Update on Oklahoma’s Economy

The pace of economic growth in Oklahoma slowed slightly over the summer. Oklahoma payroll employment was up only 0.7 percent from last July, (approximately 12,000 jobs), down from 1.7 percent growth this time last year. National payroll employment grew 1.7 percent from the previous year. The Oklahoma City metro area continued to lead job growth in the state, with employment more than 4 percent higher than before the recession (Chart 1). Tulsa has added jobs at a steady pace but employment remained below pre-recession levels. Employment in nonmetro areas has fallen recently, mainly due to a slowdown in local energy, manufacturing and government jobs. As of July, statewide job growth was led by the leisure and hospitality industry, with jobs also added in construction, professional and business occupations. In contrast, jobs related to the energy sector declined—mostly in nonmetro areas—and the information industry continued to shed workers. Most other industries posted flat year-over-year growth.

Even with the slowdown in employment growth, unemployment rates remained low throughout much of the state. Oklahoma currently has the nation’s 11th-lowest unemployment rate at 5.3 percent (Map 1). Nearly all of the states ranked have less than half the population of Oklahoma. Labor force participation continued to edge higher, which

What was the biggest surprise or takeaway you got when researching the history of the Fed and its ties to Robert L. Owen?

Branch Executive and Economist Chad Wilkerson answers this timely question on page 4.

Chart 1
Payroll Employment Growth
Through July 2013; Seasonally Adjusted

Index: January 2000=100

likely indicated workers were more encouraged about finding employment. This has particularly, and, to a lesser degree, in Tulsa and nonmetro parts of the state.

Regional manufacturing activity rose moderately in July and August, moving closer to national levels (Chart 2). Respondents to the Kansas City Fed manufacturing survey reported slightly lower expectations than in previous months, though levels still remained relatively solid. The rise in monthly production came from both durable and nondurable goods-producing plants, with the biggest increase from metals and plastic products. Price indexes rose modestly, with a continued increase in future finished goods prices. Oklahoma manufacturing activity also picked up in July and August after a sluggish month in June. This is likely due to the state’s high concentration in energy-related machinery manufacturing, which improved substantially from previous months.

Activity in the energy industry eased slightly during the summer, but overall activity was lower than a year ago. The total state rig count through mid-August was 164, down from previous years but still up from the lows reached in 2009-10 (Chart 3). National rig counts continued to rise, with the decline in Oklahoma generally attributable to a shift in drilling locations outside the state. Oil prices were at their highest level since March 2012, mostly due to two events—the tensions in the Middle East and a decline in U.S. crude oil inventories caused by increased global demand. Natural gas prices have been in a range of $3.60 to $3.70 per MMBTU in recent weeks but are expected to rise with the predicted hotter temperatures. Exports of liquefied natural gas are still in high demand—from countries like Mexico and China specifically—and both the U.S. and Canada are looking to capitalize on this growing segment.

Update provided by Megan Williams, associate economist and manager, at the Federal Reserve Bank of Kansas City, Oklahoma City Branch.
One hundred years ago this December, President Woodrow Wilson signed into law the Federal Reserve Act. The Act’s sponsor in the U.S. Senate was Robert Latham Owen, a frontier lawyer, banker and businessman who had been chosen as one of Oklahoma’s first two U.S. senators when the state was admitted to the Union in 1907. Owen’s bill authorized the creation of the Federal Reserve System, the United States’ first central bank in more than 75 years, as the first two attempts at establishing a central bank failed in the early to mid-1800s. The proposed Federal Reserve System included both a government agency in Washington, D.C., and 12 semi-independent regional Reserve Banks around the country.

Owen’s interest in central banking began with his personal experiences as president of First National Bank of Muskogee, a community bank in Indian Territory (Oklahoma) during the Panic of 1893. His preference for a quasi-public, decentralized structure for the Fed came from skepticism about placing too much control in either a central agency in Washington, D.C., or especially, a small number of bankers on Wall Street, which he thought would make the institution unpopular and unfair to much of the country. Owen generally praised the Fed’s early performance but became a critic in the early 1920s, and again in the 1930s, when its deflationary policies were especially harmful to the agricultural economy of his home region. Fed policymakers of today must often grapple with similar issues, from responding to financial crises to guarding against deflation or rising asset prices. An elderly Owen wrote in 1935, “there could be no subject of more supreme importance to the people of the United States than an understanding of money and its power to control our economic destiny. Civilization itself depends upon money, without which man would be reduced to savage life and barter.”

Learn more about the 100 year anniversary of the Federal Reserve and Robert L. Owen’s accomplishments as the Senate author of the Federal Reserve Act at the Oklahoma History Center. The exhibit opens to the public on Oct. 17, 2013.
There were several takeaways, but the biggest was probably just how much interest and experience in central banking issues that Owen had prior to becoming the chair of the Senate Banking Committee and ultimately as the Senate sponsor of the Federal Reserve Act. He was president of a community bank during the Panic of 1893, which hit the central part of the U.S. particularly hard due to its agricultural economy and distance from major financial centers. The crisis prompted increased calls from the region for something like a central bank in the United States again. He then traveled to the central banks of England, France, Germany and Canada in 1898 to learn how those institutions worked and to see what aspects of each might work well in a country like the United States, with its large geographic area and history of skepticism about central banking. He remained a director at the First National Bank of Muskogee throughout his time in the Senate, helping maintain a view of both the needs of small banks as well as the general population that he represented.

Sen. Owen, second from the right, was chair of the Senate Committee on Banking and Currency during the 63rd Congress when the Federal Reserve Act was drafted and approved.