99.

⁹ For a discussion of this problem see Harry E. McAllister, "Statistical Factors Affecting the Stability of the Wholesale and Consumers' Price Indexes," pp. 373-418, Joint Economic Hearings on Government Price Statistics, Part I, January 24, 1961.

more difficult to judge the extent of the impact of these biases on movements in the indexes for earlier years.

The bland assertion that the cost of living has not "really" risen does not get around the fact, however, that those on fixed incomes may often need to accommodate themselves to an upgrading of their individual purchases (with fewer items bought as a result) even though they would be quite content to buy the market basket that used to exist.

The problems mentioned have been long recognized and are well understood by those who are in the month-to-month practical task of preparing the indexes. The purpose of the foregoing discussion is to highlight the possibility that the gradual upward movement in the price indexes since World War II may be somewhat less a reflection of creeping inflation and somewhat more a result of pervasive biases in imperfect indexes. Certainly, no period in United States history has been more innovative than the period following World War II. New goods have been introduced at a rapid pace and old goods have been continually the object of improvements in quality. If inability to handle these problems subjects the price indexes to an upward bias, the postwar period provides fertile ground in which such biases may have flourished.

Conclusions

This analysis raises some question as to whether the experience of recent years, judged in the light of history, indicates an inflationary trend. During the period 1955-1961 the consumer price index has risen at a rate of about 1.8 per cent per year, and the wholesale price index has risen about 1 per cent per year. There is some reason to believe that the rise of the consumer price index during 1955-1961 is, in part, if not wholly, an illusion. But, even if the measure is quite valid, this need not indicate a strong inflationary trend. We have on previous occasions had longer periods of peacetime price rises which did not indicate an upward trend of prices in the peacetime years of the period 1820-1961 as a whole.

All this does not prove that there may not be an inflationary price trend in the future. It only shows that the historical record does not indicate a likelihood or inevitability of future peacetime inflation.

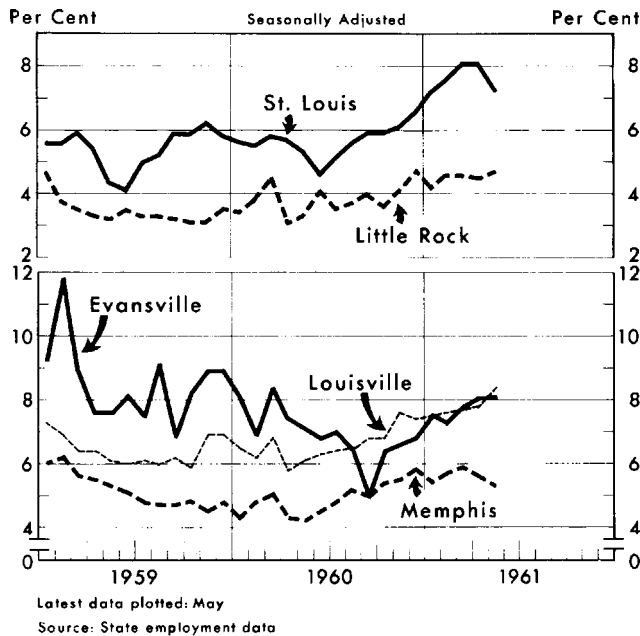
Neither does it prove that the record of the past, either the recent past or the more distant past, has been the best possible, or that the record of the future should not be better. It may be that some of the technological efficiencies developed in the past should have manifested themselves in price declines, and that public policy should look toward such declines in the future.

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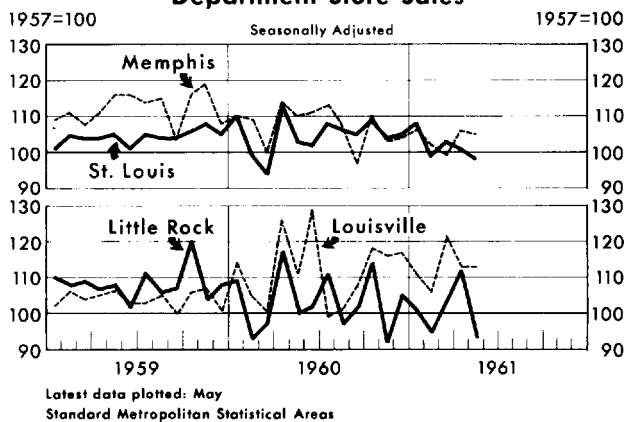
EIGHTH FEDERAL RESERVE DISTRICT DATA

Unemployment

as a Per Cent of Civilian Labor Force

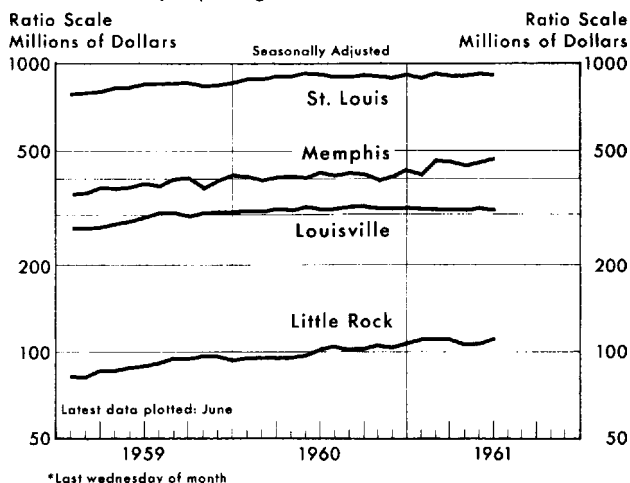


Department Store Sales



Total Loans*

Weekly Reporting Banks-Selected District Cities



BANK DEBITS¹

Reporting Centers	Three Months Ending with May 1961 (In Millions)	Percentage Change from	
		Previous Three ² Months	Like Three Months a Year Ago
Arkansas			
El Dorado	\$ 104	+ 9%	+ 5%
Fort Smith	201	+ 3	+ 8%
Helena	35	— 5	— 0—
Little Rock	793	+ 7	+ 7
Pine Bluff	152	— 0—	+ 3
Texarkana	83	+ 6	+ 4
Illinois			
Alton	139	+ 1	— 1
East St. Louis & Nat'l Stock Yds.	419	— 4	— 3
Quincy	157	— 2	+ 4
Indiana			
Evansville	517	— 7	— 2
Kentucky			
Louisville	2,809	— 0—	+ 2
Owensboro	167	+ 1	+ 2
Paducah	117	+ 1	+ 5
Mississippi			
Greenville	100	+ 2	+ 1
Missouri			
Cape Girardeau	64	— 4	— 5
Hannibal	42	— 1	+ 5
Jefferson City	488	— 6	+ 23
Sedalia	58	— 2	+ 6
St. Louis	8,828	+ 4	+ 5
Springfield	349	+ 4	+ 4
Tennessee			
Jackson	100	— 4	+ 2
Memphis	2,946	+ 4	+ 13
Total	\$18,668	+ 2%	+ 6%

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

² Adjusted for seasonal influences.

Bank Credit

8th District Member Banks

