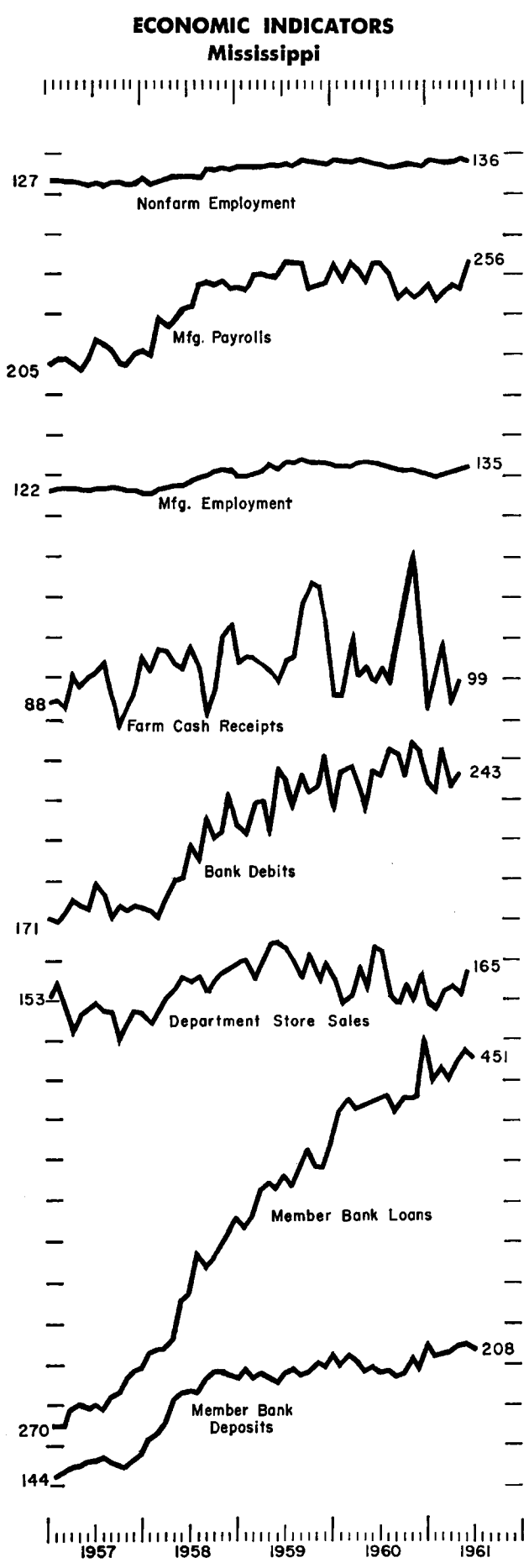

Winds of Rec

Mississippi was spared the brunt of the recessionary storm that struck the nation's economy during 1959 and early 1960. True, some strong gusts rocked the state, but the center was elsewhere—in the major manufacturing areas of the North and East. Clouds showed signs of breaking up even before 1960 was over, despite forecasts that unsettled economic weather in the nation would continue.

We don't know enough about the myriad of ties that link the economies of various regions to understand fully how a state, or other area, will react to foul economic weather—to the recurring periods of recession. We do know, though, that the type of recession tells us a good deal about the effect it will have on various regions. For example, if the recession is bred of an inventory adjustment, as was the one of 1959-60, we know that the storm warnings will go up first in the manufacturing centers that produce the automobiles, the steel, the other goods that are overstocked. Since our economic regions are tied together, if one of them stumbles the others are bound to receive a frightening tug. But unless the mood of businessmen and consumers turns sour and spending degenerates, such economic storms are likely to be short-lived.

As in the nation, the strongest winds struck the manufacturing component of Mississippi's economy. Employers laid off 5.4 percent of their employees during the recent recession, which lasted roughly from May 1960 to February 1961. Manufacturing payrolls also declined appreciably, 3.8 percent. Judging from employment, manufacturers of apparel, lumber and wood products, and transportation equipment suffered more than other types. Weakness in lumber and wood products and apparel manufacturing was especially telling, since they employ more workers than any other two of the state's industries taken together. Not all the employment decreases in lumber and wood products and in transportation equipment stemmed from the recession. Some were associated with special weakness, e.g., the downdrift in construction and in shipbuilding, both of which began before the storm.

Nonmanufacturing industries undoubtedly felt some of the recession's side effects, but in none of them did employment appear to have been greatly affected. In fact, employment increases in nonmanufacturing industries were more than sufficient to absorb the number laid off from manufacturing jobs. Most of the pickup in nonmanufacturing occurred between August 1960 and January 1961 and represented gains in retail trade and service industries and in state and local governments. As a result, more Mississippians were employed outside agriculture in January 1961 than they were before the recession began.

The agricultural component of Mississippi's economy was relatively unaffected by the recession. Farm incomes appeared to hold up well during 1960. Employment, which has been declining steadily for several years, leveled off during 1960. This reversal of trend reflected in part the demands for more farm workers to handle increased output of principal crops, especially cotton.

The rest of the South and the nation generally were not

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... in Mississippi

as fortunate as Mississippi during the recession. Nonfarm employment in the six states that comprise the District, for example, dropped throughout the recession, and even by June the total had not regained the May 1960 level. The same pattern applies to the nation, where the nonfarm employment total is slightly below the May 1960 mark.

Every storm has disturbing updrafts around its center, and in Mississippi they had their greatest effect on the mood and capacity of consumers to spend. For whatever reason, loss or threatened loss of jobs or uncertainty about the future, merchants saw their sales dive. Department store sales, for example, have trended downward since mid-1959. Furniture store sales also fell during the recession from levels that had been stable for several months. The weakness in spending is also confirmed by the decline in sales tax receipts by the State of Mississippi. This gauge, which provides a measure of spending of all types, declined about 5 percent from early 1960 to early 1961. Bank debits, a measure of total spending by check, also weakened during 1960 and early 1961.

The state's bankers felt some of the gusts of the recession. These took the form of a slackening in the demand for bank loans by businesses and consumers. Total loans at member banks located in the District portion of the state were almost level between February and November 1960. This period of stability followed a period of steady loan increases beginning in 1957. The sluggishness in demand, coupled with easier credit policies by the Federal Reserve System, brought about an increase in reserves available to the state's bankers. Thus, bankers were able to add to their holdings of securities and raise their liquidity, which had been drawn down sharply during the periods of loan increases.

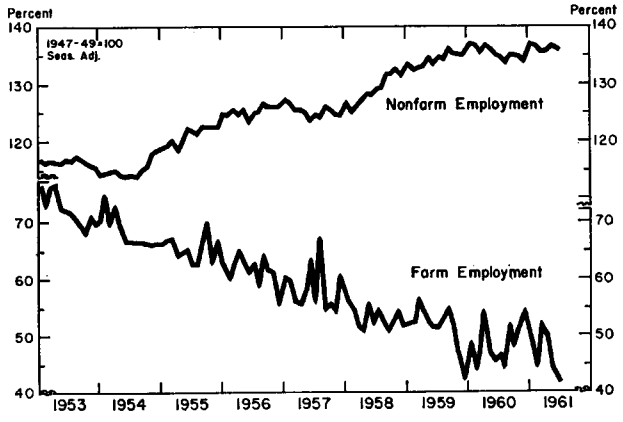
Deposits at banks in the state generally followed the national pattern during the recession. Member banks watched their deposits trend downward for the first eight months of 1960. Thereafter, deposits rose through the end of the year, and they have continued to increase in recent months. The corresponding deposit rise in the nation stemmed from the purchase of securities by banks, and Mississippi's gain represented the participation of the state's bankers in this deposit creation.

Manufacturing employment and payrolls have shown marked increases during recent months, although both are still below pre-recession levels. That there have been additions of workers in food processing is especially encouraging. Nonmanufacturing employment, on the other hand, has trended downward for the last few months, despite the strong gains during the latter part of the recession. Nonfarm employment, therefore, has exhibited a sidewise movement since January. The mood of consumers is still cautious, and spending has only recently begun to show signs of sustained recovery.

To a considerable extent the course of the state's economy in the next few months will be charted by developments in the nation. Practically everyone agrees that we have been in a period of recovery for several months, but there are widely differing opinions among economists about how rapid the national recovery will be. Nevertheless, Mississippi can expect a considerable boost to its economy during the months ahead if the forces of recovery mount.

Equally important for Mississippi's future are the forces of economic growth at work in the state. Observers noted long ago that recessions tend to be milder and recoveries stronger in an economy that is growing than in one that is in a long-term decline. In Mississippi, where farm employment has trended downward for several years, economic growth has taken place through an expansion of jobs off the farm. The state's nonfarm employment, for example, rose 16 percent between 1953 and the end of 1960. Manufacturing employment increased at an even faster rate during this period, 18 percent. The increase in manufacturing employment exceeded both the performance of the U.S. and that of the District.

Employment in Mississippi
1953-61



The growth trend in the state's economy, illustrated by employment increases, helps to explain the comparative mildness of the recession there. It also places the state in a favorable position for a strong recovery. In this connection it is encouraging to note that Mississippi continued to gain new manufacturing plants right through the recession and that the number announced so far in 1961 has been impressive.

Despite these indications of good economic weather for Mississippi in the months ahead, we should note that all sectors may not share fully in the expansion. Retail spending, for example, is apparently not increasing appreciably. Also, it might be some time before some types of manufacturing enjoy the fruits of expansion because of special circumstances in those industries. Then, too, we do not know whether expansion will proceed at a rapid enough rate to absorb the number of persons entering the labor force in search of nonagricultural jobs.

W. M. DAVIS

This is one of a series of articles in which economic developments in each of the Sixth District states are discussed. Developments in Georgia's economy were analyzed in the May REVIEW, *and a discussion of Alabama's economy is scheduled for the September issue.*

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