The Fed and Oklahoma’s Economy: Past and Present

Economic Forums
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Overview of the Federal Reserve System

• The “Fed” consists of three main entities:
  • Board of Governors: 7 members appointed by U.S. President
  • Federal Reserve Banks: 12 total; semi-independent by design
  • Federal Open Market Committee: 19 members; 12 voting

• As with most central banks, the Fed’s primary responsibilities fall within four general areas:
  • Lender of last resort – provide liquidity in times of crisis
  • Monetary policy – promote full employment and low inflation
  • Bank regulation – ensure safety and soundness of banks
  • Financial services – bank for banks, bank for federal govt.
Federal Reserve Districts and Office Locations
Senator Robert Owen of Oklahoma and the Fed’s Formative Years
Key events in Owen’s early life and career

- **1856**: Born in Lynchburg, VA; father a railroad executive, mother a Cherokee citizen

- **1873**: Panic of 1873 destroys family’s wealth; Owen’s father dies later that year

- **1879-80**: Moves to Indian Territory with mother, admitted to bar as attorney at law

- **1885-89**: Serves as the federal agent for the Five Civilized Tribes of Indian Territory

- **1890**: Receives the first national bank charter in Indian Territory; opens First National Bank of Muskogee, is its president for 10 years

- **1893-97**: Bank narrowly survives the Panic of 1893 and subsequent economic depression
The Panic of 1893—and the depression that followed—hit the middle of the country hard.

### Per Capita Banking Assets at National Banks
1890-1900

Index: 1890=100

- **Tenth District**
- **New York District**
- **United States**

**Panic of 1893**

Source: Office of the Comptroller of the Currency
Owen in the decades after the Panic

- **1898**: Travels personally to the central banks of England, France, Germany, and Canada to learn how central banking might work in the United States
- **1900-1906**: Runs private law practice and becomes increasingly involved in politics
- **1907**: Elected as one of Oklahoma’s first two U.S. Senators; the Panic of 1907 enhances the push for a new central bank in the United States
- **1907-1912**: Focuses attention on banking issues in first of three U.S. Senate terms
- **1913**: Named the first chairman of the new Senate Banking Committee; is Senate sponsor of the Federal Reserve Act, which is signed into law on Dec. 23

U.S. Senate Banking Committee, 1913
Owen’s proposal for a new U.S. central bank most closely resembled the actual Fed

### Primary Competing Proposals to Form a U.S. Central Bank
1913

<table>
<thead>
<tr>
<th>Author</th>
<th>Proposal</th>
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</thead>
</table>
| Rep. Carter Glass (VA)  
*Chairman, U.S. House Banking Committee* | --Decentralized system with board of primarily bankers  
--20 or more regional reserve banks |
| Sen. Robert Owen (OK)  
*Chairman, U.S. Senate Banking Committee* | --National currency board, appointed by federal government  
--8 regional reserve banks |
| Hon. William McAdoo  
*U.S. Secretary of the Treasury* | --Government central bank within the Treasury Department  
--No regional reserve system |

Source: Federal Reserve Bank of KC
A new exhibit at the Oklahoma History Center next month will honor Robert Owen

- **Press conference and exhibit unveiling:**
  - October 16, 5:30 p.m., Oklahoma History Center
  - Current and past Fed leaders will be in attendance
  - For information about attending that event, see our event staff tonight or contact us at annette.phillips@kc.frb.org

- **Exhibit opens to the general public:**
  - Starting October 17 at the Oklahoma History Center

- **For more on Owen and the early Fed:**
  - See this new article in the Kansas City Fed’s *Economic Review*:
The Oklahoma Economy, 100 Years Later
Employment in Oklahoma remains just above pre-recession levels, but has eased lately

Level of Payroll Employment
Through August 2013

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
Energy jobs are down in OKC and rural OK, while most other sectors are up or mixed.

Metro Employment Growth by Industry
August 2013

Source: Bureau of Labor Statistics
Looking at job growth by county, there is considerable variation across the state.

Household Employment Growth by County
Percent change, July 2012 to July 2013

Source: Bureau of Labor Statistics
But unemployment in most counties remains well below the U.S. rate

County Unemployment Rates
July 2013

Source: OK Employment Security Commission
Rig counts have slipped somewhat but still remain relatively high.
And oil and gas production in the state has continued to increase

Oklahoma Oil and Gas Production

Source: EIA
Federal spending cuts could hurt some parts of Oklahoma much more than others

Ratio of Federal Government Share of Employment in County vs. Nation
2011

Source: U.S. Bureau of Labor Statistics
Drought conditions have improved since last year, helping some areas of the state.

U.S. Drought Monitor, October 2012

U.S. Drought Monitor, September 2013

Source: USDA
Residential construction has continued to increase, despite higher mortgage rates.

Source: U.S. Census Bureau
And banking conditions in the state remain better than in the nation as a whole.

Noncurrent Loans as a Share of Total Loans
Commercial Banks

Source: FDIC
In OKC, job growth continues to exceed the nation, similar to much of the past 10 years.

Payroll Employment Growth

Percent change, year-over-year

Source: U.S. Bureau of Labor Statistics
The OKC metro area remains most highly concentrated in energy and government employment.

### Oklahoma City Metro and U.S. Employment Share by Industry
#### 2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Employment</th>
<th>Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OKC Metro</td>
<td>U.S.</td>
</tr>
<tr>
<td>Federal Government</td>
<td>4.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>3.4</td>
<td>1.6</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
<td>16.5</td>
<td>14.4</td>
</tr>
<tr>
<td>Construction</td>
<td>4.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Education &amp; Health</td>
<td>15.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>13.1</td>
<td>14.1</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>18.0</td>
<td>19.9</td>
</tr>
<tr>
<td>Information</td>
<td>1.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.1</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Note - Location quotient is the division of local employment share by national employment share.

Source: U.S. Bureau of Labor Statistics
Summary

• 100 years ago, an Oklahoman was a key contributor to forming a regional Federal Reserve System

• The Oklahoma economy has slowed in 2013, especially in non-metro areas, but remains solid overall
Questions and Links

For more information about the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, visit our website at:

http://www.kansascityfed.org/oklahomacity/

For more information about the Oklahoma economy, subscribe to the quarterly Oklahoma Economist at:

www.kansascityfed.org/publications/research/oke