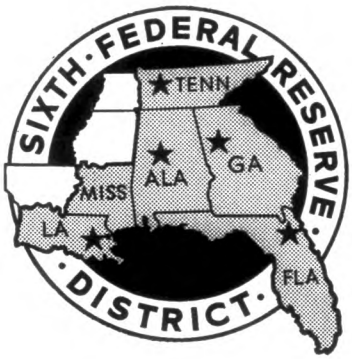


Monthly Review

ATLANTA, GEORGIA, JANUARY 31, 1953

In This Issue:

Sixth District Statistics:

Sixth District Indexes:

Federal Reserve Bank of Atlanta

Flood Tide

Riffling the fresh white pages of a new calendar on the desk—each page a day, and so far each one blank—almost everyone is inclined to wonder with what kind of record history will fill those pages by the year's end. At the beginning of 1953, this air of wonder is as heavy upon us as in any past year and differences among observers as to the shape of the future, it must be confessed, seem as great as ever. There is, indeed, substantial unanimity of opinion with regard to the first quarter or the first half of the year which nearly everyone sees as another boom period. Beyond that, the predictions, all tightly hedged and duly qualified with many "ifs," "ands," and "buts," begin to diverge.

Some observers foresee a fairly serious economic setback beginning sometime in the second half of the year. Others, too, foresee a decline, but put it in 1954, with only subtle recessionary currents forming beneath the surface during 1953. Still others think the break may not come until 1955. There are differences, too, among observers with respect to the depth and duration of the predicted decline, some thinking that it will be of only minor proportions, and others believing that it may be on the order of the 1938 relapse; some think that it will be quite brief, while others predict that it may last for twelve to eighteen months or longer.

Beneath all their differences, however, analysts seem generally agreed that at some point or other, whether near or remote, the boom must end. There is disagreement mainly on the timing of the end. The one point of agreement seems to rest upon a lingering, deep-seated belief in the dictum that "what goes up must come down" and also upon the observation that past experience lends little substance to the hope that the business cycle has at last been exorcised.

Disagreement among forecasters, although frequently the object of good-humored, but sometimes angry, chiding by laymen, is both understandable and excusable. Stare as deeply as we may into the cauldron of statistics, and observe as carefully as we may the graphs writhing across our charts, we still cannot penetrate with assurance the curtain that separates the past from the future. Figures, after all, only record what has already happened and do not carry on their face any necessary implication of what is yet to come. History has often had a queer way of making nonsense of the most carefully reasoned predictions based upon the extrapolation of past trends into the future, and never more so than in the period since the end of the Second World War.

It was almost universally expected, for example, that the end of the war would bring with it an economic setback of major proportions. What else, indeed, could reasonably have been expected? The war would leave a large part of the civilized world in ruins, and it seemed unthinkable that the United States could survive as a lonely island of prosperity in a sea of economic misery. More than once some mere weakness in the world economy had been communicated to our own with disastrous results. What effects could we now expect from a prostrate world economy?

At home we had so expanded productive facilities that the Federal Reserve index of industrial production nearly doubled between 1940, when it stood at 125, and 1943 when it reached its peak, 239. With the cessation of the war demand for goods, would not the country be left with an industrial plant extended far beyond anything the civilian economy was likely to need?

And what would happen to the demand for goods and services when Government purchases, which rose from 13.1 billion dollars in 1939 to 96.5 billion in 1944, should fall off drastically with the war's end? How could public purchasing power then be maintained? And if purchasing power should decline, what incentive would business have to expand investment in plant and equipment still further?

Then, too, there was the threat of unemployment. In 1940, we had 47.5 million persons engaged in agricultural and non-agricultural employment. By 1943, under the stress of war, this figure had risen to 54.5 million, but had fallen thereafter as the armed forces of the country were built up to 11.3 million. What would happen when perhaps ten million young men and women would be demobilized? In 1940, 8.1 million persons were estimated to be unemployed. Now, with a larger population, with a shrunken demand for goods and services, with an overextended industrial plant, and with millions of demobilized veterans in the market for jobs, would not unemployment make a reappearance on an alarming scale?

The First Wave

With such difficult questions staring them in the face, and with the apparent answers so obviously gloomy, it is little wonder that all thinking men viewed the future with considerable trepidation of soul. But the anticipated depression did not occur. Instead, the nation was almost immediately overwhelmed by a wave of prosperity that began to rise in 1946, reached its crest in the fall of 1948, and then subsided in a minor recession that ran on into the last half of 1949.

The Federal Reserve index of industrial production that had fallen from its wartime high to 170 in 1946 climbed to 192 in 1948 and then subsided to 176 in 1949. Business expenditures for new plant and equipment that had amounted to only 8.7 billion dollars in 1945, the last year of the war, jumped to 14.9 billion in 1946, to 22.1 billion in 1948, and then dropped back to 19.3 billion in 1949.

The number of job holders rose from 52.8 million in 1945 to 55.2 million in 1946, and reached 59.4 million in 1948 at the crest of the wave. It then declined slightly to 58.7 million in 1949.

Other series similarly reflect this first postwar wave of prosperity. Personal income rose from 171.9 billion dollars in 1945 to 177.7 billion in 1946, and then jumped to 209.5 billion in 1948. The year 1949, however, brought a small decline, lowering the figure to 205.9 billion. Disposable personal income (what is left after tax and non-tax payments to governmental units) displayed a similar pattern. In 1945, disposable personal income stood at 151.1 billion dollars, but by 1946 it had climbed to 158.9 billion, and by 1948 to 188.4 billion. The 1949 recession brought the figure back slightly to 187.2 billion. Expenditures for personal consumption likewise increased from 123.1 billion dollars in 1945 to 146.9 billion in 1946, and then went on to reach 177.9 billion in 1948. The 1949 recession, however, did not check the rise in this particular series for, by curtailing its savings and by expanding its use of credit, the public pushed these expenditures up to 180.6 billion in 1949.

Although coming as a surprise to many, this first postwar wave of prosperity was indeed welcome. It was, nevertheless, the gloomiest boom on record for it was accompanied by a great many misgivings as to its stability. It seemed too good to be true. When the 1949 recession set in, misgivings deteriorated into fears that now, at last, the country was about to tumble into the long-heralded postwar depression.

Had not business, in the process of reconverting from war to peace modernized, retooled, refurbished, and expanded its facilities as much as the situation warranted and probably more so? And did not the 1949 decline in expenditures for new plant and equipment indicate that business itself had serious doubts of the ability of future markets to justify any further expansion? And as for the consuming public—had not its accumulated demand for durable and nondurable goods been made good by now? And had not the public already spent a large part of its wartime savings and, besides, gone dangerously deep into debt, consumer credit outstanding rising from 8.7 billion dollars in 1946, to 11.9 billion in 1947, to 14.4 billion in 1948, and to 16.8 billion in 1949, when everything seemed about to slide? There was indeed some reason to believe that the expected postwar "readjustment" (the current euphemism for "depression") was already in its initial stages.

The Second

Again, however, the worst did not happen. In the late summer and fall of 1949, the index of industrial production turned sharply upward and by June 1950, when the Korean War broke out, stood at 199—higher than the monthly average for 1948, the peak year of the preceding boom, when it was 176. From then on it continued to rise, somewhat irregularly, until it reached a crest at 222 in February of 1952.

Business expenditures for new plant and equipment, which had fallen from an annual rate of 21 billion dollars in the first quarter of 1949 to 17.8 billion in the fourth quarter, turned about and marched uphill throughout 1950, reaching a total of 20.6 billion for the year. In 1951 the figure continued to climb, quarter by quarter, and for the year amounted to 26.3 billion. No halting place was reached until the second quarter of 1952, by which time expenditures for new plant and equipment were running at an annual rate of 27.5 billion dollars.

The number of job holders, which declined insignificantly from 59.4 million in 1948 to 58.7 million in 1949, rose to 60 million in 1950 and to 61 million in 1951. In August of that year the number reached a peak at 62.6 million, the highest level ever achieved in our history. A goal of 60 million jobs that had seemed starry-eyed when first suggested at the end of the Second World War now had been passed by a substantial margin.

Other indicators were similarly swept upward on this second postwar wave of prosperity. Total personal income in 1949 had amounted to 205.9 billion dollars, but was running at an annual rate of 221 billion at the time of the Korean outbreak in June 1950. For the year 1950 it amounted to 226.3 billion dollars, for 1951 to 254.1 billion and by June 1952, it was at an annual rate of 266.7 billion. Disposable personal income climbed almost without interruption from 187.2 billion dollars in 1949 to an annual rate of 231.5 billion in the second quarter of 1952. In the same period, personal consumption expenditures rose from 180.6 billion dollars to 214.9 billion, and personal savings, with numerous ups and downs, from 6.7 billion dollars to 16.5 billion.

All in all, this second wave of postwar prosperity was as good and better than the first. There were those, of course, who said that it was merely the result of overstimulation resulting from the Korean War, and if it had not been for that sad event there is no telling where we might have been. The fact, however, is that the revival from the 1949 recession was already well under way before the Korean outbreak occurred. It is true, of course, that the heavy military expenditures needed to carry on the war, as well as to build up the strength of ourselves and of the western world in a global effort to resist the expansion of Soviet Russia, carried the wave to a higher crest in terms of dollars than would probably have been reached in its absence.

There were those, too, who said that this was a "phony" prosperity built on the insubstantial foundation of inflation. True, they said, the dollar aggregates were stupendous, but the dollars themselves were much smaller because of the rise in prices. The wholesale price index (1947-49 = 100) had risen from a monthly average of 78.7 in 1946 to 103.1 in 1950, and to 114.8 in 1951. The consumers price index (1935-39 = 100) had likewise gone from a monthly average of 139.5 in 1946 to 171.9 in 1950, and up to 185.6 in 1951. Because of these price rises, therefore, it was said that the second wave of postwar prosperity was largely an illusion.

To the uninstructed observer, however, the thousands of new factories, large and small, scattered across the face of the country, seemed real enough, as did the millions of new tools and machines they housed and with which millions of additional workers earned fat pay envelopes. A similar air of reality clung to the nearly six million new

dwelling units built or started between the end of the war and the end of 1951; to the millions of new automobiles that crowded city streets and open highways; to the millions of new television sets and other consumer durable goods; to the new stores, new hospitals, and new churches in our cities; to improved farm buildings, millions of pieces of new farm machinery, and fat, sleek herds in areas that once knew only dreary rural poverty. However much inflation may have distorted the dollar figures in which the business situation is customarily depicted, it was apparent to anyone with eyes that the American people were living well. They were living better, indeed, than they had ever lived before—better than any people in all history had ever lived—and this despite the drain on the nation's energy and resources occasioned by war and defense requirements.

The Third

The second postwar wave of prosperity ended in nothing more than a hesitation in some of the indexes in the first half of 1952. The index of industrial production hovered in the neighborhood of 221 for the first three months but then fell off rapidly to 193 in July, a decline occasioned largely by the steel strike. Total business sales see-sawed uncertainly between 44.8 billion dollars in January and 43.6 billion in August. Personal income remained relatively stable through July, when it was running at an annual rate of 263.9 billion dollars. Business expenditures for new plant and equipment remained stationary at 27.5 billion dollars a year in the second and third quarters. Disposable personal income increased in the second quarter over the first as did expenditures for personal consumption, but savings declined by nearly a billion dollars a year and there was a drop in total consumer credit outstanding in February, March, and April. From March to July, there was also a sharp drop in exports of merchandise and a smaller decline in imports. Except for a bulge in June, July, and August, the wholesale price level was on a downward trend, whereas the consumers price index was advancing slightly.

In the latter months of 1952, however, a third wave of prosperity engulfed the country, carrying nearly all indexes to the highest levels ever reached. Although most of the figures for this period are still preliminary, they probably understate rather than overstate the real situation. The index of industrial production passed 230 by the end of the year; business expenditures for plant and equipment reached an estimated all-time high annual rate of 28.3 billion dollars in the fourth quarter; total business sales topped 48 billion dollars in October and probably increased still further during the remainder of the year; personal income reached an estimated annual rate of 276.1 billion dollars in October and November and kept on climbing; disposable personal income was at a record annual rate of 235.3 billion dollars in the third quarter, and personal consumption expenditures at a similar high of 215 billion dollars. By the third quarter, personal savings had mounted to 20.3 billion dollars a year. Total consumer credit outstanding reached an all-time high of 22.3 billion dollars in October, and in November bank loans reached a similar high, at a 62.4 billion dollar level. Effective management of the nation's money supply had meanwhile played an important part in keeping both the wholesale and the consumers price levels relatively stable.

In the closing weeks of 1952 and these early weeks of 1953, it is apparent that we have been living through what someone has called a period of "seething stability." By now the most bearish of the bears have nearly all been converted into at least reluctant bulls. It is difficult, indeed, to find anyone who foresees serious trouble in 1953, barring, of course, a worsening of the international situation.

The Last?

Apart from the waste, the tragedy, and the heartbreak of war, the American people, ever since 1945, have resembled a carefree vacationer standing at flood tide on the sun-drenched sands of a Florida beach, tingling with exhilaration at the impact of spume-encrusted breakers riding hard on each other's heels, each one greater than the last. But the man on the beach knows that flood tide does not last forever, and that sooner or later will come the wave that marks a turning point. There will be other waves, but they will lack the force of their predecessors. And, when the tide has ebbed, the man on the beach knows that beneath his feet the sands will lie gray and wet and desolate where once had been the madness of rushing waters. Thus, even as we thrill to the impact of the wave of economic prosperity now roaring over the country, we wonder if this is the last before the ebbing of the tide.

No reasonable person, of course, could expect the whole economy to go on expanding indefinitely at its current rate. The economy is not like a spherical balloon that expands equally at all points on its surface. On the contrary, in any major expansion or contraction, the various segments of the economy are more than likely to share unequally in the general movement, and some, perhaps, may not share in it at all. These differences in rates of change, or even in the direction of the change, necessarily create within the structure of the economy temporary dislocations and maladjustments that may take some time to correct. Such a period of correction, in which the economy moves to restore a measure of equilibrium among its parts, usually entails a descent from some previously achieved high level of activity—some abatement of a preceding boom. The breaking of any particular wave upon the shore, however, is not the same thing as the ebbing of the tide.

The present wave of prosperity, like its predecessors, may therefore be expected to subside to some degree from the crest it will probably reach during the first half of 1953. There are many reasons justifying such an expectation, but they are all related in one way or another to a waning of the forces unleased by this country's extraordinary effort to build up its own actual and potential military strength, as well as that of its allies, in order to meet the thrusts of Soviet power in various parts of the world.

But the armed forces of the nation, that had been allowed to decline to a million and a half or less, have now been built back to 3.6 million and, barring war, no further increase is expected. The program of defense plant building that currently accounts for approximately a quarter

of all capital formation has by now been practically completed, and already there is talk of putting some plants in moth-balls. The more vigorous use of indirect credit controls by the Federal Reserve System has brought within bounds an inflation that for a while threatened to become rampant. Price levels are now stable or falling and there is therefore less incentive for business to indulge in excessive forward buying and inventory building, and for inflationary wage increases to be demanded or granted. Everywhere the special stimulations arising from this country's vast military effort are apparently on the wane.

Into this situation there is now injected the possibility of a decline in the rate of military expenditures. The question that now disturbs some observers is, What may be the impact of such a decline upon the economy if it should occur? In addition, there is also the possibility that expenditures for foreign aid may be cut. Together, these two factors presage some decline in income; some decline in the demand for goods and services.

Farmers are already beginning to be pinched between high costs and a decline in world prices for agricultural commodities resulting from a resumption of agricultural production abroad. Industry may find itself caught in a similar squeeze. We have created in this country the largest and most productive industrial plant in history. Much of it, however, has been built at the highest cost in history and can operate profitably only on a basis of high employment and a high level of spending by the consuming public. Burdened by high and inflexible costs, this plant could conceivably prove vulnerable to declining prices and shrinking demand.

Another disquieting feature of the present situation is the size of the country's debt, both public and private. The rapid rise in private debt, which now exceeds public debt by probably better than 50 billion dollars, is particularly disturbing, and of this the most dangerous segments are the great volume of consumer credit and of mortgage indebtedness outstanding. How vulnerable will this debt prove to be in the face of even a moderate decline in incomes and employment, and how serious would be the repercussions that would be pushed back through the channels of retail trade to wholesale trade, to manufacturers, and to banks, in case this debt should prove insupportable?

These are some of the fears that cause people to wonder if we are about to witness merely the subsiding of a wave, or if we are not rather about to experience the ebbing of the tide. Against these fears of the possible effect of a relatively modest reduction in the rate of military expenditures, however, should be set the amazing performance of the economy in the face of a 73.2 billion dollar a year decline in the purchase of goods and services by the Federal Government between 1944 and 1947.

Allowing for all the differences between the situation then and now, if the economy could then meet the shock of a large reduction in Government expenditures with a wave of prosperity instead of the anticipated depression, it is reasonable to conclude that it can now absorb the impact of a much smaller reduction without any widespread bad effects. Although we do not now have the same backlog of accumulated demand for capital goods, for consumer goods, and for housing that we had at the end of the war, there are still many deficits in the civilian economy to be made up—deficits in schools, highways, hospitals, and probably still a great deal of residential and commercial building to take care of the growing population.

Moreover, the high rate of obsolescence in both capital and consumer goods, created by rapid technological changes incident to the chemical and electronic revolutions now remaking our lives and by the still more radical changes that will undoubtedly come with the application of nuclear fission in industry, will necessitate a high rate of new investment for years to come. In view of these factors, to say nothing of the governmentally created safeguards against depression that have become structural parts of our economy, it would seem that the most we have to fear in the immediate future is some minor subsidence of the wave of prosperity and not the ebb of the economic tide.

In any case, the tides of high prosperity and deep depression that have swept across the economy in the past were not like those at sea. They were not caused by some extra-terrestrial moon. They were not the acts of God, but of men. They were the composite results of the exercise by men of the freedom of will with which God endowed them, and of the freedom of economic choice vouchsafed to them by the Constitution. They were the results of the billions of free decisions that make up the warp and woof of economic life.

This freedom has often been exercised capriciously, irrationally, irresponsibly, and selfishly. It can, on the other hand, be exercised seriously, rationally, responsibly, and with a decent regard to the common good. In freedom, therefore, lies both our danger and our hope. If the economy is looked upon as a battle-ground where freedom is to be used by individuals, by groups, and by classes merely to squeeze the maximum selfish advantage from every situation and, in doing so, to outwit, to defeat, and to do each other down, then we indeed run the risk of bringing economic catastrophe down upon our heads.

But the free capitalistic economy is not a battle-ground even though it is by nature competitive, for conflict and competition are not the same thing. Since this system rests upon freedom as its fundamental premise, the most obvious common sense demands that freedom be exercised by all groups and classes in co-operation with each other, not in conflict. Only thus can the success, or, indeed, the survival, of the system be assured. In a world in which freedom is in jeopardy everywhere, the United States bears the heavy moral responsibility for making our kind of economy work. If all of our policies and planning are directed to that common end, we may preserve both prosperity and freedom and thereby not have to experience an ebbing of the tide.

EARLE L. RAUBER

Changing Structure of District's Economy

By almost all measures, 1952 was a prosperous year for the Sixth District. Income from all types of economic activity was high, and from many types, higher than in any preceding year. Payments to individuals during 1952 were estimated by this bank to be between 6 and 8 percent greater than those estimated by the Department of Commerce for 1951.

A continued high rate of Government expenditures added substantially to total income. Manufacturing employment for the year averaged 2 percent higher than in 1951, and increased wage rates added further to total earnings. By engaging in a large program of plant expansion, the District's manufacturing industry helped raise construction contracts awarded during the year in District states to over 2.5 billion dollars. Income from trade, service, and financial activities responded in accordance with the total income growth.

Although some types of economic activity did not add significantly to total income growth in 1952, they were carried on at levels that compare extremely well with those of preceding years. Agricultural income, as discussed elsewhere in this issue, was about the same as in the preceding year and still accounted for about 11 percent of total District income. There was little gain in the value of residential contracts awarded in 1952, but the total still exceeded that for any preceding year except 1950.

Consumer spending and saving reflected the over-all growth in income. Department stores set a new record in 1952, selling an estimated 658 million dollars worth of merchandise, 8 percent more than in 1951. Total spending, however, did not rise in proportion to the total income growth. Consequently, individuals added over a billion dollars to their long-term savings, another new postwar record.

Activity of these economic forces was more than strong enough to offset what might have been influences leading to lowered income under other circumstances. Declining prices for many products important to the District's economy characterized 1952. Foreign demand for some of the area's products was off, as was reflected in decreased exports through District ports. Moreover, the District's two most important manufacturing industries from the standpoint of numbers employed—textiles and lumber—operated at comparatively low levels during the year.

The District pattern of a greater-than-national rate of income growth, established after the beginning of World War II, still held. Although there have been a few years during this period when District income has deviated from this pattern, in the last decade it has tripled, whereas income payments for the nation have expanded only two and a half times.

This income growth might be taken as conclusive evidence that the South, as represented by that part included in the Sixth District, is firmly set on a course that will ultimately lead to a per capita income equal to that for other parts of the nation. But there are students of the Southern economy who would point out that this period of income growth could be termed abnormal. It was a period when growth was stimulated by the unusually high defense expenditures of World War II and the Korean War. Something more basic is required to ultimately solve the South's problems. These students believe that a change in the structure of the economy is necessary. Such a change, it is generally agreed, would involve, among other things, less dependence upon agriculture, more industrialization—especially of the type requiring high capital expenditures per worker, and a greater ability of the region to supply its own capital. There may be, consequently, some value when reviewing the economic events of 1952, to weigh them in the light of their temporary or continuing influence on the region's economic development.

Influence of Government spending on District income still strong

Whether the contribution of Government expenditures is considered a permanent factor in the South's development, of course, depends upon the point of view about future Government expenditures. As in every other section of the United States and as has been true for a good many years, the influence of this item was strongly apparent in the District during 1952. Government payrolls alone account for over one-tenth of income in District states; other Government payments bring the proportion of income from Government sources up to around 20 percent.

With Government payments representing such a large part of total income, the 5-percent growth in Government employment reported for 1952 can have important effects. Payrolls for 1952 are estimated as about 10 percent greater than for 1951. Spending on additional facilities at military installations and state and local government spending on public works provided the stimulus for other income-creating activities not classified as Government. An outstanding example was the contract awarded for an atomic energy facility plant valued at 464 million dollars.

The question of whether civilian demand would offset a decline in Government expenditures that would likely come with a tapering off of the defense program would be, of course, a national problem. But because of the greater relative importance of Government payments to total income, a major cut in expenditures might become an even more serious District problem. An encouraging note, however, is that a large part of the growth in District income in 1952 can be traced directly to factors other than the expansion in Government expenditures.

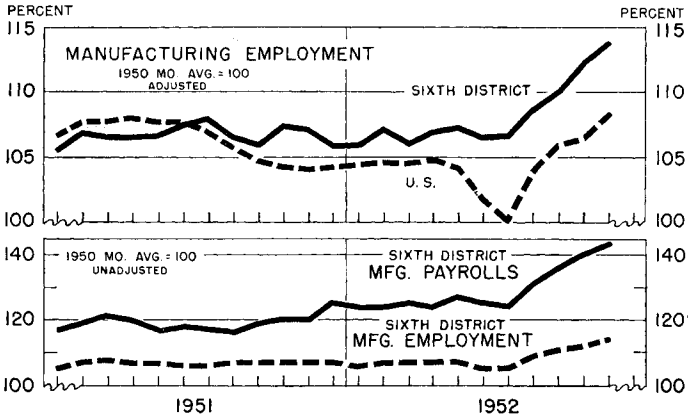
Manufacturing employment expands despite lower textile and lumber activity

That manufacturing contributed more to income growth in 1952 than Government spending did is evidence that significant changes have taken place in the economic structure of the area. In 1952, it was not the extraordinarily high defense demands for the products of the region's older and more important industries that raised

total manufacturing production; it was the demands for the products that the newer, and in many cases, expanding, industries were able to supply.

Had not the District's manufacturing industry changed in character, there is little doubt that declining prices for products important to the District economy would have more seriously affected total manufacturing activity than they did. In 1952, these wholesale prices continued the decline started in 1951, which was both longer and more

Manufacturing Employment and Payrolls



Manufacturing employment grew more in the District than in the United States, and payrolls expanded faster than employment.

severe than the one starting in 1948 and continuing into 1949. Changes accompanying the decline were also quite different. In 1949, manufacturing employment averaged 8 percent lower than in 1948; there was no decline in 1952. Total manufacturing payrolls in 1949 were about 30 million dollars lower than in 1948; in 1952 they exceeded those of the year before.

Falling prices for District products in both 1952 and 1949 reflected declining demands for textiles and lumber, which meant lower levels of activity in both years. It was not until after mid-1952, when textile prices began to advance, that textile workers were added at a greater than seasonal rate. It was not until November that District mills were employing more persons than a year earlier. District lumber employment averaged about 6 percent lower in 1952 than in 1951. Following a price advance in July, a slower rate of decline in employment seemed apparent, but at the end of the year employment was still below a year earlier.

Growth in other types of District manufacturing more than offset the textile and lumber declines. Total manufacturing employment continued to grow during the first half of the year and in the last half rose rapidly to the highest level since 1945. Some of the growth, of course, was directly induced by defense production demands, such as the 33-percent yearly increase in average employment in the number of transportation equipment workers, including aircraft employees. Expansion of ordnance production also explains some of the 16-percent growth in fabricated metals employment. Of greater importance, however, was the expanded employment in the paper and allied products industry and, during most of the year, in chemicals and allied products manufacturing.

Both the chemicals and paper industries have consistently been bringing new plants into production since the close of World War II. Although this expansion and that in other types of manufacturing have not brought dramatic changes in the District's economic structure when viewed year by year, the cumulative change has been substantial. In 1952, the District was reaping the rewards for investments made in the preceding postwar years.

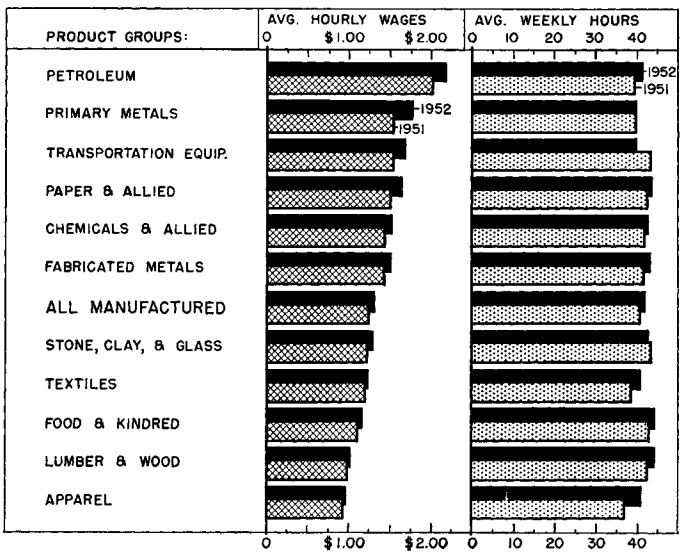
Industrial facility expansion contributes to basic changes

Considered in the light of the basic changes in District manufacturing, announcements made during 1952 of new industrial facilities and expansions take on added significance. Major projects of private concerns will cost, when completed, about 435 million dollars. This figure is based upon a tabulation of data contained in press and Government agency reports and from other sources. It excludes projects of less than one million dollars and those undertaken by the Government, such as the atomic energy facility. The tabulation does not include projects announced during 1951, which in the last half of that year amounted to 990 million dollars. Obviously, these figures are not a measure of construction actually started or of funds expended during the year, since construction of many facilities may extend over a period of several years.

Most of the new plants have at least two characteristics in common. They involve large capital investments per worker; and they will undoubtedly have a high wage scale, since similar plants are paying higher wages than the average rates for the District. They thus satisfy the criteria set up by some students of Southern problems as desirable characteristics of new industries from the standpoint of raising Southern incomes. The additional jobs provided by these plants will be well-paying jobs.

Practically all the 34 new chemical plants, which account for three-fifths of the proposed expenditures, involve large capital expenditures. Estimates made by the National Industrial Conference Board show that at present 16,000 dollars of capital investment are required for each worker in the chemical and allied products industry in the United

Average Earnings and Hours



Incomes from manufacturing in the District also rose, as a result of longer hours worked and higher wage rates.

States. As a rule, such large capital investment results in greater productivity and higher earnings per worker. In the latter part of 1952, for example, chemical and allied products establishments in the District were paying, on the average, $1.51 an hour, compared with less than $1.00 an hour in the lowest paid type of manufacturing.

The same general characteristics can be ascribed to the eight new projects for manufacturing electrical machinery, equipment, and supplies, which rank second in importance, measured by cost. These plants will cost approximately 56 million dollars. Judging from the average hourly earnings of $1.70 at similar plants throughout the country, they will undoubtedly provide well-paying jobs.

Other types of manufacturing plants announced during 1952 that require high capital investments and ordinarily pay high wage rates also include those in the petroleum, paper, fabricated metals, primary metals, transportation equipment, and ordnance industries. Similar District plants are now paying hourly wages ranging from $1.50 to $2.18 compared with the present average of $1.30 for all types of manufacturing. The proposed plants that are included in types of manufacturing now paying less than $1.50 an hour account for only 10 percent of the total announced expenditures in 1952.

That the ultimate results of the current industrial expansion will probably be very different from the expansion of World War II is seen readily from a few comparisons. In the World War II period, munitions, ships, and aircraft accounted for 64 percent of the total investment and 98 percent of the new employment. Because of the specialized nature of these facilities, most of the gains made during the war were dissipated in the postwar period. Although basic skills necessary for greater industrialization of the region were acquired in that period, almost entirely new investments of approximately the same magnitude were necessary to replace the jobs lost in these specialized war plants. It was not until last year, and chiefly because of these new investments, that total manufacturing employment regained its wartime level. The present expansion is for the most part, therefore, of a more permanent nature.

High savings create potential investment funds

Increasing per capita incomes in the South involves not only large capital investments for huge industrial plants, but also many small individual investments in small businesses which, when taken together, are of major proportion. Most of this capital investment must come from local sources, and is possible only if individuals living in the area are able to increase their savings.

Changes in total consumer buying generally followed the trend of department store sales, which was upward during the year, although there were some important exceptions. To a minor degree, the rising trend in consumer spending was in response to the termination of credit controls early in May and to the ensuing greater use of instalment credit. Charge account credit at department stores probably grew no faster than would be expected on the basis of expanded sales. Apparently, the greatest influence on expanded consumer spending was the growth of income. Spending, however, did not increase as much as income grew.

Because individuals in the Sixth District did not increase their spending as much as their incomes grew, they were able to add substantially to their long-term savings. In the first half of 1952, savings in the form of time deposits, savings and loan shares, life insurance equities, and United States savings bonds grew by almost 600 million dollars, a sum greater than in any whole year since 1946. Data for the last half of 1952 will probably show an even greater advance. Through October, for example, time deposits at member banks in District states increased 8 percent, and shares in savings and loan associations shot up 19 per cent. If this increase in long-term savings is indicative of a greater ability of the District to finance its own economic development, it was extremely significant.

A look at problems ahead

Although this brief review of Sixth District economic developments during 1952 has revealed many basic changes pointing toward continued economic development in the area, it has also revealed conditions that, if not of immediate concern, merit serious consideration. Many of the problems that have been characteristic of the District's economy in the past still remain.

Advances made during 1952 were made under conditions of extremely high levels of employment for the nation as a whole. The question of whether the basic changes in the region's economic structure are sufficient to cushion the effects of any adverse change in the national economy is as yet unanswered by experience. Income derived from the Government is still a larger component of total income than either manufacturing or agriculture. An answer to the question as to the effect of a sharp decline in Government expenditures on the District's economy is therefore of overwhelming importance.

Although the experience of 1952 has proved that there is less dependence upon agriculture as a source of income in the District, a substantial decline in agricultural income could seriously affect the District's economic activity. A continuing decline in the export markets of cotton and tobacco, for example, or a further decline in cattle prices, predicted in some quarters, could very seriously affect the total agricultural income.

Continued industrial expansion in 1952 was in line with the basic changes generally considered most desirable from the standpoint of raising income. Manufacturing activity has become more diversified and less dependent upon the fortunes of its textile and lumber industries than before. The new pattern, however, brings with it new problems. If the program of plant expansion tapers off, for example, will the new jobs created by the completed program offset losses from lowered construction activity? Does the introduction of new types of manufacturing to the District introduce new and unstable elements, or does greater diversification mean greater stability?

To pose these questions does not imply that the answers are necessarily unfavorable, because the District's development since the end of World War II has provided favorable answers to many equally serious questions. More than ever before, the District's economy is probably in a position to withstand any shocks that might develop from national economic changes.

CHARLES T. TAYLOR

Banking and Credit Developments During 1952

During 1952, deposits and loans of Sixth District member banks reached the highest points on record. Although industrial production and general business activity in the nation during 1952 was characterized by "high level stability," this term is an inadequate description of District banking developments. For District member banks, the year was one of growth. The growth of loans and deposits at these banks reflected the general expansion both in the country's money supply and in the Sixth District's business activity, which continued at a greater rate than that experienced by the nation as a whole.

Two credit developments during 1952 affected both the District banks and their customers. On the one hand, regulations on the terms of real estate and consumer credit were removed during the year. On the other hand, the monetary authorities did not supply Federal Reserve credit through the purchase of Government securities as freely as they had in the past, and a "tighter" money market came into existence. Although these two developments added up to more emphasis on general credit controls, basic monetary policy remained committed to holding the line against inflation. Taken together, the two credit developments represented a return to the tradition that a central bank exercises control over the volume of credit but not over its particular use.

Money supply increased . . . .

Changes in credit regulation were not achieved without some further expansion of the money supply during 1952. The decontrolling of terms on consumer and real estate loans was followed by a considerable rise in these types of loans at District member banks. About one-half of the expansion in member bank loans during the year is assignable to these consumer and real estate loan components.

The effects of credit developments during 1952, however, were not solely in the direction of a further expanded money supply. The higher cost of borrowing brought about by the tight money policy undoubtedly acted to limit the increase in lending. The demand for some types of loans probably was decreased because the higher interest costs made borrowing unprofitable. Even more important, the increase in interest rates probably restricted banks from making some loans they might have made and undoubtedly caused them to use funds in a different manner than they would have if interest rates had been lower.

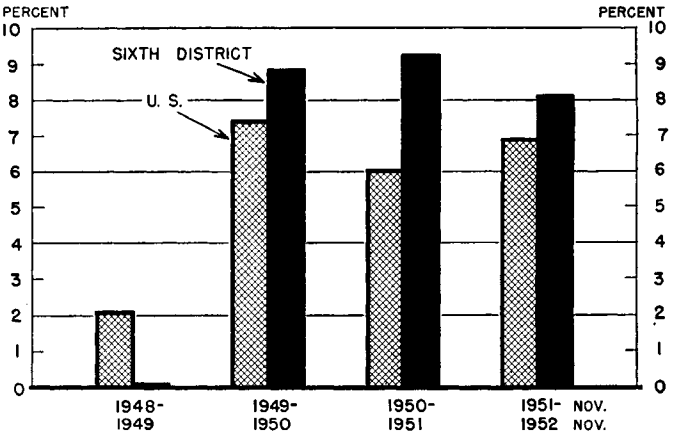
At year-end, the "sixty-four dollar question" was, Had the inflationary threat been abated or was it reappearing? True, loans were expanding at a greater than seasonal rate, but nevertheless, the expanded money supply was not pushing prices upward and commodity and wholesale prices were actually falling. The relative stability of consumer prices in the face of this divergency between these indicators added to the enigma.

Following the slight setbacks in 1946 and again in 1948, deposits in both the District and the United States continued to expand during 1952. Total deposits of the 360 District member banks increased by 327 million dollars. Relative to total deposits, this was a greater expansion than that occurring in the nation as a whole.

And both business and consumer loans expanded

The previous all-time high of total loans extended by District member banks of 2,036 million dollars reached in March 1951 was exceeded in seven months of 1952 and a new record of 2,261 million dollars was established in December. The record loan expansion during 1952, however, was confined to the last three quarters of the year; loans in the early months were somewhat below the year-ago level. By December, total loans of District member banks were 13 percent higher than a year earlier.

Percentage Increases in Member Bank Deposits

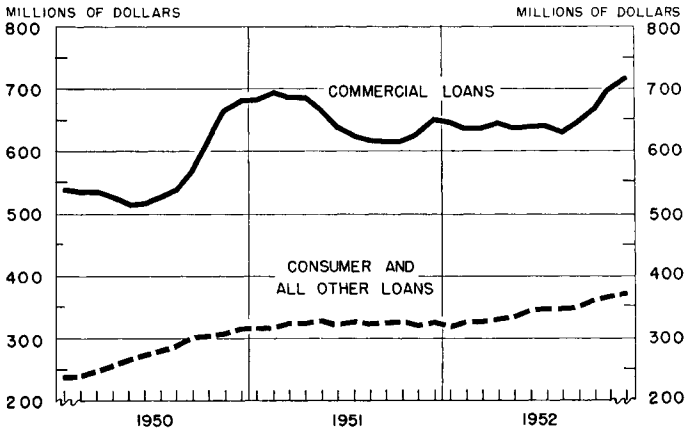


Consumer loans rose spectacularly in 1952. They began to rise in the early months of the year after having remained relatively stable throughout 1951. Perhaps equally important, however, was the increase in bank loans to finance companies and to retailers, many of whom were granting direct credit to their customers. After credit controls were relaxed in May, consumers needed less of a downpayment to purchase articles on credit, and their monthly payments were smaller because they could take a longer period to pay for the articles. The change in credit terms after the removal of controls was striking. Before May 1952, the purchaser of a popular-priced washing machine was required to pay down 15 percent of the purchase price. By the beginning of 1953, the required downpayment had fallen to around 5 percent or in some cases, even less. Since more people were able to make the initial downpayment, credit buying increased.

Removal of controls on real estate credit had somewhat less effect on the volume of mortgage loans made by banks

in the Sixth District than did removal of controls on consumer credit. Although the amount of mortgage loans increased during 1952, the increase was not particularly great when the volume of construction during the year is considered. Two factors probably exerted considerable influence in holding down the amount of these loans. On the one hand, some banks were approaching, or had reached, their legal limit for this type of loan. On the other

Commercial and Consumer Loans of District Weekly Reporting Banks



hand, the increase in interest rates on Government securities made mortgage loans less attractive to bankers as long-term investments. Thus, during 1952 the small growth in bank real estate loans consisted largely of conventional rather than VA or FHA guaranteed mortgage loans with fixed interest rate limits. The average rate of interest charged on real estate mortgage loans, moreover, increased during the year. As the year ended, 4 percent mortgage money was becoming increasingly difficult to find.

Because an increase of one percentage point in the rate of interest charged on a typical 15-year amortized loan results in an increase of almost 7 percent in the monthly carrying charge, the demand for housing loans was probably affected. Nevertheless, non-farm mortgage lending reached an all-time high in 1952 for the nation. Banks and insurance companies, however, were less important as suppliers of such credit than they had been in late 1950, and savings and loan associations were increasingly more important.

Most of the rise in bank loans in the Sixth District during 1952 represented increases in loans to business firms, both manufacturers and distributors. Loans to food, liquor, and tobacco firms and to metals and metal products companies accounted for a large part of the rise in manufacturers loans, judging from the weekly reports on classified loans made by 22 large banks in the District. Although it is impossible to determine how the borrowed money was used, the sharp rise in business loans in the fall coincided roughly with a substantial increase in manufacturers' and distributors' inventories.

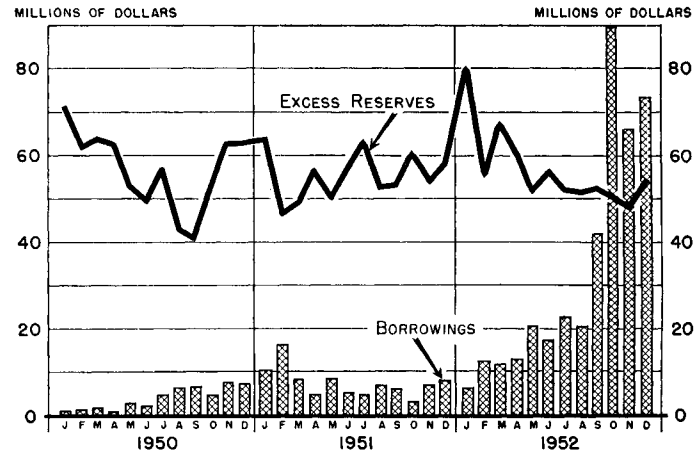
The cost of credit rose . . . .

The rise in volume of loans was apparently accompanied by an increase in the cost of credit to the borrower. From December 1951 to December 1952, average interest rates on business loans of over 1,000 dollars extended by leading banks in Atlanta and New Orleans rose 3 percent. The smallest rates of increase were, of course, registered by small loans, customarily made at relatively high interest rates. Interest rates increased the most on the larger loans—those which customarily receive the lowest rates. About 51 percent of the loans for over 200,000 dollars made in the first 15 days of December 1951 were made for less than 3 percent, compared with 13 percent of this size loan for the corresponding period of 1952. Percentage increases over 1951 in interest rates on business loans made by reporting banks in Atlanta and New Orleans were smaller than those occurring at reporting banks in the entire nation, as measured by reports from banks in 19 cities.

Higher costs of credit to District bank borrowers during 1952, of course, resulted from the supply and demand situation in the national market for loanable funds. Although commercial banks do not participate extensively in supplying funds directly to the long-term funds market, the wide demand for long-term loans did influence the cost of credit. Business firms borrowed heavily to expand facilities both because of the favorable sales outlook and because technical features of the tax laws have encouraged borrowing to finance new construction and equipment. Demand for home mortgage money continued high, and borrowing by state and local government more than doubled in 1952, compared with 1951. On top of this, the Federal Government borrowed more new money than in any year since 1945. The rate of personal and business saving, however, did not keep up with the rising demand for loanable funds. The third-quarter personal saving rate was down slightly from the corresponding period of 1951. In addition, business profits were down slightly although dividend payments actually were up. This meant that business firms, in the aggregate, were retaining less of their profits and needed to borrow more from outside sources for operational purposes and for expansion of facilities.

Monetary developments during 1952 affected commercial bank lending activity in the short-term markets. These developments also reacted upon the long-term markets, not only by affecting certain long-term lenders directly

Excess Reserves and Borrowings of District Member Banks



but by influencing the addition to the money supply by commercial banks. These monetary developments were largely the product of Federal Reserve policy.

Federal Reserve Policy played a restrictive role

The effects of the famous "March accord" between the Treasury and the Federal Reserve System in March 1951, whereby the System changed its policy of supporting Government security prices, were not realized fully until 1952. As a result of the accord, the prices of some issues of Government bonds fell below par, and one source of loanable funds—the sale of Government bonds to the Federal Reserve Banks—was restricted. Commercial banks and other financial institutions could not sell some of their longer-term issues of Government securities before maturity without the possibility of incurring capital losses and thus were encouraged to hold on to them until they fell due. Additional loanable funds could still be obtained without loss by allowing 90-day Treasury bills to mature. Banks apparently took advantage of this source of funds, for bill holdings of District member banks declined during the year.

The lessened commercial bank demand for Treasury bills and the negligible changes in Federal Reserve holdings of these instruments resulted in a marked increase in the yield on Treasury bills, from 1.73 percent in December 1951 to 2.13 percent at the end of the year. Increased bill issues were another factor. Because Treasury bills are an alternate outlet for bank funds that might otherwise be used for prime business loans, it is not surprising to find that interest rates to business borrowers also rose.

Because of the reluctance of the Federal Reserve to purchase Government securities, commercial banks as a group could obtain additional reserves to meet the rising demand for loans primarily through borrowing from the Federal Reserve Banks. This they did in increasing amounts as the year progressed, despite their tradition against borrowing. The daily average amount of discounts and advances extended by the Federal Reserve Bank of Atlanta to member banks reached a peak on December 5, 1952, and was the highest it had been since the 1920's. Although much of this borrowing by individual banks was encouraged by certain tax advantages, it undoubtedly eased the tight money situation for the banking system as a whole.

Borrowing by commercial banks added to reserves, upon which a loan and deposit expansion became possible. But banks also economized more in the use of reserves. Member banks generally keep more deposits with the Federal Reserve Bank than is required by law. During 1951 and the early months of 1952, these excess reserves ranged between 6 and 8 percent of total required reserves of District banks. Beginning in July 1952, however, the ratio of excess to required reserves was only slightly over 5 percent. This meant that District banks as a group were extending credit and experiencing a consequent rise in deposits at a greater rate than they were adding to reserves through borrowing or through an inflow of funds into the area.

Prospects for a continued growth of District bank deposits and loans, of course, depend in part upon the spending plans of consumers, private business, and Government. Although Federal expenditures for 1953 are already partially determined by the defense program of the previous administration, the fiscal policies of the new administration will become an increasingly important influence on the national economy as the year progresses. In the business and consumer sectors of the District economy, it appears that the impetus of the increase in activity in the fall and the consequent rise in the demand for loans is going to carry through into the early months of 1953.

Bank loans normally decline after the first of the year as loans made to finance Christmas inventories are paid off. So far in 1953, however, the seasonal decline has been less than normal in the District. The liquidation of inventory loans was apparently offset by an increase in other loans. This appears to be evidence that customers of banks are optimistic about their prospects for 1953.

THOMAS R. ATKINSON

Farmers' Attention Shifts from Production to Prices

Fortunately for consumers the nation's farmers continue to turn in an impressive production record. Output in 1952 was valued at nearly 35 billion dollars, with District state farmers contributing about 3.7 billion of that enormous total. This achievement represents, in physical terms, the nation's largest agricultural production record.

Although dollar value of production is easiest to comprehend, physical output of the agricultural plant—the number of pounds, gallons, and bushels—is the significant thing. Farm production gains of recent years have placed the American consumer near the pinnacle of good living. Substantial credit for this must be given the national drive for ever-increasing output per man-hour of labor. Farm output per man-hour has more than doubled since the mid-1930's.

In 1952 farmers surpassed their production records of the last ten years . . . .

National agricultural production has grown about 28 percent since 1940. Within this period crop production per acre grew 16 percent, while total acreage held relatively stable. Since 1940, production per animal unit has gained about 18 percent with total animal units increasing approximately 11 percent. These figures signify the American farmer's progress. As a result, most Americans are well clothed and most Americans are well fed. When measured in terms of calories per person, their diet is second only to that of New Zealanders. This situation can be credited to an expansion in the knowledge of human nutrition, advances in the techniques of marketing as well as production, and substantial consumer incomes. Most heartening is the high quality of our diet; nearly one-half of our total food production consists of livestock products.

In the last year the nation's farmers produced about 23 billion pounds of meat, 114 billion pounds of milk, 6 billion dozen eggs, 15 million bales of cotton, 338 million bushels of potatoes, and 1.5 billion pounds of tobacco. These totals, though hard to grasp, create an impression of the size of the output obtained from about 341 million acres of harvested crops in 1952 and, according to the 1950 census, approximately 620 million acres of land devoted to pasture.

Farmers in District states have shared in agriculture's progress. Their output has increased nearly 18 percent since 1940, and in 1952 they turned out about 3 billion pounds of meat, 8 billion pounds of milk, 350 million dozen eggs, 4.5 million bales of cotton, 300 million pounds of tobacco, and 840 million pounds of peanuts.

Farm production in the District varies more than in the nation because of the predominance of cash crops in District agriculture. Yields of these crops are affected more by weather and infestations of insects. Meat, milk, and poultry products have more stability in production and are a larger proportion of national output. Greater stability in production is being attained by District farmers, who have increased their output of livestock products and related crops since 1940 as follows: 47 percent for eggs, 36 percent for meat, 22 percent for milk, and 17 percent for feed grains. Production accomplishments of this nature promote the welfare of the Sixth District economy and enhance the ability of farmers in the Southeast to contribute to a rising living standard.

Even though they faced some formidable obstacles

Recent agricultural output in the District and elsewhere has been achieved in the face of some obstacles, notably, seasonal labor shortages, rising costs, and drought conditions. With a national population of 157 million, it is difficult to conceive of a farm labor shortage, although, on the average in 1952, there were only about 11 million people—counting family workers and hired workers—employed on farms. In Sixth District states there were about 4 million; the number has declined about 1.4 percent each year since 1946. This phenomenon — a growing total population, yet fewer workers in agriculture —is a pattern common to an industrialized society. A declining farm population helped aggravate the District's farm labor problem in 1952, particularly in respect to seasonal needs. Other complicating factors have been the high level of non-farm employment which holds workers in cities and the defense mobilization which sucks men into military service and industry.

Production costs in 1952 mounted in agriculture as well as in industry. Total agricultural production expenditures for the year were at an all-time high—3 percent above 1951. District farmers faced a similar rise in costs. These rises were in part attributable to the use of larger quantities of production supplies. But higher prices of labor, fertilizer, and feed costs also helped expand the total expense bill. Labor's wages have been rising for some time. The trend is still apparent with average wage rates for picking 100 pounds of seed cotton in Georgia at $3.05 in 1952 compared with $3.00 in 1951. Fertilizer costing about $41.50 a ton in 1951 cost $42 in 1952. It is easy to see that trends of this sort threaten the general prosperity and productiveness of the District farm business unless further improvement in output per man-hour is achieved.

Extensive drought in Sixth District states during June and July 1952 and again in the fall led to concern about reduced harvests. True, yields of some crops such as corn were reduced and livestock programs were jeopardized because of damage to summer pasture and fall pasture seedings, but yields of the money crops of tobacco, cotton, and peanuts seemed little affected.

But they used some factors in their favor to advantage . . . .

At the same time that farmers had to surmount these obstacles, certain other significant factors were in their favor. Strong consumer demand, increased production efficiencies, more cash on hand, and availability of credit and supplies contributed to the successful 1952 farm output in the District and the nation. Full employment prevailed in the nation with only 2 percent of the 63 million workers unemployed at year's end. The physical output of these workers grew during the year and in combination with higher wages resulted in increased income. Supported in 1952 by an addition of about 2 billion dollars to consumer debt, the total spending stream has been an unmistakable force in raising farm output.

Productivity is the manager's watchword whether in factory or on farm. Output per man-hour and per farm worker in 1952 was the highest on record. Farm output per man-hour in Southern states is now some 38 percent above 1940. Cotton output alone gained about 31 percent during the period. Such impressive gains represent much more than mechanization of field activities. Chore time use of electricity must be reckoned in with those additional tractors, as must the managerial triumphs of organizing farm enterprises to secure such advantages as improved labor distribution from season to season and home-produced cattle feed and of rearranging the farm business so it represents a full-time job.

With financial assets of deposits and currency, United States bonds, and investments of about 21 billion dollars on January 1, 1951, and subsequently, 22 billion on January 1, 1952, the nation's farmers, including those of the Sixth District, possessed a degree of liquidity. This liquid position facilitated their successful production. Some farmers could finance production without recourse to credit—their risk was lessened and they were therefore encouraged to undertake new investment for productive purposes. Others, who needed credit, were able to present favorable financial statements to bankers when making their loan applications.

Ability to buy, however, would be of little avail if supplies were not at hand. In 1952, large supplies were available as is indicated by the use of fertilizer on farms. Farmers in Sixth District states used about five million tons of fertilizer, a gain of 6 percent over 1951. National production of the three primary plant nutrients—nitrogen, phosphorous, and potash—was at a record level in 1951-52. Total feed supplies, which include pasture and hay, were reduced somewhat by drought conditions, but fortunately there was an adequate feed concentrate supply at 165 million tons in 1952, in contrast with 169 million tons in 1951 and a long-time average of 161 million tons. Output of important pesticide items has been higher in recent years than in earlier periods. In spite of a disruptive steel strike last year, there was ample farm machinery in dealers' hands to supply farmers' needs. There was little complaint about the availability of seeds. The high level of farm production would certainly have been difficult to attain without each of these items.

And with substantial incomes, they were able to keep their debts at a reasonable level

Farmers benefit from the taste for high living. This means they are in a relatively stronger position. Since heavy demand for farm products held prices high, gross farm income edged up in the District to about 3.7 billion dollars at the end of 1952. In spite of rising costs, now at almost 1.8 billion dollars, net income to farm proprietors in District states was maintained at a level slightly less than the 1.9 million dollars in 1951. Agricultural income, comprising gross wages and salaries of farm workers plus net income of farm proprietors, was 1.7 million dollars in Sixth District states in 1945. It rose to 2.2 million in 1951, and may well exceed that in 1952. These are pleasant figures to contemplate. They exemplify the current agricultural prosperity attained through high production and high prices.

Beginning in 1940, at a level of 90, the ratio of long-time debt to net farm income declined appreciably in the Sixth District, reflecting a marked improvement in farmers' ability to pay off their real estate mortgages. The decline continued through 1948 to a ratio of 25, but since has gone up to about 32, as a result of rising long-term debts and somewhat lower net incomes. Farm mortgage debt held by various lenders in District states had been constant at about 450 million dollars from the 1930's to 1946, when it reached a low of about 380 million. Since then, it has been rising and on January 1, 1952, was 661 million. From 1950 on, the rise has been exceptional—about 60 million dollars each year.

District farmers have also increased their short-term indebtedness by a sizable amount. Non-real-estate loans held by commercial banks and Government lending agencies on January 1, 1941, in District states totaled about 172 million dollars. By 1952, loans outstanding had reached a total of 284 million. Of the District non-real-estate farm debt, all operating banks held 165 million dollars, or 58 percent; Federal agencies held the balance. Individuals held some too, of course, but it is difficult to determine the amount.

From the standpoint of the liquidity of District farmers, the rise in non-real-estate debt is not alarming when it is related to the rise in cash receipts from farming. Cash receipts increased rapidly after 1940 and the ratio of short-term debt to cash receipts in the Sixth District declined from 17 to 7 in 1948, and has since risen to about 8 because of mounting costs.

District farmers appear to be in a stronger position with respect to their debt structure than other farmers. Both long and short-term debt have been moving up at about the same rate in the District since 1946, whereas in the United States the advance in short-term debt has been much more rapid. There does not appear to be an excessive amount of short-term farm debt in the District.

In spite of growing doubts and uncertainties, their future is far from bleak

If consumer purchasing power is maintained at the current strength and if the recent decline in export demand proves to be temporary, farmers in the Sixth District will

be able to hold their favorable position. But recent developments are bringing lines of concern to their brows. Farmers' attention is shifting from production to prices. Though prospects for peace are dim; though population is growing each day, thus adding to need; though farm marketings are down from the fall peak; and though industry is utilizing lots of raw materials, prices of some important farm products are sagging. Cotton in November averaged 34 cents a pound, compared to 41 cents in November 1951. Beef declined from 26 cents a pound to 19 cents in the same period. On the other hand, prices of some products have risen. Rice, for example, was worth about 3 cents a pound more than in November 1951.

Although prices of individual farm commodities moved in a divergent manner, the index of prices received by farmers was pulled down during the year by falling prices for meat animals, cotton, fruit, and corn. In 1951, the index was at 302; on December 15, 1952, it was 269.

The index of prices paid by farmers in the nation for 1950 was 255 and 281 for 1951, and on December 15, 1952, the index stood at 281. The falling index of receipts passed the index of costs in 1952. Therein lies a story familiar to District farmers and others who remember the historical pattern of rigid costs and fluid receipts.

District farmers' difficulties relating to high costs are intensified by the shortage of farm labor which is apt to become more burdensome as draft boards scrutinize deferments in their effort to replace military men who have completed their tours of duty. Many of the veterans will not return to the farm. With the additional influence of wage increases in such industries as steel and coal being felt all along the line, high farm labor rates seem destined to prevail. High support prices for some farm products used by industry also tend to inject an inflexibility into the prices of supplies farmers buy and in this sense farmers have the bull by the tail. Finally, taxes are a part of the price paid by farmers. Inflation's offspring—high costs and high taxes—are taking the stage. Many farmers no doubt feel that the chance of relief from high costs in 1953 is remote.

Being confronted with a current parity ratio of about 96 does not, of course, bring fear to farmers' hearts, but when they consider the ratio's decline from a peak of 122 in October 1946, they are less certain of the future. Apprehensively, they note that in the past agricultural prices varied much more than output, whereas industrial prices held relatively steady, compared with industrial output. Another disquieting event for District farmers is the rise in marketing charges, which is resulting in lower prices at the farm.

Gathering clouds over operations of Sixth District farmers include the uncertain future of some agricultural exports, the unpredictability of international political decisions that influence the supply and demand situation, and the seeming abnormality of the weather. Total agricultural exports from the United States in 1952 were at a record level of about 4 billion dollars, 17 percent over 1951. Cotton and tobacco exports were valued at 1.2 billion and 325 million dollars, respectively. Considerable credit for the large export surplus since the early years of World War II must be given to this nation's foreign aid programs. Possible further reductions in the amount of economic aid to foreign nations could cause exports of some farm products to decline.

Decisions of national governments on policies involving trade agreements and tariffs naturally affect the business of many Sixth District farmers. These decisions are difficult to anticipate. From the point of view of many farmers, the present is a period of watchful waiting regarding questions of tariff changes and trade agreements. Some farmers can see that a more restrictive tariff and trade policy would not be to their interests and are, therefore, uncomfortable about the future.

An unpleasant result of last summer's drought was that some farm production loans had to be carried over by bankers in the District. This may not be extensive, but it certainly will restrict the flexibility of bankers in financing production in 1953. A prolonged dry spell during the fall of 1952 led to speculation on whether a cycle of dry weather was in the making. If the rainfall in early months of 1953 is sub-normal, farmers will plan their 1953 farm programs under the influence of a drought psychology. Future agricultural production is not easy to determine because long-range weather prediction is little better than a guess.

It seems certain that if normal weather prevails, District farmers will be able to maintain the high level of production achieved in 1952. Future prices for some important farm crops, which represent somewhat more than a third of the District's agricultural income, cannot break sharply unless the present price support law is changed. Prices of basic commodities will be supported at 90 percent of parity through 1954. Most difficulties for District farmers will arise out of high-cost operations and attendant management problems. District farmers seem to be successfully combating these costs through efficiencies in farm operation.

Science will play a part in District agriculture during 1953 and beyond. With a relatively fixed land base, the nation's citizens will have to depend on the findings of science and the ingenuity of farmers in using those findings for the diet and supply of clothing envied by citizens of many other nations. In spite of foreboding signs seen by District farmers at the end of 1952, their ability to produce and to obtain credit and supplies, their reasonably sound financial position, and their desire to learn better methods provides the District's agriculture with strength and resiliency.

ARTHUR H. KANTNER

Bank Announcement

On January 2, the First State Bank of Oxford, Oxford, Alabama, opened for business as a member of the Federal Reserve System. This bank began operations with a capital stock of $50,000 and surplus and undivided profits of $25,000. C. Logan Taylor is President and Cashier and Norman L. Moore, Assistant Cashier.

Sixth District Statistics

Instalment Cash Loans

Lender	No. of Lenders Reporting	Volume: Percent Change Dec. 1952 from Nov. 1952	Volume: Percent Change Dec. 1952 from Dec. 1951	Outstandings: Percent Change Dec. 1952 from Nov. 1952	Outstandings: Percent Change Dec. 1952 from Dec. 1951
Federal credit unions	35	+20	+48	+1	+28
State credit unions	18	+11	+20	+3	+33
Industrial banks	9	+22	+21	+1	+9
Industrial loan companies	10	+9	—3	—6	+1
Small loan companies	33	+52	+17	+4	+18
Commercial banks	33	+14	+34	+3	+25

Retail Furniture Store Operations

Item	Number of Stores Reporting	Percent Change December 1952 from Nov. 1952	Percent Change December 1952 from Dec. 1951
Total sales	140	+52	+10
Cash sales	123	+61	—1
Instalment and other credit sales	123	+50	+11
Accounts receivable, end of month	131	+10	+34
Collections during month	131	+5	+13
Inventories, end of month	95	—11	—3

Wholesale Sales and Inventories*

Type of Wholesaler	Sales: No. of Firms Reporting	Sales: Percent Change Dec. 1952 from Nov. 1952	Sales: Percent Change Dec. 1952 from Dec. 1951	Inventories: No. of Firms Reporting	Inventories: Percent Change Dec. 31, 1952, from Nov. 30 1952	Inventories: Percent Change Dec. 31, 1952, from Dec. 31 1951
Automobile supplies	6	—18	—14	5	—1	—5
Electrical—Full-line	3	—6	—7	.	..	..
" Wiring supplies	4	+15	+24	4	+17	+28
" Appliances	6	+6	+23	5	+7	+8
Hardware	11	+6	+26	6	+4	+1
Industrial supplies	12	—13	+5	3	—3	—6
Jewelry	5	+85	+72	3	—2	—20
Lumber and bldg. mat'ls	9	—11	—0	6	—5	—12
Plumbing & heating supplies	4	—21	—11	3	—1	+11
Refrigeration equipment	6	—33	—2	6	—4	—12
Confectionery	4	+14	+22	.	..	..
Drugs and sundries	10	+3	+14	.	..	..
Dry goods	15	—22	+18	10	—8	+2
Groceries—Full-line	41	+4	+13	33	—5	—1
" Voluntary group	3	+9	+9	.	..	..
" Specialty lines	10	—16	+8	7	—9	—13
Tobacco products	11	+21	+26	8	—8	+6
Miscellaneous	12	+9	+8	14	—5	—3
Total	172	+1	+15	113	—3	—2

*Based on U. S. Department of Commerce Figures.

Department Store Sales and Inventories*

Place	Sales: Percent Change Dec. 1952 from Nov. 1952	Sales: Percent Change Dec. 1952 from Dec. 1951	Sales: 1952-1951	Inventories: Percent Change Dec. 31, 1952, from Nov. 30 1952	Inventories: Percent Change Dec. 31, 1952, from Dec. 31 1951
ALABAMA	+66	+13	+9	—23	+14
Birmingham	+67	+12	+7	—23	+6
Mobile	+71	+30	+18	..	..
Montgomery	+61	+7	+8	..	..
FLORIDA	+67	+14	+8	—14	+2
Jacksonville	+81	+8	+6	—20	+11
Miami	+61	+14	+6	—10	—6
Orlando	+69	+19	+8	..	..
St. Petersburg	+66	+16	+10	—12	+12
Tampa	+65	+15	+10	..	..
GEORGIA	+61	+12	+8	—22	+6
Atlanta**	+58	+14	+6	—21	+8
Augusta	+62	+16	+25	..	..
Columbus	+73	+7	+8	—18	—1
Macon	+66	+3	+5	—30	+2
Rome**	+83	+15	+8	..	..
Savannah**	+69	+14	+16	..	..
LOUISIANA	+52	+13	+10	—14	+13
Baton Rouge	+61	+16	+9	—26	+6
New Orleans	+50	+12	+9	—12	+13
MISSISSIPPI	+66	+7	+4	—22	+8
Jackson	+54	+6	+3	—21	+13
Meridian**	+79	+8	+4	..	..
TENNESSEE	+81	+12	+4	—20	+10
Bristol**	***	+6	—2	—29	+3
Bristol-Kingsport-Johnson City**	+97	+6	—2	..	..
Chattanooga	+68	+13	+6	..	..
Knoxville	+95	+13	—1	—0	+22
Nashville	+73	+12	+8	—26	+6
DISTRICT	+65	+12	+9	—18	+9

*Includes reports from 122 stores throughout the Sixth Federal Reserve District.
**In order to permit publication of figures for this city, a special sample has been constructed which is not confined exclusively to department stores. Figures for non-department stores, however, are not used in computing the District percent changes.
***Increase of over 100 percent.

Condition of 27 Member Banks in Leading Cities

(In Thousands of Dollars)

Item	Jan. 21 1953	Dec. 17 1952	Jan. 16 1952	Percent Change Jan. 21, 1953, from Dec. 17 1952	Percent Change Jan. 21, 1953, from Jan. 16 1952
Loans and investments—Total	2,962,141	2,990,120	2,752,521	—1	+8
Loans—Net	1,219,539	1,224,051	1,083,484	—0	+13
Loans—Gross	1,240,709	1,244,748	1,103,407	—0	+12
Commercial, industrial, and agricultural loans	709,864	715,773	645,703	—1	+10
Loans to brokers and dealers in securities	14,111	12,826	12,281	+10	+15
Other loans for purchasing and carrying securities	37,163	38,962	35,671	—5	+4
Real estate loans	96,484	96,740	87,148	—0	+1
Loans to banks	9,054	9,163	5,447	—1	+66
Other loans	374,033	371,284	317,157	+1	+18
Investments—Total	1,742,602	1,766,069	1,669,037	—1	+4
Bills, certificates, and notes	760,634	792,514	813,135	—4	—6
U. S. bonds	727,023	709,505	623,950	+2	+17
Other securities	254,945	264,050	231,952	—3	+10
Reserve with F. R. Banks	529,351	529,752	542,838	—0	—2
Cash in vault	48,215	49,944	46,077	—3	+5
Balances with domestic banks	239,611	240,646	266,133	—0	—10
Demand deposits adjusted	2,178,205	2,144,819	2,074,884	+2	+5
Time deposits	554,385	553,473	533,968	+0	+4
U. S. Gov't deposits	72,467	108,782	52,022	—33	+39
Deposits of domestic banks	722,090	708,644	714,513	+2	+1
Borrowings	20,500	59,000	19,500	—65	+5

Debits to Individual Bank Accounts

(In Thousands of Dollars)

Place	Dec. 1952	Nov. 1952	Dec. 1951	Percent Change Dec. 1952 from Nov. 1952	Percent Change Dec. 1952 from Dec. 1951	1952 from 1951
ALABAMA	910,114	791,515	834,972	+15	+9	+5
Anniston	33,844	29,884	29,403	+13	+15	+8
Birmingham	498,477	431,199	463,310	+16	+8	+5
Dothan	20,136	18,102	19,497	+11	+3	+1
Gadsden	26,350	23,287	23,470	+13	+12	+3
Mobile	192,865	160,346	172,375	+20	+12	+5
Montgomery	101,269	97,279	94,347	+4	+7	+2
Tuscaloosa*	37,173	31,418	32,570	+18	+14	+1
FLORIDA	1,632,058	1,275,618	1,360,985	+28	+20	+9
Jacksonville	445,705	373,087	380,593	+19	+17	+7
Miami	423,193	304,351	338,463	+39	+25	+10
Greater Miami*	634,562	462,478	525,721	+37	+21	+10
Orlando	98,614	75,088	78,516	+31	+26	+12
Pensacola	57,697	52,320	47,483	+10	+22	+17
St. Petersburg	105,198	89,672	85,218	+17	+23	+13
Tampa	220,244	171,641	184,841	+28	+19	+7
West Palm Beach*	70,038	51,332	58,613	+36	+19	+3
GEORGIA	1,936,570	1,586,033	1,727,874	+22	+12	+6
Albany	47,569	38,617	39,048	+23	+22	+8
Atlanta	1,338,521	1,053,149	1,187,215	+27	+13	+6
Augusta	105,339	96,452	88,738	+9	+19	+15
Brunswick	13,745	11,233	13,756	+22	—0	—1
Columbus	93,663	78,670	83,232	+19	+13	+9
Elberton	5,505	5,355	5,175	+3	+6	+7
Gainesville*	25,905	25,209	22,572	+3	+15	+13
Griffin*	16,611	13,807	14,607	+20	+14	+6
Macon	89,479	80,790	89,059	+11	+0	+2
Newnan	13,009	10,957	14,145	+19	—8	—2
Rome*	29,350	26,896	29,412	+9	—0	+3
Savannah	138,201	128,491	125,421	+8	+10	+5
Valdosta	19,673	16,407	15,494	+20	+27	+12
LOUISIANA	1,278,183	1,077,560	1,142,880	+19	+12	+7
Alexandria*	49,159	42,629	45,281	+15	+9	+10
Baton Rouge	138,332	119,081	114,617	+16	+21	+7
Lake Charles	57,000	52,736	49,981	+8	+14	+12
New Orleans	1,033,692	863,114	933,001	+20	+11	+7
MISSISSIPPI	272,178	265,307	258,510	+3	+5	+6
Hattiesburg	20,992	19,484	20,200	+8	+4	+6
Jackson	181,738	179,099	167,253	+1	+9	+6
Meridian	32,262	31,725	33,916	+2	—5	+2
Vicksburg	37,186	34,999	37,141	+6	+0	+9
TENNESSEE	867,796	797,131	775,423	+9	+12	+3
Chattanooga	221,688	222,896	195,764	—1	+13	+3
Knoxville	173,841	134,859	155,294	+29	+12	—3
Nashville	472,267	439,376	424,365	+7	+11	+6
SIXTH DISTRICT 32 Cities	6,457,294	5,443,746	5,710,331	+19	+13	+6
UNITED STATES 342 Cities	170,648,000	130,152,000	144,786,000	+31	+18	+8

*Not included in Sixth District totals.

Sixth District Indexes

1947-49=100

	Manufacturing Employment			Cotton Consumption**			Construction Contracts			Gasoline Tax Collections			Furniture Store Sales*/**		
	Nov. 1952	Oct. 1952	Nov. 1951	Dec. 1952	Nov. 1952	Dec. 1951	Dec. 1952	Nov. 1952	Dec. 1951	Dec. 1952	Nov. 1952	Dec. 1951	Dec. 1952	Nov. 1952	Dec. 1951
UNADJUSTED															
District Total	114	112	107	107	116	107	—	—	—	142	146	135	152p	112r	143
Alabama	109	108	97	107	114	105	193	86	181	140	151	130	177p	111	160
Florida	129	123r	120	—	—	—	176	184	195	145	140	128	155	129	152
Georgia	114	114	114	107	117	110	331	202	176	140	151	129	161p	117	149
Louisiana	114	111	105	—	—	—	579	126	84	120	140	153	147p	121r	128
Mississippi	114	113	109	127	133	117	267	211	60	176	168	156	—	—	—
Tennessee	112	111	105	101	107	89	331	87	189	140	138	127	127	87	128
SEASONALLY ADJUSTED															
District Total	114	112	105	108	112	108	—	—	—	139	142	133	109p	108r	102
Alabama	111	109	100	—	—	—	—	—	—	137	147	128	120p	116	108
Florida	130	127	120	—	—	—	—	—	—	146	144	130	123	123	121
Georgia	113	112	113	—	—	—	—	—	—	140	146	129	115p	115	106
Louisiana	109	109	101	—	—	—	—	—	—	119	133	151	107p	110r	94
Mississippi	112	112	107	—	—	—	—	—	—	173	152	153	—	—	—
Tennessee	112	110	105	—	—	—	—	—	—	129	129	117	88	91	89

Department Store Sales and Stocks**

	Adjusted			Unadjusted			
	Dec. 1952	Nov. 1952	Dec. 1951	Dec. 1952	Nov. 1952	Dec. 1951	Year
DISTRICT SALES*	130p	128r	120	221p	145	204r	124p
Atlanta[1]	135p	123	123r	213p	146	195r	124p
Baton Rouge	111	110	99r	180	121	162r	104
Birmingham	129	120	120r	208	135	193	115
Chattanooga	129	133	119	228	147	210	124
Jackson	119	114	114r	189	133	182	114
Jacksonville	119	117	115r	205	123	198	112
Knoxville	122	115	116	209	121	199	112
Macon	126p	126r	127r	236p	154r	237	133p
Miami	126	137	114	226	152	206	126
Nashville	124	121	115r	217	136	203	116
New Orleans	123p	121	115	203p	146	188	118p
Tampa	128	122	115r	215	141	193	119
DISTRICT STOCKS*	145p	136	133	126p	153	116	130p

[1]To permit publication of figures for this city, a sample has been constructed that is not confined to department stores. Such non-department stores are not included in the District index.

*Does not include data for all of La., Miss., and Tenn. Other totals for entire six states.

**Daily average basis

Sources: Mfg. emp., state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; gas. tax, state depts. of rev.; furn. sales, dept. store sales, turnover of dem. dep., FRB Atlanta; petrol. prod., U. S. Bureau of Mines; elec. power, Fed. Power Comm. Indexes calculated by this Bank.

Other District Indexes

	Adjusted			Unadjusted		
	Dec. 1952	Nov. 1952	Dec. 1951	Dec. 1952	Nov. 1952	Dec. 1951
Construction contracts*	..	..	..	312	149	167
Residential	..	..	..	149	158	181
Other	..	..	..	435	143	157
Petrol. prod. in Coastal Louisiana and Mississippi**	144	136	134	139	138	129
Turnover of demand deposits*	22.6	23.4	23.0	24.2	25.0	24.6
Index	117.3	121.5	119.4	..	..	..
	Nov. 1952	Oct. 1952	Nov. 1951	Nov. 1952	Oct. 1952	Nov. 1951
Mfg. emp. by type						
Apparel	..	..	..	133	131	120
Chemicals	..	..	..	114	115	113
Food	..	..	..	114	111	108
Lbr., wood prod., and furn.	..	..	..	97	95	98
Paper and allied	..	..	..	130	128	129
Primary metals	..	..	..	101	99	76
Textiles	..	..	..	102	102	102
Trans. equip	..	..	..	150	148	126
Elec. power prod.**	..	..	..	159	159	144
Hydro-gen.	..	..	..	58	73	98
Fuel-gen.	..	..	..	251	238	186

r Revised

p Preliminary