

Economic Expansion in the Central Mississippi Valley

FOSTERED by expansionary monetary and fiscal policies, a national economic recovery from the 1969-70 recession has been in progress for about two years. Most measures of activity reflect a strong improvement from the recession and strike-depressed conditions of late 1970. Industrial production increased at a 3.7 percent rate in 1971, then accelerated to an 8.9 percent rate in the first three quarters of 1972 (Chart I). In contrast, this measure of real output fell at a 5.8 percent rate from mid-1969 to late 1970. Payroll employment, which tends to lag general economic activity, has grown at a 3.4 percent rate since the third quarter of 1971, compared with a 0.7 percent rate of growth in the previous two years (Chart II). Against this background, the following article briefly reviews the economic recovery of the Central Mississippi Valley compared with the nation as a whole.¹



Region Versus Nation

The Central Mississippi Valley (CMV), like the nation as a whole, underwent a significant slowing in economic activity in the period from late 1969 through 1970. In general, however, the recession in the CMV

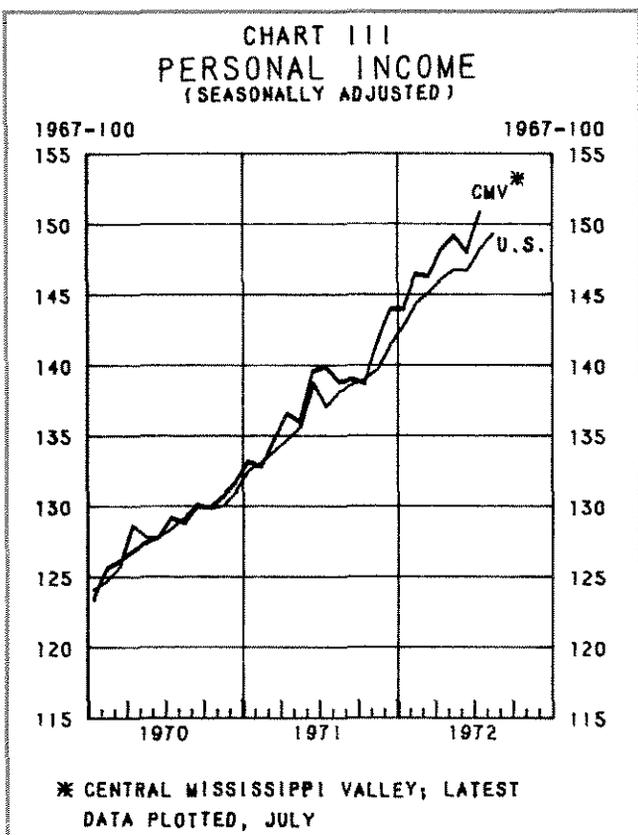
¹The Central Mississippi Valley, as used in this article, consists of the states of Arkansas, Kentucky, Mississippi, Missouri, and Tennessee.



states was less severe than in the nation. Furthermore, the subsequent expansion may have been more pronounced for most of the CMV states than for the nation. This conclusion is evidenced by recent trends in several indicators including personal income, manufacturing employment, and the unemployment rate.

Personal Income

Personal income has grown at a slightly higher rate in the Central Mississippi Valley than in the United States since the fourth quarter of 1970 (Chart III). U.S. personal income grew at an 8 percent annual rate from the fourth quarter of 1970 to the three months ending July 1972. This rate of growth was fairly constant over the period with variations from the trend generally being of small magnitude and short duration. During the same period CMV personal income grew at an 8.8 percent annual rate. Personal income in the CMV grew at an 8.2 percent rate from the fourth quarter of 1970 to the fourth quarter of 1971, compared with a national growth rate of 7.5 percent. From the fourth quarter of 1971 to the three months ending July 1972, CMV personal income growth accelerated to an annual rate of 9.8 percent, compared to the U.S. rate of 8.9 percent.



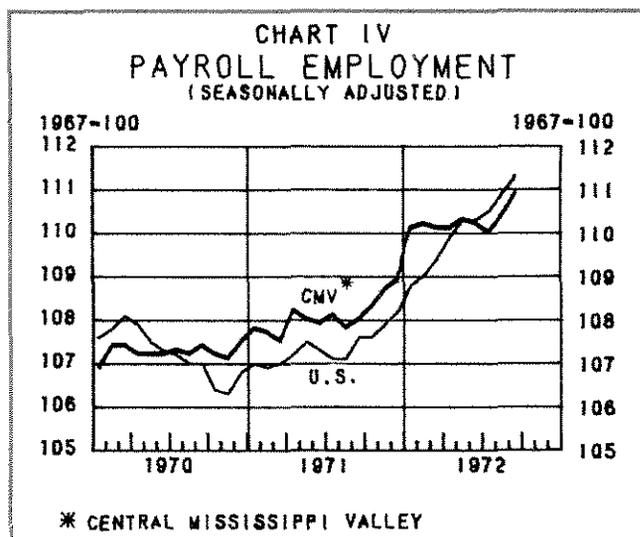
Employment

Employment in the CMV states has generally risen since the third quarter of 1971. However, total employment in the CMV area has not grown as rapidly as in the nation. This is attributed in part to the long-term decline in agricultural employment which continued through this recession and subsequent recovery. From the trough of the recession in the fourth quarter of 1970 to the third quarter of 1972, total employment in the CMV states and in the nation as a whole has increased at annual rates of 1.1 and 2.5 percent, respectively.

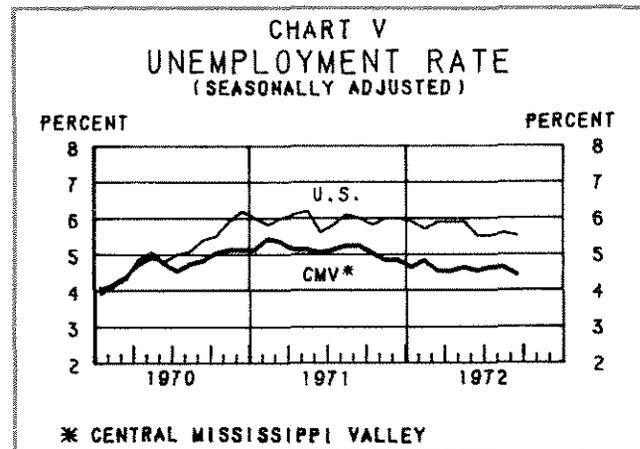
Since late 1970 payroll employment, which excludes agricultural, unpaid family, domestic, and self-employed workers, has increased in the CMV states at an annual rate of 1.6 percent, and at a 2.3 percent rate for the nation (Chart IV). However, manufacturing employment has increased at a somewhat faster pace in the CMV states than in the nation as a whole, but the more rapid national rate of gain in the non-manufacturing sector has more than offset the slower rate of manufacturing employment growth.

Unemployment

The CMV states have weathered the recent recession with smaller increases in unemployment rates



than the nation (Chart V). This contrasts with the 1960s when the unemployment rate for the CMV states was generally greater than the national average.² The U.S. unemployment rate rose to 5.8 percent in the fourth quarter of 1970 and remained about 6 percent through the fourth quarter of 1971 when a downward trend began. The unemployment rate declined to 5.5 percent in September of this year. The CMV unemployment rate rose to a peak of 5.3 percent in the first quarter of 1971. Since then, this rate has generally declined, reaching 4.5 percent in the third quarter of this year. Demand for labor in many CMV communities has now reached a point where businessmen, in response to informal business surveys, report labor shortages.



Average unemployment figures for the CMV conceal significantly different rates among the states. For example, in the third quarter of 1972 the unemployment rate in Missouri was 5.1 percent, Kentucky was

²These national and regional unemployment rates are obtained by different survey methods, thus are not necessarily comparable.

5 percent, Arkansas 4.9 percent, Mississippi 4.1 percent, and Tennessee 3.7 percent. Currently, the only metropolitan areas in the CMV states which have unemployment rates greater than the national average are St. Louis and Fort Smith. The rate for St. Louis has generally remained near 6 percent since the fourth quarter of 1970.

Diverse Rates of Expansion in the CMV States

While several indicators show that the expansion following the 1969-1970 recession has been slightly faster on average in the CMV than in the nation, the recovery has been at diverse rates among the various CMV states. Those states in the southern portion of the region with per capita incomes below the CMV average have generally experienced the more rapid rates of expansion. For example, Mississippi, with the lowest income per capita of any state in the nation, has experienced the fastest growth in manufacturing employment of any CMV state. Manufacturing employment in Mississippi increased at the annual rate of 5.7 percent from the fourth quarter of 1970 to the third quarter of 1972 (Table I). Total personal income in Mississippi increased at a 10.4 percent rate, well above the regional and national averages (period ending II/1972). Arkansas, with next to the lowest average per capita income in the nation, also has experienced a high rate of growth; manufacturing employment rose at the rate of 3.5 percent and total personal income at a 10.9 percent rate. Both rates are well above the regional and national averages.

In contrast to the relatively high rates of growth in those CMV states having relatively low per capita incomes, the expansion has been relatively slow in Missouri and Kentucky where per capita incomes are higher. Missouri, with average per capita personal income of \$3,877, almost equal to the national average, has actually had some further decline in total and manufacturing employment since late 1970. Total personal income in Missouri increased at the rate of 7.2 percent from late 1970 to the second quarter of 1972, the slowest rate of growth of the CMV states and well below the national average. Kentucky likewise

Table I

Central Mississippi Valley Economic Indicators

| | Personal Income Per Capita, 1971 | Annual Rates of Change: IV/1970 to III/1972 | | |
|---------------|----------------------------------|---|--------------------------|------------------|
| | | Total Employment | Manufacturing Employment | Personal Income* |
| Arkansas | \$3,036 | 2.0% | 3.5% | 10.9% |
| Kentucky | 3,288 | 1.2 | 1.0 | 9.2 |
| Mississippi | 2,766 | 2.2 | 5.7 | 10.4 |
| Missouri | 3,877 | -1.4 | -0.5 | 7.2 |
| Tennessee | 3,325 | 3.1 | 2.0 | 9.2 |
| CMV | 3,258** | 1.1 | 1.8 | 9.2 |
| United States | 4,138 | 2.5 | 0.7 | 8.2 |

*Personal income from IV/1970 to II/1972

**Unweighted average

Source: Personal income per capita, 1971, from U.S. Department of Commerce, *Survey of Current Business* (April 1972), pp. 18-19. Basic employment data are from the respective State Employment Security Offices and the United States Department of Labor. State personal income data are from *Business Week*.

experienced a relatively slow recovery with total and manufacturing employment rising 1.2 and 1 percent, respectively, and below the national average for total employment.

Summary

The expansionary monetary and fiscal actions since early 1970 have had similar impacts on the Central Mississippi Valley states and the nation as a whole. Total employment growth in the CMV has lagged the national rate of gain, but manufacturing employment has exceeded that of the nation and the unemployment rate has been consistently lower.

The rate of expansion, however, has varied widely among the CMV states. The southern states, where per capita incomes are below average for both the region and the nation, have recovered the fastest. The increase in employment in these states has been confirmed by businessmen. In fact, businessmen in many local communities in these states have reported shortages in both skilled and unskilled labor. In contrast to the sharp gains in the southern part of the CMV, the recovery in Missouri and Kentucky has been less pronounced.

