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Industrial Growth Can Stabilize Economy

Part of the Development in the Ninth District Is Due to the Unprecedented Demand for Goods

MANUFACTURING in the Ninth District has taken a new lease on life.

Although this is predominantly an agricultural region, manufacturing in the postwar era has grown faster than in the nation as a whole. The general business depression of the thirties resulted in a significant contraction in the volume of goods manufactured. Even though depressed business conditions, in some measure, had subsided by 1939, the number of individuals employed in manufacturing establishments in this district was still 15 percent less than in 1929, and the value added to products through manufacturing was also 18 percent less than in the former year.

With the recent war came an unprecedented demand for war materials which stimulated manufacturers to expand their operations to the physical limit in order to secure maximum output. As the war progressed, a large demand for civilian goods accumulated which led manufacturers to anticipate a large postwar demand for civilian products.

This has resulted in an intensive search for additional factory space and suitable industrial sites in most cities and towns of the district.

AGRICULTURAL AND FORESTRY PRODUCTS ARE CHIEF RAW MATERIALS FOR INDUSTRY

Manufacturing in this district is concentrated heavily on the processing of agricultural and forestry products. Of the 20 most important industries, in 1939, eight were processing agricultural products, and four, forestry products.

Meat packing for some time has been the leading industry in the district. The value added by processing meat—that is, the price of finished meats at packing plants less the cost of livestock, supplies, fuels, and power used in the processing—totaled over $45 million in 1939.[1] Over three-fourths of the meat was processed in Minnesota where meat packing is by far the leading industry.

The largest center is located in South St. Paul, which draws livestock from all of the states in the district. Some meat, of course, is packed in the other states where the livestock is raised. In South Dakota, meat packing is the leading manufacturing industry. The value added in meat processing in 1939 in that state totaled $8 million.

Other than meat packing, a number of industries in the district are of comparable size. Prior to the war, the malt liquor industry ranked second. On the basis of the value added to the product through manufacture, the industry was less than one-half as large as the meat packing industry. This industry also is concentrated largely in Minnesota where, in 1939, over 80 percent of the total product in the district was produced.

The other industries comparable in size to the malt liquor industry are publishing and printing of newspapers, milling of flour and other grain products, baking of bread and other bakery products, and producing paper and paperboard. Paper and paperboard mills are the leading industry in the Upper Peninsula of Michigan and in the northwestern part of Wisconsin.

The other industries tend to locate near their immediate markets and, therefore, are distributed among the states roughly according to population and per capita income.

The remainder of the 20 most important industries in the district produce a wide array of products. Some products such as lumber, creamery butter, and canned vegetables, are produced for a market extending over numerous states, while others such as non-alcoholic beverages and ice cream are produced only for a nearby market.

POSTWAR DEVELOPMENT FOLLOWS PRE-WAR PATTERN

From a brief survey of the new manufacturing plants established since VJ-day, it is evident that the postwar industrial expansion has followed the pre-war pattern; that is, most of the new plants are processing agricultural and forestry products. Some of the new concerns, however, have increased the diversity of the products manufactured in this region.

The unprecedented demand for commercial and residential construction has resulted in the establishment of a large number of concerns producing building materials. New cement block plants are found in many communities over the entire district. In the forestry regions many additional sawmills and planing mills are turning out finished lumber. Numerous other plants are producing a variety of wood products such as sash and door material, furniture, and venetian blinds.

Additional food manufacturing plants have been erected to process the larger volume of agricultural products raised in this district. Among the new plants are found milk evaporation and dehydration plants, creameries, canneries, poultry dressing plants, and a sugar refinery.

[1] The value added by manufacture is a better measure of the importance of an industry than the total value of the finished product. The latter includes the value of raw materials, supplies, etc., which are products of other industries. In the case of meat packing, the cost of livestock constitutes a larger part of the value of finished meats than the cost of the processing.

The high level of income has also increased the number of food processors, who tend to locate near their markets. Meat packing and locker plant combinations, bottling plants, breweries, and potato chip plants are prevalent among the list of such establishments.

A noticeable expansion also has taken place among manufacturers producing products other than those based upon the agricultural, forestry, and minerals of this region. The Twin Cities for some time has been a wearing apparel center. During the past few years a number of additional plants were established outside of this metropolitan area.

Some expansion has occurred in the iron and steel industry. Foundries, industrial patterns, and tool and die concerns have sprung up in several communities, especially in Minnesota and northwestern Wisconsin. A few new concerns have begun the manufacture of farm machinery, automobile parts, and electrical parts.

A greater diversity of manufactured products, moreover, has come out of the postwar industrial expansion. Several concerns have been established to manufacture plastics, leather goods, soap, shoes, lubricants, chemical compounds, and sporting goods.

In addition to the erection of new manufacturing plants, which have added significantly to the output of manufactured products, old established concerns are also operating at full or nearly full capacity and in many instances have expanded their plant capacities. Consequently, the output of factories in the Ninth District now exceeds significantly the pre-war output.

NEW PLANTS TEND TO LOCATE IN SMALLER COMMUNITIES

From the size of the communities selected for the location of new manufacturing plants, it is evident that a decentralization movement is taking place in this region. Well-established concerns have branched out into smaller communities instead of expanding at or near the old plant sites.

For example, the apparel industry in this district prior to the war was located almost exclusively in the Twin Cities. Now several apparel plants are located in cities outside of the Twin Cities area. Concerns from other districts seeking additional factory space, as well as concerns newly organized, have made an exhaustive search for available space in smaller communities with adequate transportation facilities. Some companies already have purchased suitable industrial sites and plan to erect a structure as soon as materials and labor become available.

In the decentralization movement, reference is made primarily to the number of new concerns established or in the process of being established. Manufacturing employment in Minnesota outside of the Twin Cities area in 1946 showed a larger increase over the employment in 1939 than in the Twin City area. However, in the other states of the district, the increase in manufacturing employment was slightly less than in this one large industrial area.

In the district as a whole, the expansion in such employment exceeded the increase in the nation.

The motive behind the decentralization movement is quite complex. Company officials offer several explanations for the selection of smaller communities. An adequate supply of labor appears to be uppermost in the minds of most industrialists.

In addition to the supply of labor available in the smaller communities, the surrounding agricultural areas have a surplus of labor which may be drawn upon during peak seasons of the year. In some industries the peak season occurs during the winter months, which is the slack season on farms.

Some promoters of new concerns are concerned primarily with a suitable industrial site. Most of the desirable sites in the larger cities have been snatched up by other manufacturers.

Commercial and civic associations in the smaller communities have adopted a new policy toward manufacturers seeking admittance to their centers. During the Thirties various inducements were made to lure industrialists to their localities. For example, vacant buildings were offered at a nominal rental, exemptions were offered on taxes, loans were made at low rates of interest, an industrial site was donated, favorable labor conditions were guaranteed, and occasionally cash bonuses were offered.

These associations now have adopted a selective attitude toward th many concerns seeking to locate i their metropolitan areas. The ap plications submitted by prospectiv companies are examined carefully Commercial and civic organization on the whole have adopted an at titude that a concern which may no fit into the business life of their com munity, or which may fail within relatively short time, is a liabilit instead of an asset to the community

INDUSTRIAL DEVELOPMENT TRACED TO ECONOMIC FACTORS ENTERPRISING INDIVIDUALS

Since manufacturing is sensitive t the general business cycle, the growt of manufacturing in any region i irregular. During periods of pros perous business conditions, such exist at the present time, manufa turing activity expands rapidly response to the demand for product while during periods of business d pression, such as was experience during the Thirties, manufacturin activity contracts sharply.

The present expansion in manu facturing in this district is traced, part, to the postwar business boom The unprecedented demand for com mercial and residential constructio has solicited a large output of lum ber, cement blocks, and other build ing materials. When this deman recedes, some of the high cost pro ducers will drop out of the pictur

The large domestic and foreign d mand for food has resulted in a unusually high output of various food products. When demand lessens, du to a drop in domestic employme or to smaller exports, some high co processors may be forced out of bus ness and others may be forced t operate at less than full capacity.

Even though on the surface th growth and decline of manufacturin may appear to be governed entire by general business conditions, a slo perceptible growth, nevertheless, taking place over a period of year As a result of technological advan ments, producers and consumers al constantly use more manufactur products. Consequently, manufa turing plays an ever-increasing ro in the economy.

The rate of growth among regio may differ noticeably. The industr

(Continued on Page

Rapid Price Rise Upsets Price Relationships

Farm Product Prices Rise 181 Percent Over 1939; Prices of All Other Commodities Rose 62 Percent

WITH the removal of price controls, prices have risen swiftly in response to the forces of supply and demand. Since prices are now at a high level, much concern is expressed over a sharp price deflation as more long-run supply-demand relationships are re-established for the wide range of commodities.

A comparison of the inflationary periods during and following World Wars I and II was made in the September 1946 number of the Monthly Review.

Since June 1946, the last month before price controls were temporarily allowed to lapse, prices have risen faster than at any other similar period in our history. According to the index of wholesale prices compiled by the U. S. Bureau of Labor Statistics, wholesale prices from June 1946, through March of this year rose 30 percent or 3⅓ percent per month.

During the first two weeks in April, prices levelled off; in fact, even a slight decline occurred.

From VJ-day to June 1946, the increase was held to less than 1 percent per month and during the period of hostilities to approximately one-half of one percent per month. In the replacement boom following World War I, the increase averaged 1¼ percent per month, and during the period of hostilities the increase averaged nearly 2 percent per month.

PRICE INFLATION TRACED TO LARGE DOMESTIC AND FOREIGN DEMAND

The upward surge in prices following the removal of price controls is traced to two factors: (1) the termination of the wartime food subsidy program and (2) the large demand for all commodities at prices fixed by ceilings in relation to the available supply.

The amount of government subsidies which was paid to producers has been added to the prices of the products, which raised food prices about 9 percent, according to OPA estimates. Of the total amount paid in subsidies during the war period, nearly 25 percent was paid in connection with livestock slaughtering and another 20 percent was paid for dairy products marketed. The subsidy program included, of course, many other agricultural products covering all of the principal ones raised in this area.

Apart from the rise in food prices attributable to the elimination of the subsidy program, prices in general rose swiftly in the adjustment to free market conditions. This price inflation is traced to an unusually large postwar domestic demand and to an abnormally large foreign demand.

The income received by individuals during the past year was at a record level. For example, income payments in 1946 in some states of this district more than doubled and in others more than tripled the 1939 totals. Substantial savings had also been accumulated out of the high incomes received during the war years in anticipation of the purchase of durable consumer goods when they reappear in the market.

In addition to the consumer demand, manufacturers, wholesalers, and retailers have bid strongly for inventory.

Lastly, the devastation of the war has created a large foreign demand. The urgent situation has made necessary the purchase of large quantities of food and other commodities directly by our government or through loans extended to other governments for relief and reconstruction in the devastated countries.

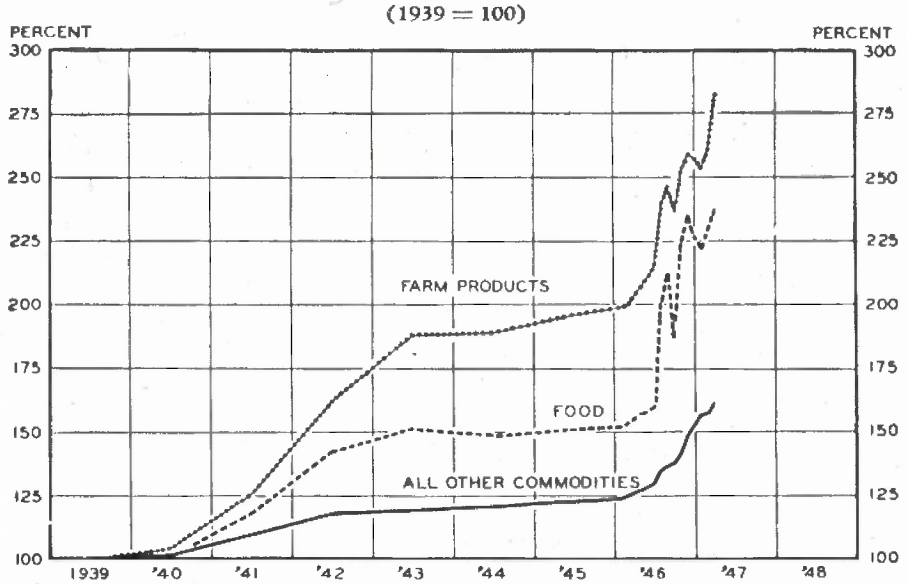
PRICES OUTSTRIP RISE IN COSTS

As a result of this large demand for all types of commodities, the rise in prices during the latter half of 1946 far outstripped the rise in costs. The larger differential between prices and costs is revealed by the rise in net farm income and in business profits.

The realized net income of farm operators has been estimated by the Bureau of Agricultural Economics at $15.1 billion for 1946 as compared with $13.2 billion for 1945 and $13.0 billion for 1944. A sample of 840 manufacturing concerns in 1946 had a net income after taxes of 37.4 per-

THE RISE IN THE PRICES OF FARM PRODUCTS, FOOD, AND ALL OTHER COMMODITIES SINCE 1939

(1939 = 100)



Source: U. S. Bureau of Labor Statistics.
*The March, 1947, figure is as of March 29 and is not a monthly figure.

cent larger than in 1945, although earnings before taxes were lower.[1]

In spite of the rapid upward surge in prices following the lifting of controls, aggregate price inflation at the present time is still less than at the end of the boom following World War I. Wholesale prices at the end of March were about 94 percent above the 1939 price level, while at the peak of the replacement boom in May 1920, wholesale prices had risen 146 percent above the 1914 price level.

A more minute examination of the price inflation during the two war periods, however, shows that a comparison in terms of aggregates has lost much of its meaning. During a period of rapidly rising prices, a wide dispersion occurs among prices. Thus, the average increase in prices as measured by an index reveals only part of the inflationary price situation.

The prices of some commodities are now greatly out of line as compared with others. This is an outstanding weakness of the present price structure.

RISE IN FARM PRODUCT PRICES EXCEEDS THOSE OF OTHER COMMODITIES

Since this is an agricultural region, the trend of agricultural prices is of great concern to this district. As a result of the sharp rise in the prices of farm products following the lifting of price controls, the increase in these prices during this inflationary period now far exceeds the average as well as the increase during the inflationary period of World War I.

Farm product prices at the end of March were 181 percent above the 1939 level as compared with 94 percent for the average of the prices of all commodities. Following World War I, prices of farm products in May of 1920 rose only to 138 percent above the 1914 level.

The prices of agricultural products are particularly sensitive to changes in demand. The output of agricultural products is very stable from year to year as compared with the output of industrial products. The technological developments in agriculture, such as improved varieties of seeds and better strains of livestock, tend to expand steadily the aggregate output. During a war on foreign soil when the demand for agricultural products is abnormally high, the expansion in agricultural production is accelerated but the rise in the demand far outstrips the supply. Consequently, prices rise sharply.

Once the output of agricultural prices has been expanded, it is very difficult to contract the output, as has been proven in the past. Thus, the adjustment between the supply and demand for agricultural products from war to peacetime conditions is made primarily through a reduction in prices, unless the government embarks upon a program to restrict production or to support prices.

The demand for agricultural products at the present time stems from three principal sources: the American people, U. S. Government purchases of food for the occupation army and for foreign relief, and foreign country purchases of food.

During the war the American people spent an unusually large proportion of their income for food and for other non-durable goods. With an increasing amount of durable goods moving into the retail markets, it is anticipated that more income will be spent for such goods, and less for food and other soft goods. This will tend to reduce the domestic demand for agricultural products.

When the pre-harvest food requirements in Europe are met and if Europe has a normal harvest this year, the foreign demand for food may decline. A decline in both the domestic and foreign demand for food has led numerous economists to anticipate a decrease in the prices of farm products during the latter part of this year.

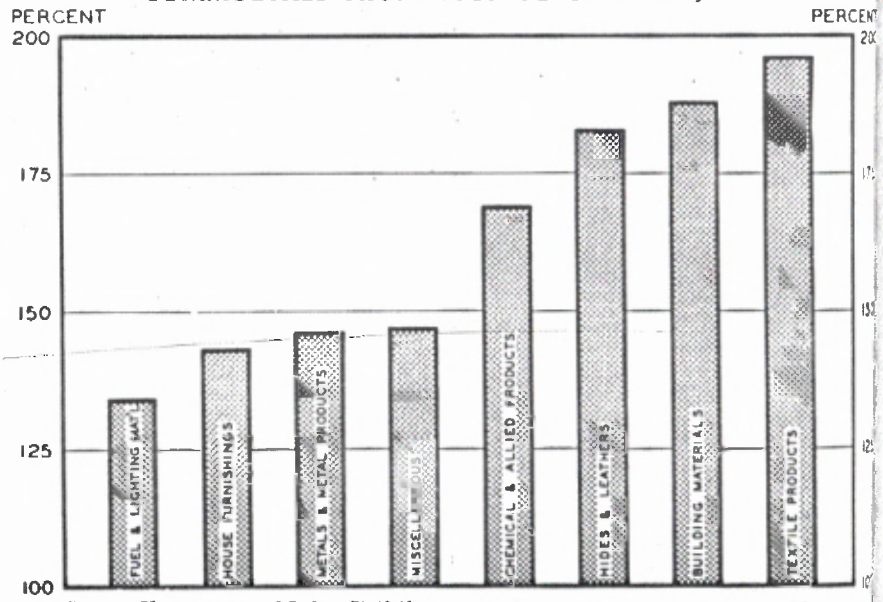
On the basis of the 1939 price level, prices of non-farm commodities are now about 62 percent higher while the prices of farm products are about 181 percent higher. During the inflationary period of World War I, this gap between the prices of these two groups of commodities did not develop. Whereas the prices of all non-farm products rose 14[illegible] percent above the 1914 price level, the prices of farm products rose 13[illegible] percent above the former level.

PRICES OF SOME NON-FARM COMMODITIES OUT OF LINE

Even though the general rise in the prices of non-farm products has been moderate, the prices of particular commodity groups have risen to a point where they are definitely out of line in terms of pre-war relationships. As may be observed by the accompanying chart, the differential rise in these non-farm commodity prices during the war years has pulled the prices of these commodity groups apart.

(Concluded on Page 44[illegible])

PERCENT INCREASE IN WHOLESALE PRICES OF SELECTED COMMODITIES FROM 1939 TO JANUARY, 1947



Source: U. S. Bureau of Labor Statistics.

[1] The National City Bank of New York, Monthly Letter on Economic Conditions, Government Finance, March 1947, p. 32.

AGRICULTURE

Livestock Numbers Down - Crop Acreage Up

FLAX acreage up 75% from 1946; Ninth District has 90% of total acreage.

Excellent soil moisture conditions give crops good start.

High domestic and foreign demand indicates another profitable year for farmers.

January cash farm income up 59% from January, 1946.

IN view of record crop yields and excellent range and pasture conditions in recent years, it may seem surprising that livestock numbers in the Ninth District actually declined last year and that they are only slightly above the 10-year average.

For the United States as a whole the number of livestock on farms declined during 1946. This decline in livestock numbers was greater than that in 1945 and it was a continuation of the trend which started in 1944. The Department of Agriculture reports that this is one of the few times on record when numbers of each species of livestock and chickens and turkeys were lower at the end of the year than at the beginning.

There are probably several reasons for this. Many livestock producers felt they were hampered by regulations and they feared expansion in numbers might not prove profitable even though crop yields and range conditions were excellent.

Second, livestock producers were warned repeatedly of the dangers of postwar deflation of farm product prices. They did not want to get caught again as badly as some were in 1920-21.

Third, huge exports of cereal grains was a factor in feed shortages and relatively unfavorable feed ratios at times. For example, that is one reason why the 1946 fall pig crop was relatively small.

IVESTOCK NUMBERS ABOVE ECENT 10-YEAR AVERAGE

Ninth District farmers reduced umbers of all kinds of livestock dur- ig 1946. Beef and dairy cattle and hicken numbers declined moderate- , but sheep, hog, turkey, and horse d mule numbers were substantially duced.

Livestock numbers on January 1 is year were somewhat larger, how- er, when compared with the last -year average, 1936-45. For ex- ple, cattle numbers on January 1 the four district states totaled 9½ illion head compared with 8¼ mil- n for the 10-year average—a 16 ecent increase.

However, only beef cattle, hog, and chicken numbers were higher compared with the 10-year average. Numbers in all other classes of livestock were less, with significant declines registered for sheep, turkeys, horses and mules.

The sharp decline in horse and mule numbers is, of course, a direct result of ever increasing farm mechanization and represents a long continuing trend. The 16 percent decline in sheep numbers during 1946 and the 32 percent decrease from a recent 10-year average probably represents a temporary situation.

Labor shortages and more profitable alternative enterprises in recent years have accentuated the recent decline in sheep numbers.

District averages, of course, are general and may have little meaning or significance for local areas. Some areas at present may have an oversupply of livestock in relation to prospective feed supplies. With the exception of beef cattle, however, the trend in livestock numbers in the different states appears fairly uniform. Beef cattle numbers, on the other hand, are up sharply in the western states of the district, with practically no change indicated for the state of Minnesota.

Trends in livestock numbers on a district basis are important, however, as they tend to affect future district cash farm income and the total economy of the area as well.

For the United States as a whole, farmers intend to plant a slightly larger total acreage of principal crops than those of the past two years. Total crops grown in 1947 may approach 358 million acres. This compares with 355½ million acres last year and 355 million acres in the 10 years, 1936-45.

WITH better prospects for more machinery and labor, farmers in the Ninth District are planning to increase their crop acreage by an estimated 1 percent over last year's near-record plantings. The prospective total acreages of corn, wheat, oats, barley, flaxseed, and potatoes are approximately 10 percent larger than that of a recent 10-year average, 1936-45.

Farmers in the upper Midwest apparently plan to plant more flax, soybeans, durum wheat, rye, and barley this year compared with last. Four percent more winter wheat was planted last fall. On the other hand, slightly less corn and spring wheat may be planted, with fairly sharp reductions planned for oats and potatoes. Rye acreage, while larger than last year, is less than half the 10-year average.

Soil moisture conditions at the start of the spring season in most areas of the district are reported good to ex-

Number of Livestock on Farms in Ninth District*

	Number on Farms January 1				
	Average 1936-45	1946	1947	1947 in Percent of 1936-45 Average	1946
	(Thousand Head)				
Cattle	8,233	9,874	9,544	116%	97%
Milk Cows	3,004	2,909	2,780	93	96
All Sheep	7,760	6,424	5,290	68	82
Stock Sheep	6,777	5,101	4,281	63	84
Hogs	5,546	6,940	5,805	105	84
Chickens	38,384	48,724	45,700	119	94
Turkeys	968	767	538	56	70
Horses	1,604	1,182	1,030	64	87
Mules	19	10	8	42	80

* Includes Minnesota, Montana, North and South Dakota.
Data from "Livestock on Farms, January 1, 1947," United States Department of Agriculture, Washington, D. C.

cellent. In fact, in some areas there is an excess of moisture and farmers are 2 to 3 weeks behind with spring work. Weather will, of course, be the controlling factor this summer, but farmers generally are looking forward to another year of large production.

Because of the keen demand and high prospective prices for flax, farmers in the four district states plan to plant almost 4 million acres in 1947. This compares with only 2¼ million acres last year and a recent 10-year average of 2.6 million acres.

Approximately 90 percent of the United States 1947 flax acreage will be planted in the Ninth District. Minnesota and North Dakota are the big producers, each with approximately 1½ million prospective acres this year. The flax acreage in North Dakota may be almost double what it was last year and it will be up 60 percent in Minnesota. South Dakota farmers may plant 575 thousand acres this year compared with 378 thousand last year and 282 thousand for the last 10-year average.

Soybean acreage has been increased more rapidly in the Ninth District than any other major crop in recent years. The planned acreage in 1947 is more than triple the average of the last 10 years. It is up 29 percent from last year. Of the total planned acreage of 886 thousand acres, about 841 thousand will be planted in Minnesota.

The downward trend in potato acreage in the Ninth District in recent years is to be continued this year with an estimated 9 percent reduction. Potato production has become highly commercialized in recent years, and the largest acreage is now grown in the Red River Valley area.

Prospective Ninth District[1] Crop Plantings in 1947 With 1946 and a 10-Year Average

	Planted Acreage			
	Average 1936-45	1946	Indicated 1947	19 1936-45
Corn, all	9,885	11,020	10,920	110
Winter Wheat	1,629[2]	2,233	2,326	143
Durum Wheat	2,808	2,493	2,757	98
Other Spring Wheat	13,725	15,194	14,748	107
Oats	9,391	11,952	11,069	118
Barley	6,122	5,448	5,605	92
Flaxseed	2,648	2,255	3,953	149
Potatoes	439	354	322	73
Rye	2,372[2]	745	960	40
Soybeans	274	686	886	323

[1] Minnesota, Montana, North and South Dakota. Data from United States Agriculture.
[2] 1935-44 average.

January Cash Farm Income[1]

(Thousands of Dollars)

State	1935-1939 Average	1946	1947
Minnesota	$ 26,141	$ 67,672.	$ 107,42
North Dakota	5,421	30,699	44,43
South Dakota	8,378	33,319	59,51
Montana	4,306	14,808	25,21
Ninth District[2]	50,300	160,907	255,38
United States	604,258	1,648,000	2,180,00

[1] Data from "The Farm Income Situation," United States Department of Agric
[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

Average Prices Received by Farmers[1]

Commodity and Unit	Ninth District Mar. 15, 1937-1941 Avg.	Mar. 15, 1946	Mar. 15, 1947
Crops			
Wheat, bushel	$ .82	$ 1.53	$ 2.45
Corn, bushel	.55	.97	1.28
Oats, bushel	.30	.69	.81
Potatoes, bushel	.67	1.29	1.19
Livestock and Livestock Products			
Hogs, 100 lbs.	7.30	14.04	26.56
Beef Cattle, 100 lbs.	6.93	12.41	18.25
Veal Calves, 100 lbs.	8.41	13.47	20.91
Lambs, 100 lbs.	8.16	13.45	19.13
Wool, lb.	.26	.43	.42
Milk, wholesale, 100 lbs.	1.52	2.78	3.50
Butterfat, lb.	.30	.53	.77
Chickens, live, lb.	.118	.201	.210
Eggs, dozen	.153	.304	.370

[1] Data compiled from "Agricultural Prices," United States Department of Agric
[2] The term parity as applied to the price of an agricultural commodity is that give to the commodity a purchasing power equivalent to the average purchas commodity in the base period, 1910-1914.

RAPID PRICE RISE UPSETS PRICE RELATIONSHIPS

(Continued from Page 443)

The wholesale prices of textile products and of building materials are now approximately double 1939 prices, and the wholesale prices of hides and leathers have risen 82 percent. The wholesale prices of fuel and lighting materials and of house-furnishing goods, on the contrary, have risen less than 50 percent since 1939.

Since the economy is operating close to full capacity with a relatively large accumulation of inventory, the future trend in prices may be particularly sensitive to a levelling off and possible liquidation of inventories. The demand for merchandise is limited, in a large measure, by the amount of income consumers have at their disposal. As inventories level off or are liquidated, the volume of merchandise in markets may rise substantially in relation t of disposable income.

The amount of dispo of course, may be inf future increase or decre ply of money, the ret duction of present tax by the decisions of bu consumers to spend a c of their receipts.

—Oscar

BANKING

Divergent Trends Mark Banking Picture

COUNTRY bank deposits and loans continue to rise.

Treasury cash debt redemption program reduces short term holdings.

SEVERAL cross currents were evident in Ninth District banking developments during March and the early part of April.

First, the loan expansion which began in the middle of 1946 is still in process and by March 26 had pushed total member bank loans up to $641 million. This was an increase of $22 million during the month ending on that date.

Second, member bank holdings of U. S. Government obligations declined by $41 million to a total of $1,836 million on March 26. Holdings of other securities increased slightly during the month.

Demand deposits of member banks experienced a further decline during March, most of the decline, however, being centered in deposits due to other banks and war loan balances. A slight increase in time deposits resulted in a net deposit loss of only $14 million during March.

There is considerable evidence that the developments at country banks were considerably different from the experiences of city banks.

First, total loans of city banks remained virtually unchanged during March and the early part of April. This means that all of the member bank loan expansion has been occurring at the country banks in the more agricultural areas.

Second, the 20 reporting city banks have experienced a modest deposit decline, while deposits of country banks have increased slightly. This country bank deposit expansion seems to be fairly general throughout all areas in the district, with the exception of the upper peninsula of Michigan, which has experienced a very modest decline.

The U. S. Government security portfolios of all member banks have declined during the month. This reduction arises out of the very substantial redemptions of U. S. Government securities for cash during this period.

On March 1 the Treasury redeemed for cash approximately $1 billion of certificates of indebtedness. On March 15 approximately $2 billion of 1.25 percent U. S. Treasury notes were redeemed for cash and again on April 1 occurred a $1.5 billion cash redemption of certificates of indebtedness.

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Assets and Liabilities of 20 Reporting Banks

(In Million Dollars)

	April 16, 1947	March 12, 1947	Change
Assets			
Total loans	$ 357	$ 358	— 1
U. S. Treasury Bills	11	9	+ 2
U. S. Treasury Certificate of Indebtedness	35	41	— 6
U. S. Treasury Notes	75	79	— 4
U. S. Government Bonds	595	605	— 10
Total U. S. Government Securities	$ 716	$ 734	— 18
Other investments	61	60	+ 1
Cash, due from banks, and reserves	400	431	— 31
Miscellaneous Assets	15	17	— 2
Total Assets	$1,549	$1,600	— 51
Liabilities			
Total Deposits	$1,441	$1,495	— 54
Borrowings	2	.....	+ 2
Miscellaneous Liabilities	11	11	....
Capital Funds	95	94	+ 1
Total Liabilities and Capital	$1,549	$1,600	— 51
Excess Reserves	1	11	— 10

Assets and Liabilities of All Ninth District Member Banks*

(In Million Dollars)

	March 26, 1947	Feb. 26, 1947	Change
Assets			
Loans and Discounts	$ 641	$ 619	+ 22
U. S. Government Obligations	1,836	1,877	— 41
Other Securities	153	148	+ 5
Cash Items	805	810	— 5
Other Assets	22	27	— 5
Total Assets	$3,457	$3,481	— 24
Liabilities and Capital			
Due to Banks	$ 376	$ 386	— 10
War Loan Deposits	92	96	— 4
Other Demand Deposits	1,872	1,880	— 8
Total Demand Deposits	$2,340	$2,362	— 22
Time Deposits	898	890	+ 8
Total Deposits	$3,238	$3,252	— 14
Borrowings from F. R. B.	21	29	— 8
Other Liabilities	13	16	— 3
Capital Funds	185	184	+ 1
Total Liabilities and Capital	$3,457	$3,481	— 24

*This table is in part estimated. Data for loans and discounts, U. S. Government obligations, and other securities are obtained by reports directly from the member banks. Reserve balances, cash items, and data on deposits are largely taken from the semi-monthly report which member banks make to the Federal Reserve Bank for the purpose of computing reserves. Data for borrowings from the Federal Reserve Bank are taken directly from the books of the Federal Reserve Bank. The item "other liabilities," which may include some borrowings by banks from other banks, is largely estimated. Capital funds, other assets, and total assets and liabilities are extrapolated from call report data.

Complete data are not available on the amounts of the various kinds of U. S. Government securities held by all member banks. Since, however, the decline in total holdings, on which information is available, was fairly uniform for all types of banks, it is reasonable to assume that the changes in the portfolios of the city banks is roughly representative for all member banks.

During the month ending April 16, holdings of U. S. Treasury certificates of indebtedness by the 20 reporting city banks declined $6 million to a total outstanding of $35 million. When this figure is compared with $229 million held by these banks a year ago, the effect of the cash debt redemption program on bank holdings of Government securities becomes more clear cut.

The redemption of U. S. Treasury notes in mid-March also had a modest effect on the banks' portfolios, their holdings having declined from $79 million in mid-March to $ million a month later. Holdings longer term bonds declined $10 m lion during this period.

A fairly sharp decline of $31 m lion in cash, due from banks, a reserves put the city banks und moderate pressure for reserves ev though there had been a slight d cline in total deposits, with the sult that excess reserves of $11 m lion on March 12 had declined to $ million on April 16.

INDUSTRIAL GROWTH CAN STABILIZE ECONOMY

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expansion in a particular region depends primarily on how well manufacturers in one area can meet the competition of rival producers in other regions.

The growth of manufacturing in the Ninth District, as in other districts, is attributed in part to enterprising individuals residing here. Promoters of some types of manufacturing are not bound by economic forces to select a certain geographic region for their establishments. Consequently, the geographic location of some plants is traced to sheer accident or chance.

In most types of manufacturing, however, the promoters are bound by numerous economic forces in their selection of a geographic location. The nature of the raw materials and of the finished products, the location of the market, the cost of transportation, of power, and of labor, and the economies of industrial concentration all have a bearing on the location of industrial establishments.

In this district the nature and supply of raw materials are the dominant economic forces in geographic location of the majority of manufacturing plants. Concerns located near the source of raw materials include meat packing plants, malt liquor plants, flour mills, creameries, sawmills and planing mills, pulp, paper and paperboard mills, brick and tile kilns, and many others.

On the basis of the value added to the finished products through manufacture, such establishments in 1939 accounted for one-half of the manufacturing in the four states wholly within this district.[1]

In the respective states the relative importance of such manufacturing concerns varies greatly. Prior to the war, concerns located near the source of raw materials in South Dakota accounted for three-fourths of the total manufacturing in the state. In Montana and in North Dakota, such concerns accounted for 62 and 45 percent respectively of the total manufacturing in the states [2] and in Minnesota, which is more industrialized, they accounted for 48 percent of the total.

Markets are the second most important economic force in the geographic location of manufacturing plants in this district. Manufacturers of some products find it necessary or advantageous to locate near their markets. The leading industries in this group consist of newspaper publishers and printers, bakeries, general commercial printers, ice cream plants and non-alcoholic beverage plants.

In 1939 such concerns accounted for 20 percent of the total value added to manufactured products in the four states wholly within this district. In North Dakota these industries prior to the war accounted for 53 percent of the total value added to manufactured products in the state. In contrast, in Minnesota, which is more industrialized, the latter industries in 1939 accounted for only 18 percent of the total value added to manufactured products.

Other economic forces as well as accidental or chance factors have resulted in the establishment of ma other manufacturing plants in th district. As a group, these industri may be described as "footloose," i management has considerable leew in selecting a geographic location. 1939, 30 percent of the total val added to manufactured products this district came from these co cerns.

The leading industries in this clas fication prior to the war were th manufacturers of transportati equipment, exclusive of automobile and of electrical machinery. Pr ducers of these products in 19 added a value which exceeded $ million. The production of che icals and allied products occupi second place. Prior to the war the industries added nearly $10 million their products.

The other industries are decided smaller in size but include a va number of manufacturers who tu out a wide array of products. Th is the type of manufacturing whi is not tied exclusively to this distri by economic forces.

Most of these manufacturing co cerns are located in Minnesota, wi a heavy concentration in the Tw Cities and Duluth areas. The fe found in the other states of the d trict consist chiefly of sheet me work and machine shop products.

The prices of finished goods in r tail markets are determined primari by the costs of raw materials, manufacturing, and of transpor tion. Due to differences in outp per worker in money wages and fuel and power costs, manufactur costs vary significantly among regio within the nation. Some eviden can be gleaned from a compari

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[1] This is probably an understatement of the importance of manufacturing concerns located near the source of raw materials. The proportion was computed on the basis of the value added by concerns classified by type of products produced in 1939 U. S. Census. A large number of the concerns classified under miscellaneous undoubtedly were concerns located near the source of raw materials.

[2] Since concerns contributing one-third of the total value added in North Dakota were classified under miscellaneous, the proportion of the concerns located near the source of raw materials is undoubtedly very much understated.