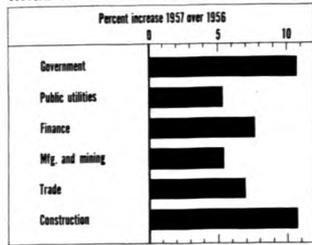


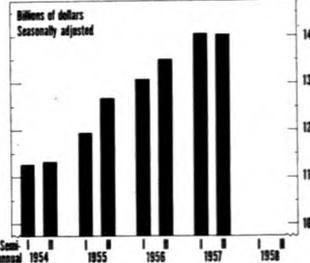
The Fruits of Diversity

With its economic fortunes tied to a specialized income base, an area can experience severe hardships from a decline in demand, overproduction, or changes in any of the other economic forces that determine the prosperity of an industry. At one time, the South suffered from a lack of diversified sources of income, or overspecialization. A quarter of a century ago, about two out of every five workers depended on farming for a living; this activity directly provided twenty cents out of every dollar of personal income and even more, indirectly. Farmers produced nothing much but cash crops, chiefly cotton. The small share of income from manufacturing, moreover, came mostly from two industries—textiles and lumber.

WAGE INCOME - Sixth District



PERSONAL INCOME - Sixth District



Data for 1956 are estimates by U. S. Dept. of Commerce; 1957 data estimated by this Bank.

The year 1957, however, shows how the picture has changed. Farm income from crops declined sharply. The area's two traditionally most important manufacturing employers reported fewer numbers on their payrolls as the year advanced. Yet, when we cast up the accounts for 1957, we find personal income higher than in any previous year. Moreover, with the start of 1958, we find the slowing down of activity in the country's economy touching on the District but lightly.

These income developments in the District are the fruits of greater diversification. Along with the economic development of the last twenty-five years, the economy of this part of the South has become more diversified. Had it not, we probably would have found a sharp decline in personal income in 1957 instead of the 5-percent increase we estimate occurred.

When we talk about the Sixth District, we are speaking of Alabama, Florida, Georgia, and the major parts of Louisiana, Mississippi, and Tennessee. In this 248,000 square miles, we find people doing many different things to earn their living, if only because there are many differences in soil, topography, climate, and natural resources. But the recent diversification is different; it resulted from the addition of sources of income through better utilization of existing resources.

Diversity in Agriculture

The reports on farm income do not make cheerful reading. Both the volume of crop production and the prices at which crops sold dropped sharply. Early estimates place the 1957 cotton crop for the District 29 percent below that of last year. The peanut crop was 20 percent

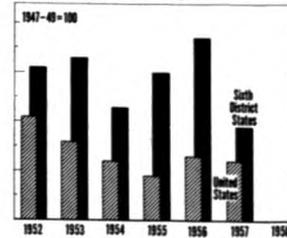
smaller and tobacco production was down. The rice crop in Louisiana was smaller but prices were higher, and the peach growers in Georgia had a better year. Florida growers probably received more from their vegetables. Summing up, however, income from District crops was probably about a fourth lower in 1957 than in 1956.

The picture was not quite as black as it could have been had not a growing livestock industry provided income for more farmers than was once the case. Cash receipts from the sale of livestock and livestock products, including cattle, hogs, broilers, milk and the like, were higher in each District State in 1957 than in 1956. Farmers did not receive enough more from livestock marketings to offset the drop in crop income, but they received enough more to soften the effects. Total farm income in District states fell about 17 percent from 1956.

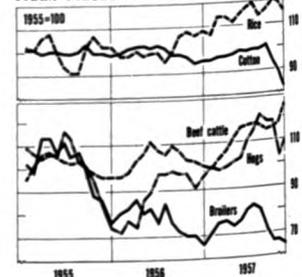
New Sources of Income from Off the Farm

Farmers were not the only ones feeling the cuts in farm income. In cities and towns where most persons make their living buying from, selling to, or serving the farmers, business fell off. But the effects were largely localized. An increase in manufacturing income helped offset the decline in farm income, but only because manufacturing has become more diversified. Since the end of World War II, more and more of the plant expansion has been concentrated in building and equipping plants to produce chemicals, fabricate metals, make pulp and paper and products other than textiles and lumber. These industries not only provided more workers with jobs, but by-and-large, with good paying jobs.

FARM CASH RECEIPTS



FARM PRICES - Sixth District



Data for 1957 are preliminary estimates.

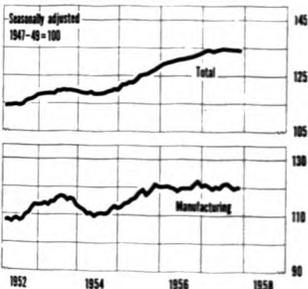
Employment held up well at most of these growth industries in 1957. In most months, more workers were hired than a year earlier. Thus, at year's end, we find total manufacturing employment down only 2 percent, less than half as much as the decline in textile employment and only a fourth as much as the drop in employment in the lumber, furniture, and fixtures industry.

At this point perhaps we should look at the growing number of off-farm jobs that are not factory jobs; this number is about three times as large as the number of factory jobs. More nonfactory jobs were filled at the end of 1957 than a year earlier in each major category except transportation, communications, and public utilities. Wages and salaries rose even more than employment.

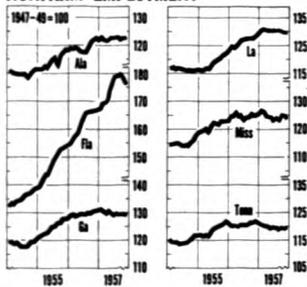
The Record State by State

How an individual state, area, or city fared in the income growth in 1957 depended largely on the degree to which its economic base was diversified. In those places depending heavily on farming, especially on the South's traditional cash crops, income suffered the most, but where farming had shifted toward livestock, the record was better. Areas with diversified manufacturing fared better. Reports were best where sources of income included farming, manufacturing, and nonmanufacturing, with diversification in each.

NONFARM EMPLOYMENT Sixth District



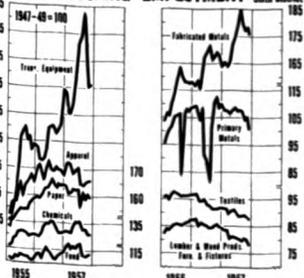
NONFARM EMPLOYMENT



The best record was set in Florida where income probably increased a little less than 10 percent from 1956, despite a loss in farm income. Our estimates show the next best records of growth in total personal income were set by Alabama and Louisiana, followed closely by Georgia and Tennessee. Apparently, income in Mississippi did not increase, because of a severe drop in farm income and a heavy dependence on agriculture.

Official estimates by the United States Department of Commerce that will be issued later this year may differ from what available data indicate now, but other measures of economic activity confirm the estimated trends. Spending by check, as measured by bank debits at report-

MANUFACTURING EMPLOYMENT—Sixth District



Adjusted for seasonal variation.

DEPARTMENT STORE SALES



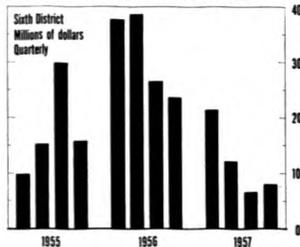
ing banks, was 13 percent greater in Florida in 1957 than in 1956. Debits increased 8 percent in Alabama and Louisiana, 5 percent in Georgia and Tennessee, and 2 percent in Mississippi.

The somewhat greater-than-national increase in personal income brought District department store sales for the year 2 percent above those for 1956, compared with a one-percent gain in the nation. Sales did not grow as much as income, and they behaved erratically from month to month.

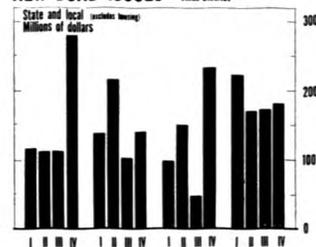
Planting the Seeds of Diversification

The process of planting the seeds of a more diversified economy in itself created income opportunities. Building

PLANNED FACTORY INVESTMENT



NEW BOND ISSUES - Sixth District



Publicly announced projects costing \$100,000 or more. Data for fourth quarter of 1957 are preliminary estimates.

new commercial buildings and factories created jobs for construction workers, made markets for building materials and pushed up demands for machinery and equipment. There were demands for new homes, new schools, new water and sewage systems and all the facilities needed to operate the District's growing cities.

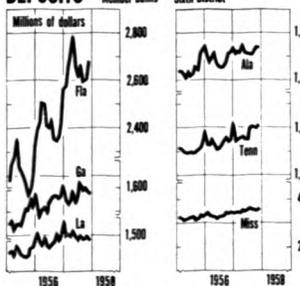
As a result, construction contracts awarded during the first eleven months of 1957 totaled 10 percent more than in the like period of 1956. Residential construction contracts were 14 percent greater, and public works and utility contracts were up 12 percent. There was also a 4-percent increase in other types of non-residential contracts. Moreover, state and local governments spent large sums, which they borrowed, to build new facilities.

Banking Reflects Income Changes

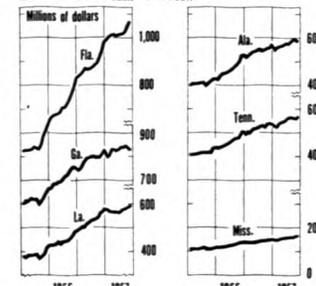
District bankers were faced with demands for bank loans stemming from two types of income changes. In areas where the economy expanded and became more diversified, customers asked for new loans in increasingly heavy amounts during 1957. Because bankers were able to attract and retain deposits, they could, as a rule, supply these credit needs without reducing their investments.

In other areas, where the economic base was highly specialized and where income developments were unfavorable, demands for credit were different. Some farmers were unable to pay off their loans promptly, and merchants and others who served the farmers needed credit to tide them over. The same income developments that increased demands for loans, however, made it difficult for banks to retain deposits. To meet the loan demands, therefore, they had to reduce their investment holdings.

DEPOSITS



LOANS



Not adjusted for seasonal variation. Data for Louisiana, Mississippi, and Tennessee for District portion only.

The net result was that at the end of the year, total deposits at District banks were greater than a year earlier. Deposits at 25 percent of the banks, however, fell below those of a year ago. Although loans grew in all areas of the District, the rate of growth varied greatly.

What's Ahead

As 1958 began, a slowing down in the economy was apparent in the District as well as in the nation. Total nonfarm employment began to drift downward in July after account was taken of seasonal influences. At member banks, loans declined on a seasonally adjusted basis during September for the first time in the year, and even more in October. Other signs of slackening appeared, but they were of modest proportions. The question now is, "How will the District's income react to these developments?"

The income growth in the District has been only a part of the nation's general economic expansion. If the rate of

income growth in the District has been somewhat greater than in other parts of the United States, it has been because of the area's greater potentialities for the more productive use of its human and physical resources. The major influence determining economic conditions in the District during 1958, consequently, will be the direction taken by the nation's economy. The strengthening of the District's economic base through greater diversification of its income sources, however, will undoubtedly soften the effects of any slowing down that might occur in the nation's economy. For the long run, moreover, this diversification provides a base for an even more productive use of the area's economic potentialities.

CHARLES T. TAYLOR

Beginning with this issue, the tables on "Wholesale Sales and Inventories," "Condition of 27 Member Banks in Leading Cities," "Retail Furniture Store Operations," and "Instalment Cash Loans" are no longer being published in

this Review. The information formerly published in these tables is contained in releases issued regularly. To obtain these releases, address requests to Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.

Bank Announcement

The Federal Reserve Bank of Atlanta is pleased to welcome to membership in the Federal Reserve System on January 6, the Pascagoula-Moss Point Bank, Moss Point, Mississippi. Officers of the bank are W. B. Herring, President; H. P. Heidelberg, Jr., Executive Vice President; Manuella C. Taylor, Vice President and Trust Officer; A. F. Dantzer, William F. McLeod, John J. Harry, and Edward A. Khayat, Vice Presidents; Beryl B. Parker, Assistant Vice President; Theresa M. Johnson, Cashier; Wallace A. Grierson, Hilburne Boutwell, and Alma Garlick, Assistant Cashiers. It has capital of \$300,000, and surplus of \$700,000.

Department Store Sales and Inventories*

Place	Percent Change				
	Sales		Inventories		
	Nov. 1957	Dec. 1957 from 1956	12 Months 1957 from 1956	Nov. 30, 1957	Dec. 31, 1956
ALABAMA	+58	-4	-1	-24	+1
Birmingham	+55	-3	-1	-22	+1
Mobile	+58	+0	+4	..	..
Montgomery	+63	-13	-10	..	..
FLORIDA	+63	+8	+5	-15	+5
Jacksonville	+69	+1	-1	-23	+3
Miami Area	+67	+11	+10	-12	+0
Miami	+62	+3	-1	..	..
Orlando	+43	-2	+4	..	..
St. Ptsbg-Tampa Area	+56	+14	+6	-14	+26
St. Petersburg	+47	-1	+7	..	..
Tampa	+64	+24	+5	..	..
GEORGIA	+51	+2	+0	-24	+2
Atlanta**	+48	+5	+3	-23	+5
Augusta	+51	-7	-5	..	..
Columbus	+52	-6	-7	-22	-4
Macon	+67	-1	-3	-27	+11
Rome**	+81	-21	-9	..	..
Savannah	+60	-3	-3	..	..
LOUISIANA	+40	+1	+5	-22	+0
Baton Rouge	+44	+11	+14	-19	+18
New Orleans	+41	-0	+4	-22	-3
MISSISSIPPI	+51	-3	-2	-22	-4
Jackson	+45	-4	-4	-21	-4
Meridian**	+76	-1	-2	..	..
TENNESSEE	+70	+1	+1	-27	+6
Bristol (Tenn. & Va.)**	+84	-0	+1	-29	+10
Bristol-Kingsport	..	..	..	..	..
Johnson City**	+81	-8	-2	-32	-6
Chattanooga	+67	+2	+1	..	..
Knoxville	+79	-1	-3	-28	-6
DISTRICT	+56	+2	+2	-22	+3

*Reporting stores account for over 90 percent of total District department store sales.
**In order to permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for non-department stores, however, are not used in computing the District percent changes.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Dec. 1957	Nov. 1957	Percent Change		
			Dec. 1957 from 1956	Nov. 1957 from 1956	1957 from 1956
ALABAMA					
Anniston	35,660	36,185	38,814	-1	-8
Birmingham	723,066	686,891	706,219	+5	+2
Dothan	26,335	26,636	25,039	-1	+5
Gadsden	33,776	31,454	33,839	+7	-0
Mobile	291,217	250,188	261,367	+16	+11
Montgomery	138,908	129,440	126,276	+7	+10
Selma	22,693	21,794	24,365	+4	-8
Tuscaloosa*	44,261	44,045	41,635	+0	+6
FLORIDA					
Daytona Beach*	52,644	47,413	46,007	+11	+14
Fort Lauderdale*	211,689	174,162	175,351	+22	+21
Gainesville*	34,445	32,859	30,724	+5	+12
Jacksonville	722,885	591,671	623,281	+22	+16
Key West*	15,991	13,101	13,987	+22	+14
Lakeland*	62,538	57,377	57,396	+9	+9
Miami	780,262	663,566	665,640	+18	+17
Greater Miami*	1,193,457	1,009,221	1,010,374	+18	+18
Orlando	175,316	152,376	156,057	+15	+12
Pensacola	86,805	81,707	78,360	+6	+11
St. Petersburg	176,084	156,012	153,609	+13	+15
Tampa	364,012	298,327	314,894	+22	+16
West Palm Beach*	110,029	94,262	97,965	+17	+12
GEORGIA					
Albany	57,670	55,658	59,530	+4	-3
Athens*	36,819	33,692	33,113	+9	+11
Atlanta	1,769,069	1,546,709	1,645,350	+14	+8
Augusta	93,103	85,404	93,007	+9	+0
Brunswick	23,837	20,997	20,026	+14	+19
Columbus	105,792	92,975	104,065	+14	+2
Elberton	7,857	7,579	7,461	+4	+5
Gainesville*	47,245	43,789	46,808	+8	+1
Griffin*	18,299	16,416	17,805	+11	+3
LaGrange*	22,237	20,383	20,163	+9	+10
Macon	110,643	101,258	107,103	+9	+3
Marietta*	25,724	25,212	26,492	+2	-3
Newnan	15,679	15,149	15,585	+3	+1
Rome*	41,242	38,076	41,505	+8	-1
Savannah	188,982	167,883	171,885	+13	+10
Valdosta	29,207	21,768	26,701	+34	+9
LOUISIANA					
Alexandria*	69,804	64,499	64,696	+8	+8
Baton Rouge	211,334	189,124	173,986	+12	+21
Lafayette*	56,699	51,854	54,381	+9	+4
Lake Charles	87,998	82,503	78,826	+7	+12
New Orleans	1,343,831	1,177,018	1,258,054	+14	+7
MISSISSIPPI					
Biloxi-Gulfport*	40,146	35,710	37,506	+12	+7
Hattiesburg	31,117	29,903	28,260	+4	+10
Jackson	201,243	174,565	194,381	+15	+4
Laurel*	22,601	23,114	19,537	-2	+16
Meridian	34,857	33,217	33,868	+5	+3
Natchez*	21,293	20,256	19,962	+5	+7
Vicksburg	18,212	19,165	18,056	+5	+1
TENNESSEE					
Bristol	36,356	35,994	38,692	+1	-6
Chattanooga	276,819	246,310	268,953	+12	+3
Johnson City*	40,361	36,543	39,882	+10	+1
Kingsport*	73,846	69,635	68,374	+6	+8
Knoxville	252,147	202,583	235,324	+24	+7
Nashville	642,607	605,051	595,917	+6	+8
SIXTH DISTRICT					
32 Cities	9,056,330	7,979,272	8,319,733	+13	+9
UNITED STATES					
344 Cities	220,376,000	189,246,000	201,876,000	+16	+9

*Not included in Sixth District totals.