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Economic Appraisal of the Postwar South

FOR the Sixth District as for the nation as a whole the year just past was one of outstanding moment. Seldom has any year in the nation's history seen events of such far-reaching significance as those that occurred in 1945. Seldom has any year so obviously marked the end of one era and the beginning of another.

The opening months found the economic life of the United States geared to all-out participation in a global war of unexampled scope and destructiveness. The more-than-four years of mobilization of men and materials, of factories and farms, of transportation facilities and financial machinery reached a peak early in 1945. Beyond lay the prospect of two or more years of war that would continue to consume the labor of men and the products of human industry on a gigantic scale.

Although civilians were experiencing many unfamiliar shortages in consumers' goods the total industrial output of the country in January 1945 was 234 percent of what it had been in the period 1935-39. In spite of the diversion of almost 12 million young men and women from peacetime pursuits to the armed forces, factory employment in that month was 62.9 percent higher than it had been in 1935-39. Income payments in January were 241.9 percent of what they had been in the earlier period, and the various control agencies of the Government were battling to hold the line against inflation as a rising flood of money confronted a short supply of consumers' goods in the market. The success of these efforts is reflected in the fact that wholesale prices in January 1945 were only 30.0 percent and the cost of living was only 27.1 percent above the 1935-39 level. Department store sales in January 1945 were 97 percent higher than those in the period 1935-39.

Agriculture, like industry, was straining all its resources to satisfy the war demand for food, fiber, and technical crops. It was doing this in the face of a serious shortage of farm labor and of a dearth of machinery. The result of the efforts put forth by American farmers was an increase in agricultural output of approximately a third during the war.

Increased output from farms and higher prices spelled a greater degree of financial prosperity for American agriculture than had ever existed in the past. Cash receipts from farm marketings in 1945 were 256 percent of what they had been in the period 1935-39. Farm real-estate mortgage debt had declined 20 percent between January 1, 1940, and January 1, 1945. Bank deposits and currency held by farmers increased 183 percent, and total farm assets, tangible and intangible, increased 69 percent during the same period.

In no region did the total mobilization of the nation's economy for war produce changes of greater significance than those it brought about in the Sixth District. This District lies largely in that part of the country which had won for itself

the reputation of being the nation's No. 1 economic problem. The Southern problem consisted in too great a dependence upon an increasingly unprofitable type of agriculture and a degree of industrialization that was not commensurate with the region's resources.

Under the impetus of war the South had suddenly thrust upon it a huge industrial structure that might otherwise have taken decades to achieve. Great shipyards sprang up in New Orleans, the Gulfport-Biloxi area, at Pascagoula, Mobile, Panama City, Tampa, Miami, Savannah, and Brunswick. Aircraft plants sprawled over millions of square feet in Marietta and Macon, Georgia; Birmingham, Alabama; Miami, Florida; Nashville, Tennessee; and elsewhere in the region. A huge new aluminum industry arose at Lister Hill, Alabama. Ordnance plants employing thousands of workers sprang up in many cities that had possessed little industrial plant in the past. In Tennessee and Louisiana chemical plants were expanded and new ones constructed.

To man the new industrial installations hundreds of thousands of men and women who had never had industrial employment were trained in the necessary skills. The exigencies of war created in a short span of time a body of skilled workers in a part of the country where there had always been a deficiency in this factor.

The South prospered not only through the addition of new plants to its industrial structure; it profited also through the invigorating effect of war orders placed with its older industries. Since these industries were hampered often by shortages of labor and of machinery replacements, and sometimes by shortages of raw materials, they were forced to strain all available resources in their effort to meet the demands that war was making upon them.

The South, therefore, in January 1945 was no longer the nation's No. 1 economic problem. It had become a mighty source of national economic strength.

Although the beginning of the year found the Sixth District along with the rest of the nation mobilized for the prosecution of a war that gave little promise of ending for years, dramatic events were impending. At 11:01 a.m. on May 8 the signing of the German surrender brought to an end the European phase of the war. On August 6 the first atomic bomb of the war fell with devastating force on Hiroshima, and on August 11 the second dropped on Nagasaki. Swiftly in the wake of these bombings came the Japanese offer to surrender and the proclamation of V-J Day on September 2.

The end of the Pacific phase of the war hurtled the nation into the postwar period about which men had talked and written for many months but for which there had been little concrete preparation. War orders were quickly canceled. The

index of physical volume of production, which had stood at 234 in January, fell to 163 in October. As shipyards, aircraft factories, and ordnance and munitions works slowed to a virtual halt millions of war workers drifted out of them to seek employment elsewhere or to sit idly by waiting for something to happen in the then silent war plants. The index of factory employment fell from 162.9 in January to 120.9 in October. The ranks of job seekers were further augmented by streams of demobilized veterans pouring back into overcrowded cities from all the battlefields of the world.

Declining factory employment was, of course, accompanied by declining pay rolls and declining income payments in general. The index of factory pay rolls that had stood at 335.2 in January fell to 215.7 in September, and the index of income payments that had been at 241.9 in January fell to 232.3 in October.

Despite the declines in factory pay rolls and income payments, department store sales increased in dollar volume, the index rising from 197 in January to 213 in October. In part this increase in department store sales resulted from the spending of a larger proportion of current earnings; withdrawals of cash savings; and the proceeds of redeemed war bonds for a somewhat larger supply of civilian commodities. In part, too, it was the result of gradually increasing prices. The cost of living index which had been 127.1 in January crept up to the high point for the year in July, 129.4. Although it receded somewhat in later months to a level of 128.9 in October, the general level for the year was noticeably higher than that for 1944.

Thinner pay envelopes, fewer unfilled jobs, continuing shortages of consumers' goods, and rising living costs contributed to the tensions between management and labor that had been accumulating during the war. After victory pent-up grievances found expression in a wave of strikes that is still far from having spent its force.

At the end of 1945, therefore, the nation was painfully trying to readjust its economic activities to the patterns of peace. Although the economic system is theoretically automatic and self-correcting, its internal adjustments are seldom smooth and painless. After a prolonged period of violent distortion in all economic relationships, such as that of the war, reconversion to peace is likely to be more painful than usual.

To make matters worse, reconversion in the United States must be made in a world that is temporarily, at least, an economic and political wasteland from which all old landmarks have been erased. It must be made, too, in the wake of scientific developments that will prove more revolutionary in their effects on present-day society than did steam on the society of the late eighteenth and early nineteenth centuries.

The year 1945 has thus ushered the world, the nation, and the Sixth District from the stern but well-defined objectives of war into a confused and uncharted future. For the Sixth District and for the South in general the question in the immediate future will concern the region's ability or inability to retain as much of its wartime prosperity as possible. Success will place the South on a permanently higher economic plateau where it need never again be considered a problem area. Failure, however, may result in a relapse into that unenviable position.

Whether the South succeeds or fails will depend a great deal upon the speed with which it capitalizes on its present, but perhaps fleeting, advantages. Much of the fixed capital

created in the South during the war is so highly specialized to war purposes or so greatly in excess of any conceivable peacetime requirements that it must be written off as clearly temporary. Some of it, however, may become a permanent part of the region's capital equipment if use is found for it fairly soon. Investible capital that has accumulated during the war can fructify Southern resources if it is backed by the imagination and enterprise necessary to use it in that way. Otherwise it will flow to other investment fields. The mechanical skills and factory experience with which a large part of the population has been endowed by the war are vital assets if used soon. Mechanical skill and psychological adjustment to factory work, however, are very quickly lost. If industrial opportunities are not created with sufficient speed and in sufficient volume to utilize the South's present skilled-labor force, the men constituting that force will either tend to move out of the region or, more likely, back to the land. In the latter case they would re-create the old problem involved in a high ratio of population to land and would thus tend to perpetuate uneconomic forms of agriculture.

For the South, therefore, because it has so much to gain or lose, the year 1945 was of critical importance. The best augury for the future is found in the way the South has met the first impact of the reconversion period in all phases of its economic life.

So far the South's reaction to peace has been more favorable than might have been anticipated. Unemployment, although it has been growing, is less than might have been expected. Agriculture is in a favorable financial position, and the prospect of a sustained demand for a year or two in the future may provide a basis for a considerable measure of prosperity even though farm incomes fall below those of the war period. There is no indication of any immediate runoff of bank deposits. It remains only for business enterprise to take advantage of these basically favorable factors. The rapidity with which new industries are coming to the Sixth District is evidence that businessmen are aware of their opportunities in the South.

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