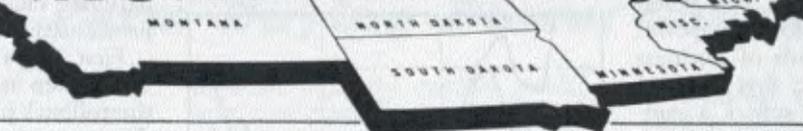




MONTHLY REVIEW



**9th
DISTRICT**
AGRICULTURAL
AND
BUSINESS
CONDITIONS

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1950 Brought Prosperity, Sobering Problems

POSING three great problems for the nation in the future, developments in the American economy in 1950 divide into three phases. For analytical purposes these may be identified as follows:

1—The period of recovery, inherited from the last four or five months of 1949, extended from the beginning of the year to the outbreak of war in Korea on June 25.

2—The period of expansion of the defense program extended from the initial military involvement in Korea to late November.

3—The period of more intense mobilization following the overt participation of the Chinese armies in the war in Korea completed the year with the nation girding itself for the most prodigious production effort in its history.

The great tasks faced by our economy at the beginning of 1951, as we construct what has been described as a "garrison state," may be reduced to three propositions:

1—We must quickly allocate manpower and materials to increase our immediate military power.

2—We must maximize our productive strength.

3—We must avoid economic instability.

The Economy Recovered from 1949 Recession

At the beginning of 1950 many observers were not confident that the recovery which began in August 1949 would be complete when measured against the high levels of production and employment attained in 1948. By June, if not earlier, these doubts were dissipated as the familiar indexes of business activity recorded high-level prosperity.

The Economy Experienced in Turn a Period of Moderate Acceleration, a Powerful Stimulant from Mobilization, Return to a More Normal Pulse, Then Controls Coming with Realization of the Gravity of Foreign Involvements

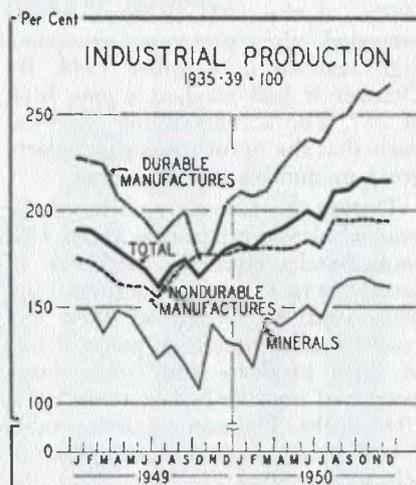
By J. MARVIN PETERSON

Industrial production, measured by the Federal Reserve index, which had slumped to 161 in July 1949 from 195 in October 1948, rose to

199 in June 1950. Residential construction starts throughout the second quarter reached unprecedented levels. Expanding employment opportunities reduced the number of persons who were without work at the beginning of the year and at the same time absorbed new entrants into the labor force.

Personal incomes, augmented by the veterans' insurance refund, rose steadily during this period of recovery as jobs became more plentiful at higher wage rates. Consumption expenditures, which had been a bright spot even during the recession of the previous year, climbed upward as people clamored for more of everything, particularly houses and automobiles and all the gadgets that go with them. The standard of living of most American families obviously rose to levels above that enjoyed by earlier generations.

Businessmen, whose pessimism over the business outlook was reflected by a policy of inventory liquidation early in 1949, began to build up inventories later in that year. They continued a policy of inventory accumulation in the first half of 1950, but not at a rate unjustified by their sales. The value of retail inventories increased by about 5% from January to June. This revival of optimism over the business outlook, contrasted with the previous year, also was reflected in a brisk expansion in out-



TOTAL industrial production rose throughout 1950, and averaged 14% above 1949. Gains occurred in most industries but were especially marked in industries manufacturing durable goods.

Source: Board of Governors, Federal Reserve System.

lays for new plants and equipment in the second quarter.

The price level, which had fallen in 1949, steadied and slowly responded to the great demands of business and consumers in the first half of 1950. But it did not reflect a runaway inflation. Wholesale prices, as measured by the Department of Labor, began the year 1949 at about 161% of 1926, fell to 151% by December, then climbed slowly to 156% in May 1950. The slower-acting consumers' price index rose only 2% from January to June 1950.

That consumers were eager to spend their current income freely and to pledge future income was reflected by the rise of 11% in outstanding instalment credit during the first half of the year. Residential mortgage credit also rose rapidly, and farmers, who had a good record of debt-reduction in the 1940's, began to borrow quite heavily. Loans of banks expanded about \$2.5 billion, but most of this increase was financed by a reduction in the U.S. government security holdings of the banking system. Consequently, the total money supply increased only slightly. Nevertheless, the growth of credit of almost all types reflected some inflationary pressures in the economy.

Everything considered, the American economy was prosperous during the first half of 1950—so much so that many observers feared that it could not for long be sustained.

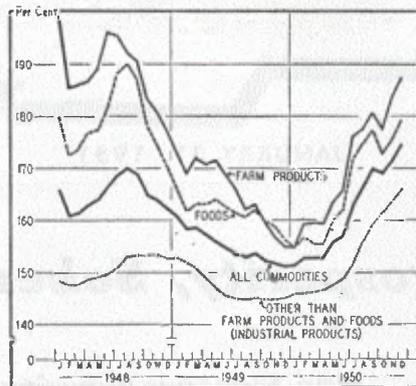
Indexes Revealed Record Levels, June to November

Beginning immediately after the outbreak of war in Korea, the indexes of employment, production, and prices rose to new peacetime record levels.

From 56.9 million in January, the seasonal lowpoint, civilian employment rose to an all-time high of 62.4 million in the summer. Reports indicate that between June and November 683,000 employees were added to payrolls of durable goods manufacturers and 358,000 in non-durable manufacturing. Employment increased substantially in other areas, also. For the year as a whole, non-farm employment increased by 1.8 million, while farm employment decreased about one-half million. Beginning in March, unemployment declined steadily until October, when it

WHOLESALE PRICES

1926 = 100



AFTER a moderate advance in the first half of 1950, the wholesale all commodities index rose in the second half of the year to new record levels. During the year, farm prices scored the largest increases, with food and industrial prices not far behind.

Source: Department of Labor.

was down to 1.9 million, only slightly more than 3% of the labor force.

In June the Federal Reserve index of industrial production had reached 199% of the 1935-39 base, which exceeded the previous peacetime high reached in October 1948. By October it had reached a new high of 217. The accompanying chart reveals that the upturn was particularly great in durable manufactures.

During the first six months of the year wholesale prices rose about 4%. Immediately after the outbreak of hostilities in Korea, prices surged upward until in November they had reached an all-time high point. Prices of farm products and foods, however, had not climbed to their 1947-1948 peaks. The accompanying table reveals changes in wholesale prices in selected groups.

Intensified Mobilization Hastens Direct Controls

The newspaper headlines late in November announcing that we face a "new war" blasted whatever hope may have existed that the war in Korea might quickly be brought to a close. This development called for an intensified mobilization effort, additional allocation and limitation

orders by the national production administrator, and the declaration of a national emergency by presidential proclamation.

First steps toward price control were taken in December, for example the rollback in automobile prices, and the request of the Office of Price Stabilization that business should hold prices at the December level. Despite these efforts, wholesale prices advanced rapidly, reflecting the upward pressure of increased costs of production, including rising wages and higher prices for raw materials.

Greater employment at higher wages and increased bank credit pushed money incomes upward. The inflationary spiral of rising costs, rising prices, and still higher costs gained greater momentum. Organizational preparations for the imposition of price and wage controls were hastened.

The renewed strength of inflationary factors became more noticeable early in January 1951 than in December. Department store sales prior to Christmas were not much higher than in 1949. In January, department store sales jumped to levels 20 to 50% above those for the corresponding period of the previous year.

Financial Factors Also Heightened Inflation

Some of the most significant financial developments for the year 1950 were those relating to the money supply, time and savings deposits, savings bond sales and redemptions, bank loans, consumer credit, and federal cash receipts and expenditures.

The privately-held money supply (demand deposits and currency outside banks) rose from \$169.7 billion in December 1949 and January 1950 to about \$170 billion in June and July. In the following five months over \$6 billion of new money was created.

All the increase in the money supply can be attributed to bank loans which for all commercial banks rose approximately \$9.7 billion during the year, while the investment holdings of banks, the other chief component of commercial bank credit, fell by \$2.7 billion. United States government securities held by the Federal Reserve banks rose from

Continued on Page 138

AGRICULTURE

Decline in Farm Buying Power Checked in '50

AT THE beginning of 1950 there was considerable gloom about farmers' economic outlook. Farm prices were down about a fourth from the postwar peak. Farm costs had declined little, if any. Farm indebtedness was wending its way upwards. Mountains of farm surpluses had accumulated, and farm purchasing power was beginning to look a bit frail in comparison with its robust health of recent years.

In fact, only one year ago it appeared that the greatest and longest period in lush farm prosperity in history had finally run its course. Businessmen were warned that the new trends in farm economics would likely have a major impact on the economy of the agricultural Upper Midwest. Farmers started looking anew towards various agricultural programs to help them ward off a serious squeeze on their net income and bankers were spending anxious

moments over the rapidly swelling farm note portfolio.

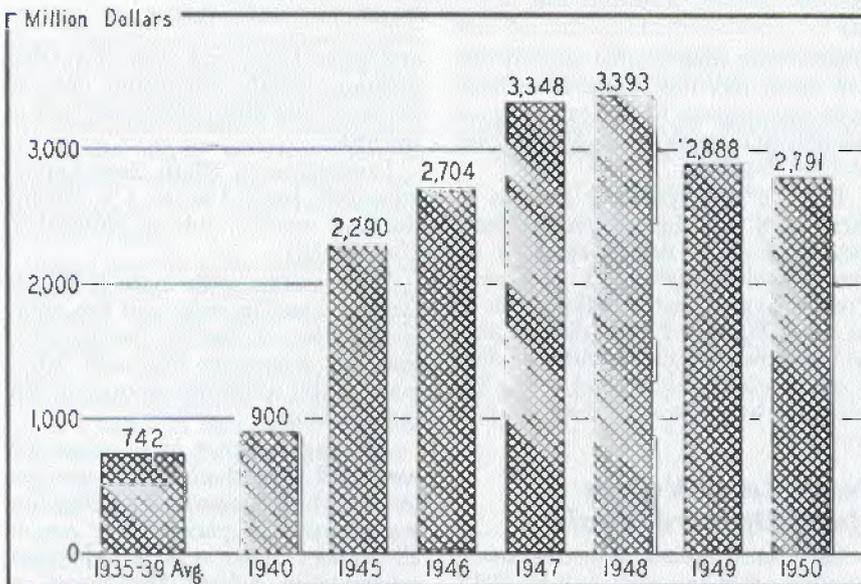
It was not long in the new year of 1950, however, before the picture began to change. The drama of worldwide conflict between communism and democratic capitalism began to unfold. It soon became evident that World peace was not to be ours to enjoy, but that again billions must be spent for defense and for military operations. People became convinced that prices in general would not fall. They started buying more freely. Employment increased and wages were boosted.

This renewed vigor in the non-agricultural part of the economy in early 1950 was registered on farm prices by way of increased demand for both food and fiber. Then came the outbreak of hostilities in Korea in mid-1950 and with it the inevitable change in the economic picture for farmers as well as for everybody else.

- ▶ **Increased demand and dwindling surpluses put new life in farm prices and income.**
- ▶ **Prices of farm products rose faster than costs during last half of 1950.**
- ▶ **District farmers made a remarkable production record considering the late, cold season.**
- ▶ **The increase in farm debts was not excessive in relation to farm assets and earning power.**

People immediately became acutely aware that many billions of dollars must be spent to combat the threat of communism. It became evident that production of civilian goods would have to be curtailed at the same time more purchasing power was released in the economy. This made folks anticipate still higher prices, and as a result the buying tempo for commodities, goods, and services increased still further.

CASH FARM INCOME FROM FARM MARKETINGS IN NINTH FEDERAL RESERVE DISTRICT



DISTRICT cash farm income declined substantially during the last two years from the high level peaks of 1947 and 1948. By late 1950, however, the trend was upward with good prospects that farm incomes would be even higher during 1951 compared with 1950.

Farm Prices Regain Most of Lost Ground

Farm prices have been quick to reflect the new economic and political situation. In a period of only a few months most of the decline in farm prices that occurred during 1948 and 1949 has been nearly eliminated. Furthermore, the current demand for farm products appears to be on the ascendancy.

As usually happens in the early period of an inflationary situation, prices of farm products have increased faster than have prices paid by farmers. This is reflected in the parity ratio which is the ratio of prices received to prices paid by farmers. In mid-December this ratio was 108 compared with only 95 a year earlier.

District Farmers Did Better Than Expected

The year of 1950 can be put down as one of tension for most farmers of the Ninth district. To begin with, last winter was long and hard. Feed

for livestock was critically short and high-priced in the late winter and early spring. The spring was unusually cold and crops got off to a late start. Corn, particularly, was in a vulnerable position all during the growing season and only a late fall saved the crop from a near failure. At that, the corn crop was of generally poor quality.

Total production of all crops in the district, however, was just slightly better than the relatively poor crop production of 1949. The cold, wet summer was in many respects ideal for small grain crops except for the rust menace, which did take a heavy toll in some sections of North Dakota.

Livestock production during 1950 expanded rapidly. Feed production and pasture and range conditions were unusually good during the summer and fall, and this, together with favorable feeding ratios, has encouraged farmers to expand livestock operations. The January 1, 1951, estimates of livestock on farms in Ninth district states is expected to show significant increases over that of a year ago for most types of livestock.

1950 Cash Farm Income About the Same as in '49

The upward trend in farm prices during the year, plus near-normal crop production and expansion in livestock operations, added up to fairly satisfactory incomes for most district farmers.

When final estimates are made, farmers may have received as many dollars in 1950 as they did in 1949, which is much better than anybody anticipated early in the year.

Costs were somewhat higher in 1950, so that farmers' net income for 1950 may have been somewhat below that of the previous year.

Farm Debts Continue Upward Trend in 1950

Both real estate and non-real estate farm indebtedness of Ninth district farmers increased during 1950, according to preliminary estimates. Non-real estate farm indebtedness, particularly, has registered a sharp advance this past 12 months. It

Average Prices Received by Farmers in the Ninth District*

Commodity and Unit	Dec. 15, 1937-41 Avg.	Dec. 15, 1949	Dec. 15, 1950	Parity Prices ¹ United States Dec. 15, 1950
Crops				
Wheat, bushel	\$0.75	\$1.96	\$2.00	\$2.31
Corn, bushel .....	.44	1.04	1.35	1.68
Oats, bushel .....	.28	.62	.77	.988
Potatoes, bushel .....	.48	1.19	.83	1.83
Livestock and Livestock Products				
Hogs, 100 lbs.	6.88	14.54	17.45	19.90
Beef Cattle, 100 lbs.	7.23	19.15	25.41	18.00
Veal Calves, 100 lbs.	8.61	23.73	29.56	20.20
Lambs, 100 lbs.	8.04	20.96	26.91	19.80
Wool, lb. ....	.27	.47	.83	.53
Milk, wholesale, 100 lbs.	1.75	3.33	3.50	4.58
Butterfat, lb. ....	.34	.67	.68	.73
Chickens, live, lb. ....	.118	.174	.178	.302
Eggs, doz. ....	.238	.337	.467	.533

*Source: Data compiled from USDA "Agricultural Prices"—December 29, 1950.

¹The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-14.

Cash Farm Income for Ninth District, January-November*

(Thousands of Dollars)

State	1935-39 Average	1949	1950	1950 in Per Cent of 1949
Minnesota	\$ 312,762	\$1,091,447	\$1,053,891	96%
North Dakota	104,468	507,412	452,433	89
South Dakota	100,442	509,018	464,622	91
Montana	84,425	344,681	365,333	106
Ninth District ¹	656,283	2,665,995	2,548,133	96
United States	7,525,872	25,663,260	25,249,087	98

*Source: "The Farm Income Situation"—Dated December 1950.

¹Includes 15 counties in Michigan and 26 counties in Wisconsin.

is now more than double what it was five years ago, but this indebtedness does not appear to be excessive in relation to farmers' assets and current earning capacity.

Because of a growing interest in farm land and higher land values, farm real estate debt may have increased substantially this past year. Preliminary estimates indicate this to be true. For the Ninth district as a whole, however, farm mortgage debt is substantially below what it was five years ago and just about half the prewar level.

Farm Land Values Head Upward Again

Farm land values appeared to be leveling off in the early half of 1950, but the Korean crisis, the rising gen-

eral price level, and fear of further inflation greatly stimulated demand for farm land during the latter half of the year.

Land values in Ninth district states advanced from 3% to 5% during the four months, July to November. (See chart.)

Furthermore, with more favorable farm incomes in sight and the widespread fear of further war-inspired inflation, it appears that land values may exhibit continued strength in the months ahead.

Although district land values are now well over double the very low levels which prevailed in the immediate prewar period, they are, in all district states except Montana, substantially below land prices of 1920. END

BUSINESS

Economy Adjusts to Defense Program

IN A YEAR whose close was in sharp contrast with its beginning, businessmen had to provide for many unforeseen developments in conducting their operations during 1950.

This applied not only to the individual businessmen of the Ninth district but to the whole business community.

The impact of this new situation, which stems chiefly from the international crisis, has been felt in the demand for and the supply of labor, basic materials, housing, and consumer merchandise.

The many ways in which the demand and supply factors have impinged on the conduct of business operations have also been accompanied by new regulatory measures taken by government agencies.

Further Expansion in Production Limited

Manufacturers cannot produce another miracle in expanding their physical volume of output as they did at the beginning of World War II, because they are already operating near war capacity limits. Nevertheless, competent observers expect some expansion in the physical volume of output over that of 1950.

In recent years, output per worker has risen approximately 2% annually. With the filling of large defense orders, the output per worker may rise more in 1951 than in previous postwar years.

Labor may be called upon to work longer hours, although in manufacturing plants labor is already averaging more than 40 hours a week. In Minnesota, employees in manufacturing plants averaged 41.7 hours a week in November. In Minneapolis and in St. Paul, they averaged 41.5 and 40.5 hours a week, respectively, in December. In Wisconsin, employees in manufacturing plants averaged 42.5 hours a week in November. These figures indicate that the additional output which may be gained through longer hours is limited.

A larger laboring force may be employed in industrial concerns even though the rate of inductions to

the armed forces has been speeded up. The natural increase in the labor force adds a significant number of workers each year; the number of unemployed workers may be reduced further; and more individuals may enter the labor market.

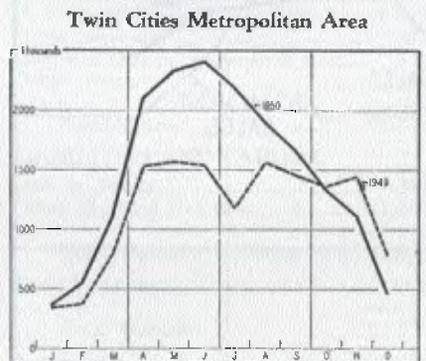
In the latter half of 1950, more women were employed than in previous postwar years. Since the available supply of women has not as yet been exhausted, the trend of hiring more women may continue in 1951.

Nevertheless, expansion in the physical volume of output will not be sufficient to produce the defense equipment and maintain the 1950 volume of civilian merchandise. As was described in some detail in the December "Monthly Review," the use of a number of basic materials in the fabrication of civilian goods was curtailed at the beginning of this year. Many manufacturers in this district have bid for defense contracts, partly as a result of raw material shortages.

Construction Sets New Record in 1950

Of the industries where activity will be curtailed to make room for the production of defense equipment, the construction industry is an out-

TOTAL NUMBER OF RESIDENTIAL BUILDING PERMITS ISSUED



CURBS on real estate credit, shortages of materials, and rising prices caused sharp cuts in the very high number of building permits issued during the first half of 1950.

▶ **High production in 1950 will tend to limit further expansion in industry.**

▶ **Construction boom in 1950 was concentrated in residential building.**

▶ **Building permits for dwellings in Twin Cities area declined sharply from summer peak.**

▶ **Department store sales in Minneapolis, St. Paul, Duluth, and Superior in the first three weeks of January bounced up 30% above 1950 volume.**

▶ **Regulation W terms halted expansion in consumer credit.**

standing example. Construction spearheaded the 1950 business boom. Even though the boom in construction at the beginning of 1950 was over four years old, construction nevertheless set a new record last year. The number of nonfarm dwelling units started in this nation during 1950 aggregated approximately 1,400,000.

The amount of contracts awarded in this district in 1950 for residential building topped the previous high in 1949 by about 17%. For all other types of construction, the total valuation of contracts awarded was only slightly larger than the amount awarded in 1949. Thus the greater share of the building boom was concentrated in new housing.

Restrictions Curb Real Estate Credit

Building contractors, building material suppliers, and credit men are more uncertain than usual over the probable volume of building activity during the coming season. According to an article published by the F. W. Dodge Corporation¹, home builders and building material suppliers are of the opinion that the present curbs on real estate credit may reduce residential building 50% or 60% below the 1950 volume. Recently, some have adopted a more optimistic view.

¹ Thomas S. Holden, President, F. W. Dodge Corporation, "Next Year's Boom Will Be Different," *Architectural Record*, November 1950.

Restrictions placed on residential real estate credit and the prohibitions placed on the construction of buildings and other structures used for recreational amusement, or entertainment purposes have gradually reduced construction activity from the exceptionally high level reached during the summer and fall months. In December, the valuation of building permits issued by representative cities in this district was 2% below the total valuation issued in December 1949. In the preceding month, the valuation of building permits issued still exceeded by 25% the total issued in November 1949. In both months of last year, the number of permits issued for commercial and industrial projects was quite heavy.

Permits for Dwellings in Twin Cities Down Sharply

To examine more closely the impact of the present real estate credit terms on residential building in this district a special study was made of the number of permits issued by months in 1949 and 1950 for single dwellings, duplexes, alterations and

Number of Residential Building Permits Issued in the Twin Cities Metropolitan Area

	Dwellings		Duplexes		Alterations and Additions		Total	
	1950	1949	1950	1949	1950	1949	1950	1949
Jan.	155	97	10	3	193	238	358	338
Feb.	256	119	5	3	288	250	549	372
Mar.	561	217	17	12	521	562	1,099	791
Apr.	1,095	609	23	6	980	914	2,098	1,529
May	1,229	561	18	31	1,083	976	2,330	1,568
June	1,262	627	12	4	1,133	912	2,407	1,543
July	1,255	490	25	7	908	681	2,188	1,178
Aug.	934	646	14	3	951	915	1,898	1,564
Sept.	873	690	10	9	783	758	1,666	1,457
Oct.	655	625	14	21	656	723	1,325	1,369
Nov.	684	809	15	8	410	619	1,109	1,436
Dec.	254	461	7	16	199	310	460	787
Total	9,213	5,951	170	123	8,105	7,858	17,487	13,932

Note: Data for dwellings include a small number of temporary residences. Figures cover 19 municipalities in the Twin Cities metropolitan area.

additions, and temporary residences. The findings of this study are revealed in the accompanying chart.

It is seen that the number of permits issued for such residential building has fallen off sharply from the peak reached in the summer months. The decline was in excess of the usual seasonal contraction during the fall months. Since last October, the number of permits issued has fallen

below the number issued in the corresponding months of 1949.

A residential building boom had developed even before the war broke out in Korea. During May, the number of building permits issued in the Twin Cities metropolitan area was almost equal to the number issued during June. The first reaction of builders to the Korean war and to the real estate credit curbs imposed on July 19 was to rush to completion all units begun or committed. The feverish activity resulted in a shortage of building materials.

In summary, residential building has contracted significantly from the unprecedented level of activity during the summer months. Even though curbs on real estate credit had not been in effect, the contraction very likely would have exceeded the usual seasonal amount. Construction of 1,400,000 new nonfarm dwelling units in 1950 was a record. In a majority of communities, there still exists a backlog of demand for housing, but many competent observers have doubted that the market could absorb another 1,400,000 dwelling units in 1951.

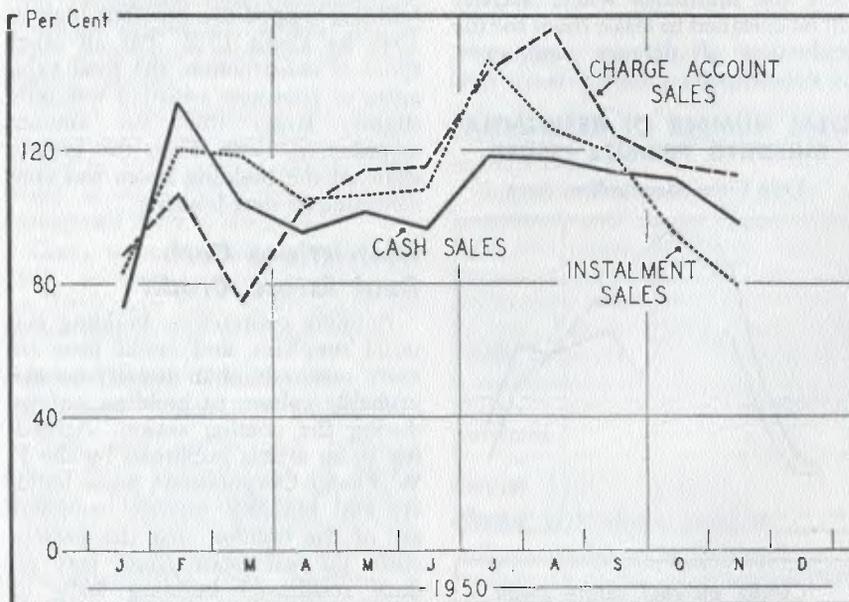
Retail Sales Spurt During January

Retailers have not experienced the usual slump in sales following the Christmas season. Consumers have continued to shop vigorously for a wide variety of items. In fact, a new wave of buying in anticipation of higher prices and shortages of goods has developed.

In the first two weeks in January, department store sales in the four

BREAKDOWN OF 1950 FURNITURE STORE SALES IN THE NINTH DISTRICT

(Per Cent Change in Monthly Sales from 1949)



INSTALMENT sales and charge account sales in the last quarter of 1950 declined sharply from the summer peak in relation to 1949.

BANKING

Loan Expansion Featured '50 District Banking

THE most significant change revealed by the composite balance sheet of all Ninth district member banks at the end of 1950 compared with that for 1949 is not found in the footings, but rather in changes in the items which make up the footings.

On December 27, 1950, these banks held assets which were \$84 million greater than their assets on December 28, 1949. All of this was reflected by an increase in demand deposits of \$112 million while time deposits were declining \$30 million and other liabilities were increasing \$2 million.

Between these two dates the plus and minus items making up the total increase in assets of \$84 million are:

(In Millions of Dollars)

Loans and discounts.....	+227
U. S. government securities.....	-230
Other securities.....	+ 40
Cash and due from.....	+ 47
Other assets.....	no change
Total Assets.....	+ 84

Obviously, the great change was the rise in loans financed by the re-

duction in U. S. government securities. This change also characterized banking developments nationally.

To the extent that banks sell government securities to the public, deposits are not created, since non-bank investors usually purchase securities by withdrawals from deposit accounts.

When, however, securities are sold to the Federal Reserve banks in exchange for new reserve balances which serve as a base for commercial-bank credit expansion, new money is created. Bank credit expansion was the chief factor making for a great increase in the nation's supply in 1950.

The accompanying graph reveals that the 20 weekly-reporting city banks and country banks made similar changes in the composition of their assets and liabilities in 1950. City banks in the Ninth district, however, expanded holdings of securities other than governments more than did the country banks.

▶ **Sale of \$230 million U. S. government securities financed the rise in loans.**

▶ **Increase of \$112 million in demand deposits was accompanied by a drop of \$30 million in time deposits of all member banks.**

▶ **Loan expansion slowed down at member banks in December.**

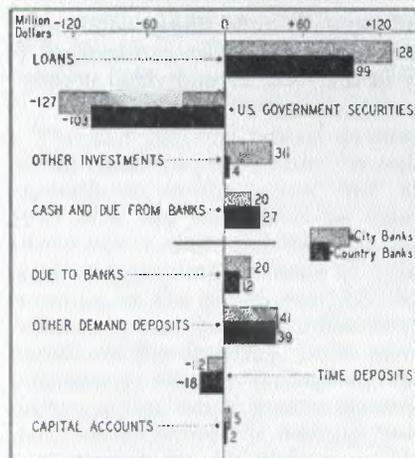
December Banking Developments

Loan expansion of the 20 weekly-reporting banks came to a standstill in December in all categories of bank loans except "other" loans, which are largely consumer loans. No change over November totals took place in the "commercial, industrial, and agricultural loans."

For all member banks, total loans and discounts increased by \$17 million. This signifies a slowing down

CHANGES IN SELECTED ASSET AND LIABILITY ITEMS, ALL 9TH DISTRICT MEMBER BANKS

Dec. 31, 1949 to Dec. 31, 1950



THE GREAT DEMAND for bank credit during 1950 was met in part by the disposal of government securities by member banks.

Assets and Liabilities of All Ninth District Member Banks*

(In Million Dollars)

	Nov. 29, 1950	Dec. 27, 1950	\$ Change Nov. 29, 1950 Dec. 27, 1950	\$ Change Dec. 28, 1949 Dec. 27, 1950
ASSETS				
Loans and Discounts.....	\$1,105	\$1,122	+ 17	+ 227
U. S. Government Obligations.....	1,512	1,501	- 11	- 230
Other Securities.....	282	282	....	+ 40
Cash and Due From Banks & Res.....	858	874	+ 16	+ 47
Other Assets.....	34	32	- 2	....
Total Assets.....	\$3,791	\$3,811	+ 20	+ 84
LIABILITIES AND CAPITAL				
Due to Banks.....	\$ 361	\$ 372	+ 11	+ 32
Other Demand Deposits.....	2,260	2,289	+ 29	+ 80
Total Demand Deposits.....	\$2,621	\$2,661	+ 40	+ 112
Time Deposits.....	901	900	- 1	- 30
Total Deposits.....	\$3,522	\$3,561	+ 39	+ 82
Borrowings.....	18	1	- 17	- 7
Other Liabilities.....	28	25	- 3	+ 2
Capital Funds.....	223	224	+ 1	+ 7
Total Liabilities and Capital.....	\$3,791	\$3,811	+ 20	+ 84

*This table in part estimated. Data on loans and discounts, U. S. government obligations and other securities are obtained by reports directly from the member banks. Balances with domestic banks, cash items, and data on deposits are largely taken from semi-monthly reports which member banks make to the Federal Reserve bank for the purpose of computing reserves.

Reserve balances and data on borrowings from the Federal Reserve banks are taken directly from the books of the Federal Reserve bank. Data on other borrowings are estimated. Capital funds, other assets, and the other liabilities are extrapolated from call report data.

of loan expansion, since the increase in November was \$22 million contrasted with a rise of \$33 million in October and \$45 million in September.

U. S. Government securities held by the city banks remained stationary in December while declining \$11 million for all member banks, indicating that country banks continued to unload governments as a method of financing loan expansion.

Glancing at the composition of U. S. government security holdings of the 20 weekly-reporting banks, one observes a shifting from certificates of indebtedness and bonds into notes. In the case of the certificates the shift was involuntary, since the re-funding of the last remaining issue of this type of government obligation took place on December 15 and those not refunded were paid in cash on maturity, January 1, 1951.

Demand deposits of city banks continued to rise in December. The fact that the increase in these deposits for the city banks was greater than for all member banks indicates that the country banks may have suffered deposit losses during the month. Time deposits showed little change during the month, which is in sharp contrast with the substantial conversion of time deposits to demand deposits earlier in the second half of the year. Doubtless, individuals drew down time deposits in the period of extremely high retail sales following the outbreak of war in Korea in order to acquire goods prior to an expected advance in their prices.

Assets and Liabilities of 20 Reporting Banks

(In Million Dollars)

	Nov. 29, 1950	Dec. 27, 1950	Jan. 10, 1951	\$ Change Nov. 29-Dec. 27
ASSETS				
Comm., Ind., and Ag. Loans.....	\$ 274	\$ 274	\$ 288	....
Real Estate Loans.....	100	102	103	+ 2
Loans on Securities.....	12	11	10	- 1
Other (largely consumer) Loans....	166	175	166	+ 9
Total Gross Loans & Discounts \$	552	562	567	+ 10
Less Reserves.....	7	7	8	....
Total Net Loans & Discounts..\$	545	555	559	+ 10
U. S. Treasury Bills.....	19	20	21	+ 1
U. S. Treasury C. of I's.....	28	20	....	- 8
U. S. Treasury Notes.....	148	165	173	+ 17
U. S. Government Bonds.....	381	371	369	- 10
Total U. S. Gov't Securities....\$	576	576	563	....
Other Investments.....	142	142	141	....
Cash and Due from Banks.....	453	478	479	+ 25
Miscellaneous Assets.....	18	16	15	- 2
Total Assets.....	\$1,734	\$1,767	\$1,757	+ 33
LIABILITIES				
Due to Banks.....	\$ 313	\$ 325	\$ 340	+ 12
Demand Deposits, Ind., Part., Corp.	880	922	901	+ 42
Demand Deposits, U. S. Gov't.....	39	43	40	+ 4
Other Demand Deposits.....	115	109	108	- 6
Total Demand Deposits.....\$1,347	\$1,399	\$1,389	+ 52	
Time Deposits.....	241	241	241	....
Total Deposits.....\$1,588	\$1,640	\$1,630	+ 52	
Borrowings.....	18	1	2	- 17
Miscellaneous Liabilities.....	21	19	19	- 2
Capital Funds.....	107	107	106	....
Total Liabilities & Capital.....\$1,734	\$1,767	\$1,757	+ 33	

Capital funds of member banks rose only slightly in December, while for the year as a whole they increased

substantially, reflecting good earnings and a policy to retain earnings chiefly in the form of undivided profits.

1950 BROUGHT PROSPERITY, SOBERING PROBLEMS

Continued from Page 131

\$18.9 billion at the close of 1949 to \$19.2 billion on October 25, 1950.

That consumers drew heavily on their liquid assets to finance purchases was reflected in the volume of time and savings deposits which declined after mid-year and in a sudden rise in Series E bond redemptions. Whereas earlier in the year sales of these securities exceeded redemptions, redemptions exceeded sales from May to the end of the year. The cashing of these bonds was especially great in July.

Consumers also financed purchases of goods by instalment credit, which rose \$2.6 billion during the year. Total consumer credit increased an estimated \$3.2 billion.

During the second half of the calendar year 1950, total cash payments of federal, state, and local governments were being made at a seasonally adjusted annual rate of almost \$60 billion. This represented a drop of about \$3 billion from the first half, while cash receipts rose at an annual rate of about \$4 billion. A total cash deficit of more than \$4 billion in the first half was changed into an estimated surplus of approximately \$3 billion in the second half. The federal government's deficit of \$2.9 billion in the first half was changed into an estimated surplus of \$3.9 billion in the second half.

The fact that the federal government's cash receipts exceeded its cash expenditures in the second half of 1950 does not mean that its operations were counter-inflationary. The large and growing amounts of contracts let by the government for defense purposes had an inflationary impact on the economy. Even more inflationary was the widespread expectation that much greater government expenditures for military purposes would soon be made.

Acting in anticipation that shortages and higher prices would result from the expanded defense production, individuals and business firms bought goods and property, bidding higher prices for them and in many

cases getting bank credit to finance those purchases. Thus the money supply was increased and the velocity of money was heightened by actual and anticipated government expenditures even though government operations did not directly add to the money supply in the last half of 1950.

Problems Aggravated by Year-End Developments

The period of intensified mobilization which began late in 1950 was not much more than barely begun when the new year opened. In 1950 the money value of all goods and services produced was approximately \$279 billion and nearly 70% of this product was for civilian consumption. Whatever may be the gross national product in 1951, it seems clear that a much lower percentage of it will be available for civilian consumption. Manpower, plant capacity, and materials will not be available to meet total civilian demands and additional defense requirements.

Priorities and allocations must be made quickly to build up our military forces. This will mean that some materials and men must be diverted from civilian production to carry out our military program. But that will not be enough. We must at the same time strengthen our productive strength by building new plants in which to make instruments of defense or war. Specifically, this means less automobiles and household appliances and more tanks, fighter planes, munitions, etc.

Alongside the production problem—more production for military purposes and less for the maintenance of the standard of living to which we have become accustomed—we have another. It is the problem of stability. In a word, it is the inflation problem. Defense production adds to incomes but not to goods available for civilians. As higher incomes are generated the pressure on prices becomes greater.

If inflation is one way to resolve the problem created by the higher incomes generated by production for defense, it probably is the worst way. It is bad because it is terribly inequitable. It expropriates the real incomes of those people whose money incomes do not rise as fast as the rate of rise in the price level. It disrupts

our financial system and endangers our economic stability, productive efficiency, and military strength.

An equitable way to finance the defense program is to remove the excess of money incomes by taxation. Higher taxes are much more equitable than inflation. If the dollars derived from defense production are not taken by taxation, their purchasing power may be reduced by inflation.

Another weapon against inflation during a period of high expenditures for military purposes is to sell savings bonds to the people. The people must, however, be persuaded to retain these bonds rather than monetize them by selling them directly or indirectly to the banking system.

Although we are moving rapidly toward a system of direct controls, the development of sound monetary and fiscal policies is, nevertheless, essential if inflationary pressures are to be lessened. Direct controls, although they may stop much of the cumulative and spiraling factors in inflation, do not remove the basic causes of inflation. Monetary and fiscal measures can at least minimize their strength.

Thus 1951 has inherited from 1950 great prosperity and at the same time great problems on both domestic and international fronts. To describe the United States in 1950, one commentator borrowed the words of Charles Dickens' character Oliver Twist, who said, "Please, sir, I want some more." The American people last year wanted and got more of almost everything—more houses, more automobiles, more meat, more steel, and more new gadgets of all kinds. They also got more wages, more profits, more credit, and more mortgages than ever before. With more material things we also got more troubles.

We cannot be sanguine over our past and present comfortable prosperity; we cannot take it for granted that our cherished economic and political institutions will forever endure. We should be aware that we must have the requisite wisdom and strength to assume a position of leadership among freedom-loving nations which events of the century have cast for us. We face great problems and responsibilities. **END**

ECONOMY ADJUSTS TO DEFENSE PROGRAM

Continued from Page 135

large cities—Minneapolis, St. Paul, Duluth, and Superior—were 29% above the volume for the corresponding weeks of last year. In the latter half of December, sales were 16% higher, while sales in the first half of the month were about equal to the volume in the corresponding period of the former year.

Stores in smaller communities have reported a similar sharp rise in sales. In the district, December sales were 9% higher than in November, after an adjustment was made for the usual rise in sales attributable to the shopping for Christmas.

Regulation W Terms Dampen Consumer Credit

The present terms of Regulation W have proved effective in holding down the expansion in instalment credit. In the last two months of 1950, the amount paid off on old contracts exceeded the amount of credit extended on new ones.

Index of Department Store Sales by Cities

(Unadjusted 1935-39=100)

Dec. 1	Percent Change ²	
	Dec. 2	Jan.-Dec.
MINNESOTA		
Duluth-Superior..	486	+ 4 + 6
Fairmont	426	+ 6 - 1
Mankato	472	+ 6 + 1
Minneapolis	540	+ 4 + 8
Rochester	321	- 3 - 4
St. Cloud	444	- 7 - 4
St. Paul	427	- 1 + 6
Willmar	478	+13 + 2
Winona	463	+ 2 + 4
MONTANA		
Great Falls	570	+13 - 2
NORTH DAKOTA		
Bismarck	439	+ 8 - 5
Grand Forks	526	+ 1 - 5
Minot	484	+ 4 - 3
Valley City	406	+11 - 3
SOUTH DAKOTA		
Aberdeen	636	+12 - 3
Rapid City	658	+ 4 + 0
Sioux Falls	583	+ 7 - 1
Yankton	458	+15 - 0
WISCONSIN		
La Crosse	457	+ 6 + 3

¹ Based on daily average sales.

² Based on total dollar volume of sales. Percentage comparison is with the same period a year ago.

³ There were only 25 trade days in December this year against 26 last year.

Ninth District Business Indexes

(Adjusted for Seasonal Variations—1935-39=100)

	Dec. '50	Nov. '50	Dec. '49	Dec. '48
Bank Debits—93 Cities.....	372	375	292	316
Bank Debits—Farming Centers.....	450	450	371	394
Ninth District Department Store Sales.....	317p	291	293	288
City Department Store Sales.....	328p	310	308	296
Country Department Store Sales.....	305p	273	279	281
Ninth District Department Store Stocks.....	334p	345	292	318
City Department Store Stocks.....	309p	302	255	276
Country Department Store Stocks.....	355p	380	322	352
Country Lumber Sales	193p	142	229	188
Miscellaneous Carloadings	128	133	115	129
Total Carloadings (excl. Misc.).....	114	121	92	108
Farm Prices (Minn. unadj.).....	253	247	213	254

p—preliminary

Sales at Ninth District Department Stores*

	% Dec. 1950 of Dec. 1949	% Jan.-Dec. 1950 ¹ of Jan.-Dec. 1949	Number of Stores ² showing	
			Increase	Decrease
Total District	104	104	177	93
Mpls., St. Paul, Dul. Sup.....	103	107	14	14
Country Stores	107	100	163	79
Minnesota (City and Country).....	103	106	53	37
Minnesota (Country)	104	100	40	25
Central	105	97	4	2
Northeastern	106	106	2	3
Red River Valley.....	104	93	3	1
South Central	104	100	10	4
Southeastern	101	101	6	4
Southwestern	106	99	15	11
Montana	110	101	23	8
Mountains	109	104	6	5
Plains	110	100	17	3
North Dakota	108	97	29	18
North Central	117	98	6	3
Northwestern	105	97	5	1
Red River Valley.....	105	97	10	9
Southeastern	111	94	7	4
Southwestern	(3)	(3)	....	....
Red River Valley-Minn. & N. D.....	105	96	13	10
South Dakota	110	100	29	16
Southeastern	109	101	9	5
Other Eastern	111	99	18	7
Western	108	100	2	4
Wisconsin and Michigan	107	102	42	12
Northern Wisconsin	101	101	9	5
West Central Wisconsin	108	103	23	4
Upper Peninsula Michigan.....	108	102	10	3

* Percentages are based on dollar volume of sales.

¹ Cumulative figures are a combination of data for all reporting stores for the period through November, plus sales of those stores for which December figures are available.

² December 1950 compared with December 1949.

³ Not shown, but included in totals. Insufficient number reporting.

As may be observed on the accompanying chart, in furniture stores of this district instalment sales in the last quarter of 1950 fell below the amount in the comparable 1949 period. Charge account sales were still above the amount of a year ago, but they had dropped sharply from the peak reached in August. For the first time since last June, cash sales in November fell below the 1949 figure.

A similar breakdown of sales in de-

partment stores reflected a significant decline in instalment sales since October. Charge account sales have not declined in the manner of those in furniture stores, and cash sales have continued to increase.

In the nation, the amount of instalment credit outstanding in November decreased by \$74 million. This decrease compares with increases of over \$300 million in each month during the period from May through September.

END

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JANUARY 30, 1951

INDUSTRIAL output was somewhat larger in December and January than during the autumn, reflecting mainly further increases in output of producers equipment and military supplies. Consumer demand for most goods showed a sharp expansion, and business demands continued strong. Retail prices of consumer goods and wholesale commodity prices showed more marked advances than in other recent months. The rate of expansion in bank loans to business slackened in January.

On January 26, a federal order established maximum prices of most commodities at the highest levels existing between December 19, 1950, and January 25, 1951. Wage and salary rates were fixed at the rates prevailing January 25 pending the development of adjustment procedures.

INDUSTRIAL PRODUCTION—The Board's production index in December was 216, and in January it is estimated that the index will be close to 220% of the 1935-39 average. The current level is about one-tenth higher than in mid-1950 and one-fifth higher than a year ago.

Output of durable manufactured goods has expanded further following the temporary levelling off in November. Steel production, which had been reduced by severe weather conditions at the end of November, has increased to a rate somewhat above the earlier record reached in October. Output of producers equipment and munitions, mainly in the machinery and transportation equipment industries, has shown substantial further gains since last autumn. Passenger car assemblies are near the average rate prevailing in 1950, when output was 30% greater than in any other year. Production of most other consumer durable goods and building materials has been maintained close to the record levels reached in the second half of 1950.

Production of nondurable goods in December and early January has continued at peak rates, reflecting mainly a sustained volume of output of textile, paper, petroleum, and chemical products 10 to 20% above year ago levels.

Minerals output declined slightly in December, as activity at iron ore mines was reduced from the exceptionally high autumn rate and as crude petroleum production was curtailed somewhat. Petroleum output increased again in mid-January to a new record rate.

CONSTRUCTION—Value of construction contract awards increased in December, reflecting a further contra-seasonal expansion in awards for public work and gains in private nonresidential awards. For the year, value of awards was two-fifths larger than in 1949, with substantial increases in almost all categories. The December rise in housing starts to 95,000 from 85,000 in November reflected a sharp increase in publicly financed units. Total starts of almost 1,400,000 in 1950 were more than one-third greater than the previous record in 1949.

DISTRIBUTION—Since the early part of December, value of department store sales has been considerably above corresponding periods of other recent years. Increases in sales of household durable goods have been large, as during the upsurge in buying last summer, and there have also been sharp increases in sales of apparel and various other goods. Despite record sales for this season, stocks have been maintained at high levels as a result of the very large volume of output. Purchases of new passenger automobiles have shown marked increases from the reduced level reached in November, which was still about 10% higher than in November of any other year.

COMMODITY PRICES—Wholesale prices generally continued to advance during the first three weeks of January. Increases for basic commodities approached the rapid rate of rise of the summer months. Marked advances also occurred in wholesale prices of numerous industrial products and foods prior to the announcement of general price control on January 26.

The consumers price index rose 1.6% from mid-November to mid-

December, the largest monthly increase of the year, as retail food prices advanced 3%. Since that time retail prices have generally continued to rise; foods have exceeded the July 1948 high.

EMPLOYMENT—Non-agricultural employment showed the usual large seasonal rise in December, reflecting mainly temporary increases in trade and post office employment. Average hours of factory workers rose to 41.6 per week, the highest in five years, and average hourly earnings continued upward, reflecting increases in wage rates and more overtime pay.

BANK CREDIT—Bank loans to business continued to expand rapidly in December, but increases were less marked in the first three weeks of January. The expansion in real estate and consumer loans was smaller in the December-early January period than in previous months.

Average interest rates charged by commercial banks on short-term business loans rose from 2.6% in the first half of September to 2.8% in the first half of December. In early January, leading city banks announced further increases in rates to business borrowers.

Required reserves of member banks were raised by more than \$1 billion in mid-January as a result of the first step in the graduated increases in reserve requirement percentages announced in late December. Banks met this increase with funds obtained from a seasonal decline in currency in circulation and a reduction in Treasury deposits at Reserve banks and by reducing excess reserves and selling government securities.

SECURITY MARKETS—Yields on government securities and high grade corporate bonds continued to show little change during the first three weeks of January. Prices of common stocks rose further and, effective January 17, the Federal Reserve raised margin requirements for purchasing or carrying securities from 50% to 75%.

The 1935-39 Average and the Years 1947 to 1950 in the Ninth Federal Reserve District

BUSINESS

Ninth District Business Indexes (Monthly Averages—1935-39 = 100)*

	1946	1947	1948	1949	1950
Bank Debits—93 Cities.....	251	306	336	317	350
Bank Debits—Farming Centers.....	292	358	408	393	426
Ninth District Department Store Sales.....	247	273	289	275	289p
City Department Store Sales.....	261	283	300	290	311p
Country Department Store Sales.....	233	262	278	260	266p
Ninth Dist. Department Store Stocks.....	212	266	326	298	317p
City Department Store Stocks.....	208	242	279	258	284p
Country Department Store Stocks.....	214	286	364	331	343p
Country Lumber Sales.....	125	136	159	162	167p
Miscellaneous Carloadings.....	126	131	131	121	130
Total Carloadings (Excl. Misc.).....	115	125	119	100	104
Farm Prices—Minnesota.....	212	272	280	228	235

p—Preliminary.

* Formerly shown as Northwest Business Indexes.

Index of Department Store Sales by Cities (Monthly Averages—1935-39 = 100)

	1946	1947	1948	1949	1950
MINNESOTA					
Duluth-Superior.....	242	268	294	280	297
Fairmont.....	246	276	309	279	277
Mankato.....	242	256	284	272	276
Minneapolis.....	276	294	314	309	334
Rochester.....	248	233	248	245	235
St. Cloud.....	334	336	353	308	296
St. Paul.....	242	269	275	255	270
Willmar.....	252	281	292	277	284
Winona.....	224	241	268	264	274
MONTANA					
Great Falls.....	273	314	335	334	320
NORTH DAKOTA					
Bismarck.....	278	292	321	306	291
Grand Forks.....	273	339	347	335	318
Minot.....	277	312	321	305	296
Valley City.....	252	271	359	221	214
SOUTH DAKOTA					
Aberdeen.....	409	440	456	376	366
Rapid City.....	324	341	420	359	361
Sioux Falls.....	288	334	368	344	345
Yankton.....	276	315	312	268	268
WISCONSIN					
La Crosse.....	226	253	264	247	256

Bank Debits	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
Total—108 Cities.....	\$ 9,988,121	\$30,403,101	\$33,501,180	\$31,558,332	\$34,804,774
Minneapolis.....	4,076,953	12,334,351	13,128,906	12,135,646	13,675,839
St. Paul.....	1,929,849	5,338,788	5,890,987	5,573,759	6,167,761
South St. Paul.....	264,108	984,867	988,449	948,383	1,031,878
Duluth-Superior.....	566,771	1,495,154	1,650,383	1,466,990	1,612,025
Michigan—14 cities.....	251,171	724,769	801,120	750,123	794,607
Minnesota—38 cities.....	791,036	2,463,669	2,757,280	2,603,321	2,785,176
Montana—15 cities.....	747,514	2,097,608	2,628,348	2,676,252	2,952,677
North Dakota—13 cities.....	561,721	1,982,296	2,340,817	2,303,499	2,344,149
South Dakota—16 cities.....	514,531	2,025,969	2,277,133	2,183,742	2,369,380
Wisconsin—7 cities.....	284,467	955,630	1,037,757	979,251	1,071,282

Retail Sales	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
440 Lumber Yards (board feet).....	100,921	139,712	163,760	166,404	171,824p
440 Lumber Yards (dollar volume)\$.....	14,744	\$ 49,114	\$ 62,252	\$ 56,005	\$ 60,253p
Department Store Sales*					
Minnesota.....	105,817	280,156	296,761	285,126	306,677
Montana.....	8,021	16,050	17,226	17,090	17,416
North Dakota.....	6,546	21,306	21,756	19,438	19,248
South Dakota.....	5,998	22,889	25,295	21,684	21,582

p—Preliminary.

* Data are for 1939 rather than 1935-39 average. 1939 and 1948 figures are from the Census of Business, sales for other years are estimated.

Inventories, December 31	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
421 Lumber Yards (board feet).....	56,293	56,726	67,561	65,876	79,677 _p
14 City Department Stores.....\$	11,961	\$ 28,723	\$ 31,524	\$ 30,339	\$ 35,199 _p
102 Country Department Stores.....	5,453 ¹	15,005	16,427	15,109	16,897 _p

¹ Prior to 1946, country department store inventories were reported at cost.
p—Preliminary.

Accounts and Notes Receivable, December 31	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
385 Lumber Yards.....\$	2,135	\$ 4,110	\$ 5,101	\$ 6,125	\$ 6,407 _p
14 City Department Stores.....	7,368	17,251	18,783	21,226	24,676

p—Preliminary.

Freight Carloadings—N. W. District	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
TOTAL.....	4,764	6,024	5,997	5,249	5,527
Grain and Grain Products.....	453	682	599	621	551
Livestock.....	168	181	151	141	113
Coal.....	308	370	364	288	297
Coke.....	68	97	95	83	84
Forest Products.....	433	556	524	429	484
Ore.....	790	1,436	1,560	1,246	1,441
Miscellaneous.....	1,551	2,027	2,050	1,881	2,024
Merchandise—LCL.....	990	675	654	560	533

Electric Power Prod. (KWH)	1935-39 Av.	1947	1948	1949	1950
TOTAL.....	1,986,043	7,044,838	7,740,967	8,024,211	8,869,191
Minnesota.....	1,509,249	3,496,182	3,944,388	4,082,966	4,537,180
Montana.....	1,392,160	2,764,383	2,871,059	2,915,960	3,135,752
North Dakota.....	198,608	418,145	499,109	567,484	661,055
South Dakota.....	138,890	366,128	426,411	457,801	535,204

Life Insurance Sales	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
TOTAL.....\$	207,564	\$ 487,476	\$ 465,349	\$ 455,925	\$ 500,985
Minnesota.....	148,572	304,256	290,349	292,385	333,675
Montana.....	22,720	57,956	58,066	58,528	63,572
North Dakota.....	17,781	57,821	54,310	52,105	47,491
South Dakota.....	18,491	67,443	62,624	52,907	56,247

Manufacturing and Mining	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
Flour Production:					
Minneapolis Mills (bbls.).....	6,007	9,480	7,063	6,667	6,820
Other N. W. Mills (bbls.).....	9,031	15,936	13,346	11,707	11,617
Flour Shipped from Mpls. (bbls.).....	6,552	8,158	6,196	6,852	7,566
Linseed Product Shipped (lbs.).....	226,529	690,840	980,820	1,183,800	1,276,320
Iron Ore Shipped (gross ton).....	40,030	77,898	82,937	69,556	78,206

Construction Contracts Awarded in Ninth District	1935-39 Av.	1947	1948	1949	1950
			(T-h-o-u-s-a-n-d-s)		
TOTAL.....\$	87,002	\$ 241,288	\$ 299,249	\$ 392,873	\$ 457,666
Public Works.....	32,593	66,539	95,520	137,186	96,220
Public Utilities.....	8,133	24,562	18,762	38,333	37,334
Total Building.....	46,276	150,187	184,967	217,354	324,112
Residential.....	19,640	77,871	89,217	102,270	163,178
Commercial and Industrial.....	8,453	41,335	39,981	29,751	45,423
Educational.....	8,496	8,672	18,987	32,651	34,852
All Other.....	9,687	22,309	36,782	52,682	80,659

Business Failures in Ninth District	1935-39 Av.	1947	1948	1949	1950
Number.....	235	48	70	111	107
Liabilities.....\$	3,549,000	\$ 5,714,000	\$ 2,107,000	\$ 3,866,000	\$ 3,235,000

AGRICULTURE

Cash Income from Farm Marketings*

	1935-39 Av.	1947	1948	1949	1950 ¹	1950 in Per- cent of 1949
			(T-h-o-u-s-a-n-d-s)			
Ninth District—TOTAL	\$ 742,158	\$3,347,807	\$3,393,169	\$2,888,153	\$2,791,040	96%
Crops	188,413	1,362,642	1,420,525	1,099,666	945,926	86
Livestock and Livestock Products	489,542	1,954,004	1,942,687	1,770,451	1,827,078	103
Government Payments ²	64,203	31,161	29,957	18,036	18,036	100
Michigan (15 counties)	10,351	32,809	33,089	30,456	31,058	102
Minnesota	346,863	1,333,345	1,338,571	1,196,988	1,186,317	99
Montana	92,894	376,829	416,579	367,196	378,933	103
North Dakota	113,247	701,728	704,366	537,296	474,407	88
South Dakota	110,244	679,669	655,060	554,648	516,705	93
Wisconsin (26 counties)	68,558	223,427	245,504	201,569	203,620	101

* Source: USDA "Farm Income Situation."

¹ Ten months actual and two months estimated.² 1850 Government Payments estimated to be the same as 1949.

Farm Production 4 Ninth District States*

	1935-39 Av.	1947	1948	1949	1950 ^p	1950 in Per- cent of 1949
			(T-h-o-u-s-a-n-d-s)			
Wheat (Bu.)	141,102	285,990	303,514	231,236	264,070	114%
Corn (Bu.)	208,096	293,833	436,688	356,698	322,394	90
Oats (Bu.)	220,275	333,672	382,672	296,777	351,991	119
Barley (Bu.)	101,791	127,372	149,395	78,048	130,336	167
Rye (Bu.)	23,185	12,347	13,506	7,930	10,657	134
Flaxseed (Bu.)	9,192	34,073	44,690	35,053	34,532	98
Soybeans for beans (Bu.)	2,218 ¹	14,435	16,263	13,379	17,639	132
Potatoes (Bu.)	36,354	41,260	42,590	42,230	44,710	106
Wool (Lbs.)	50,357	34,714	31,078	28,395	26,422	93
Milk (Lbs.)	12,160,000	12,499,000	11,826,000	11,990,000	—	—
Butter (Lbs.)	380,813	337,885	307,662	335,424	340,870	102
Eggs (Doz.)	210,650	486,333	480,583	472,750	515,000	109

* Data from USDA—"Crop Production" for Minnesota, Montana, North Dakota, and South Dakota.

¹ 1938-45 average.

p—Preliminary.

Farm Real Estate Mortgage Indebtedness, January 1*

	1935-39 Av.	1947	1948	1949	1950	1950 in Per- cent of 1949
			(T-h-o-u-s-a-n-d-s)			
Michigan (15 counties)	\$ 12,671	\$ 10,899	\$ 11,440	\$ 12,279	\$ 13,025	106%
Minnesota	387,703	257,698	244,465	237,572	244,853	103
Montana	87,154	40,912	42,143	45,676	49,357	108
North Dakota	181,156	76,146	70,261	67,367	70,026	104
South Dakota	180,998	83,109	70,632	67,847	71,729	106
Wisconsin (26 counties)	114,472	70,628	73,798	75,495	79,090	105
Ninth District	964,153	539,392	512,739	506,236	528,080	104

* Source: USDA—"Farm Mortgage Debt by States."

Non-Real Estate Loans to Farmers, January 1*

	1935-39 Av.	1947	1948	1949	1950	1950 in Per- cent of 1949
			(T-h-o-u-s-a-n-d-s)			
Minnesota	\$ 36,859	\$ 48,924	\$ 58,893	\$ 80,420	\$ 94,770	118%
Montana	10,232	14,681	21,432	26,367	22,626	86
North Dakota	9,039	10,314	13,612	18,759	23,860	127
South Dakota	14,542	25,871	29,858	40,277	42,125	105

* Source: USDA—"Agricultural Finance Review." Totals are exclusive of CCC loans.

Index of Land Values March 1*—(1912-1914 = 100)

	1935-39 Av.	1947	1948	1949	1950	1950 in Per- cent of 1949
Michigan	88	194	198	202	199	98%
Minnesota	86	143	157	164	169	103
Montana	53	117	129	130	125	96
North Dakota	65	92	110	118	114	97
South Dakota	52	77	91	98	97	99
Wisconsin	86	135	145	152	145	95

* Source: USDA—"Current Developments in Farm Real Estate Market."

Livestock Numbers, 4 Ninth District States, January 1*

	1935-39 Av.	1947	1948	1949	1950 ^p	1950 in Per- cent of 1949
All Cattle and Calves	7,170	9,569	9,187	9,260	9,028	97%
Dairy Cows	2,931	2,780	2,564	2,443	2,414	99
Sheep and Lambs	6,101	4,342	3,880	3,611	3,244	90
Hogs	3,464	5,792	5,317	5,555	5,545	100
Chickens	29,650	45,841	44,619	41,725	44,433	106
Turkeys	942	538	276	364	443	122

* Source: USDA—"Livestock on Farms" for Minnesota, Montana, North Dakota, and South Dakota.

p—Preliminary.

Ninth District Farm Prices* (Monthly Averages)

	1935-39 Av.	1947	1948	1949	1950	1950 in Per- cent of 1949
Wheat (Bu.)	\$0.87	\$2.40	\$2.20	\$1.94	\$1.98	102%
Corn (Bu.)	.58	1.74	1.76	1.05	1.23	117
Oats (Bu.)	.26	.89	.87	.57	.68	119
Barley (Bu.)	.46	1.74	1.57	1.00	1.17	117
Rye (Bu.)	.47	2.68	1.77	1.13	1.14	101
Flax (Bu.)	1.66	6.52	5.80	4.23	3.42	81
Potatoes (Bu.)	.63	1.36	1.55	1.42	1.19	84
Hogs (Cwt.)	8.37	24.45	22.97	17.98	17.82	99
Beef Cattle (Cwt.)	6.95	19.02	21.98	19.42	22.81	117
Veal Calves (Cwt.)	7.81	21.15	25.11	24.12	26.95	112
Sheep (Cwt.)	4.03	8.12	9.35	9.27	11.14	120
Lambs (Cwt.)	7.88	19.67	21.87	21.99	24.04	109
Chickens (Lb.)	.13	.21	.24	.22	.18	82
Butterfat (Lb.)	.29	.77	.83	.65	.65	100
Milk (Cwt.)	1.59	3.62	4.10	3.14	3.15	100
Eggs (Doz.)	.20	.40	.41	.40	.31	77
Wool (Lb.)	.23	.42	.48	.50	.58	116

Source: USDA—"Agricultural Prices."

BANKING

All Member Bank Total Deposits

	1935-39 Av.	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	Dec. 31, 1950
TOTAL	\$ 1,036,345	\$ 3,551,851	\$ 3,500,998	\$ 3,503,144	\$ 3,614,783
Michigan—15 Counties	58,414	155,052	154,545	149,616	156,562
Minnesota	695,966	2,121,191	2,059,313	2,071,437	2,181,127
Montana	119,183	477,458	495,248	507,816	500,880
North Dakota	49,717	264,565	269,497	264,205	259,951
South Dakota	65,413	346,825	339,252	332,855	339,928
Wisconsin—26 Counties	47,652	186,760	183,143	177,215	176,335

City Member Banks

	1935-39 Av.	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	Dec. 31, 1950
Loans and Discounts	\$ 175,656	\$ 417,928	\$ 439,273	\$ 427,143	\$ 551,620
U. S. Government Securities	174,924	695,419	639,932	703,153	579,366
Other Securities	43,434	70,812	78,645	106,265	142,278
Total Deposits	560,186	1,617,377	1,566,116	1,591,084	1,677,283
Dem. Dep. Ind., Pt. and Corp.	244,867	859,040	822,725	833,304	926,558
Time Dep. Ind., Pt. and Corp.	120,455	249,520	249,677	247,979	240,455
Public Deposits	57,994	150,426	185,817	185,417	153,513
Due to Banks and Other Dep.	136,870	358,391	307,897	324,384	356,803

Country Member Banks

	1935-39 Av.	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	Dec. 31, 1950
Loans and Discounts	\$ 135,792	\$ 335,874	\$ 444,552	\$ 462,790	\$ 565,332
U. S. Government Securities	128,818	1,131,545	1,006,474	1,020,364	919,790
Other Securities	102,534	115,273	123,918	131,914	141,328
Total Deposits	476,159	1,934,474	1,934,881	1,912,060	1,937,501
Dem. Dep. Ind., Pt. and Corp.	171,966	1,067,018	1,059,531	1,028,699	1,061,032
Time Dep. Ind., Pt. and Corp.	229,188	679,279	679,826	675,656	656,650
Public Deposits	52,767	122,688	138,805	148,646	155,372
Due to Banks and Other Dep.	22,238	65,489	56,719	59,059	64,447

Interest Rates (Per Cent)

	1946	1947	1948	1949	1950
Minneapolis Commercial Banks*	2½-2¾	2¾-3	3¼-3½	3½-3¾	3¼-3½
Commercial Paper (Net Rate)	1	1	1	1½	1¾
Minneapolis Federal Reserve Bank	1	1	1¼	1½	1¾

* Average rates on short-term business loans.

Minneapolis Federal Reserve Bank

	1935-39 Av.	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	Dec. 31, 1950
Loans to Member Banks*	\$ 123	\$ 8,091	\$ 2,004	\$ 1,643	\$ 1,549
Industrial Advances*	1,142	0	0	10	172
Total Earnings Assets	75,868	666,184	719,119	613,216	641,379
Mem. Bank Res. Balances	122,225	450,552	506,653	394,920	391,855
Fed. Res. Notes in Circulation	132,502	626,969	631,349	612,217	610,643
Total Gold Certificate Reserve	208,697	454,855	493,555	446,587	387,581

* Daily average of amounts outstanding during the year.