The Southeast: At the Turn of the Decade

The curtain has come down on what had been heralded as the "Soaring Sixties" even before the decade began. Has this prediction come true as far as the economy of the Southeast is concerned? On the surface, the answer is a resounding "yes." By almost every statistic, the economy of the Sixth District states—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—experienced fantastic growth in the Sixties. Personal income, the best regional yardstick available, more than doubled—from nearly $34 billion in 1959 to more than $71 billion in 1969.

Southeastern economic growth looks less spectacular when one takes population growth into account and considers that other regions have also experienced considerable economic growth over the last ten years. Per capita income in the Southeast has inched only slightly closer to the national average. If, as some Southerners believe, the Southeast should accelerate its long-term growth rate, the Sixties did, in fact, fall short of such a goal. Per capita income, relative to the rest of the country, increased much less rapidly in the Sixties than in the Fifties. Between 1949 and 1959, per capita income in the Southeast climbed from 66 percent of the national average to 75 percent. In 1969, it averaged about 78 percent.

Knowing this is only part of the story. Why did the economic growth curve in the Southeast fail to outdistance the Fifties? And what did happen to the Southern economy toward the end of the Sixties? This article, and others in this issue, will fill in the gaps of knowledge about the last year of the Sixties; the longer-run changes will be discussed in future issues of the *Review*.

1969: What Kind of Year?

Looking back on the past year, economic performance was remarkably rapid on the surface. Personal income in the District was up about nine percent from 1968, according to this Bank's preliminary estimates. While later figures may affect the rankings of the six individual District states, Florida is almost certain to show the largest rate of gain.

Upon closer inspection, income gains were smaller than they appear, since the dollar in 1969 bought less than it did in 1968. Prices during the two previous years had increased too, following a period of relative price stability during a good part of the Sixties.

If Atlanta typifies the Southeast, consumer prices last year increased more than five percent, thus wiping out better than one-half of the Southeast residents' income gains. If the increase in prices is taken into account, average income

gains are up only four percent instead of nine.

Production workers were particularly hard-hit by inflation. In 1969, average weekly earnings in Southern factories increased to $109 from $103 in 1968, based on eleven months' data. When one considers the increase in prices, the typical factory worker was actually no better off than he was in 1968.

At present, he and everyone else are still the victims of inflation, as prices continue to rise rapidly. But excessive spending, which deserves part of the blame for inflation, has begun to slow down. Southerners, as well as other Americans, have bought fewer automobiles recently. By the same token, home building has fallen off. The articles to follow present additional evidence to indicate that by late 1969 overall business activity here, as in other parts of the country, had slowed.

Response to Monetary Restraint

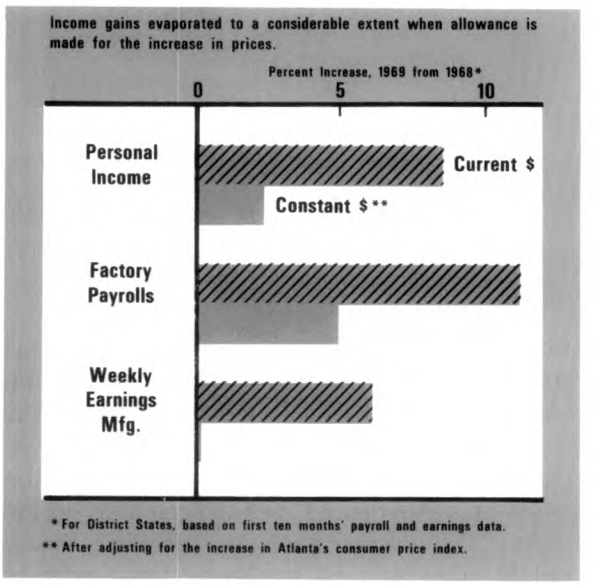
This condition is encouraging to those who have sought, so far as is possible through monetary means, to bring about a more orderly economic growth. The Federal Reserve in 1969 set that as its major goal of policy. To be precise, it was in December 1968 that the Federal Reserve intensified its policy of credit restraint. The reduced gains in total member bank reserves in the early part of 1969 and the outright decline in reserves later in the year have been the direct result of System operations. These measures have been aimed at curtailing the lending and investing ability of commercial banks. More basically, they were adopted to bring the demand for the economy's resources closer in line with its ability to produce, thereby moderating inflationary pressures.

How responsive the region's banks and other savings institutions have been to Federal Reserve actions is discussed in other articles appearing in this *Review*. At any rate, it has been through monetary means that the Federal Reserve indirectly—along with fiscal restraint and other influences—helped to restrain the over-ebullient spending activity of the region's economy. That the economy now shows signs of a less feverish pace indicates that these efforts seem at long last to be succeeding.

The Future

What have we learned that will help us assess the future? Looking at last year's experience, we found, in the first place, that inflation does not necessarily bring rapid gains in living standards. Secondly, the record of 1969 shows that when inflationary pressures are extremely strong, it takes a long time before they can be effectively slowed.

Looking at the more distant past, we are reminded that periods of rapidly rising prices eventually come to an end. And when they do, recessions do not necessarily follow. For example,



price pressures, measured by wholesale prices, eased up during most of 1967; yet, the country did not slip into recession. Closer to home, Southerners (as well as other Americans) found their purchasing power between 1957 and 1964 to have changed relatively little from year to year. That only one of these was a recession year also shows that we can have a stable dollar without recession.

Still, for various reasons, some observers—basing their conclusions in part on how many inflationary booms in the past have ended—predict a downturn in 1970. Should this prediction prove to be correct, history of a decade ago will repeat itself. A recession here, as elsewhere, began in early 1960; it lasted about a year. That also turned out to be the last economic slump this country has had. Having escaped from this fate for such a long time is, of course, no assurance that the American people will have the wisdom and persistence to insure that a recession will never happen again. Indeed, there is food for thought in finding the Sixties have ended, as they began, on a note of uncertainty.

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