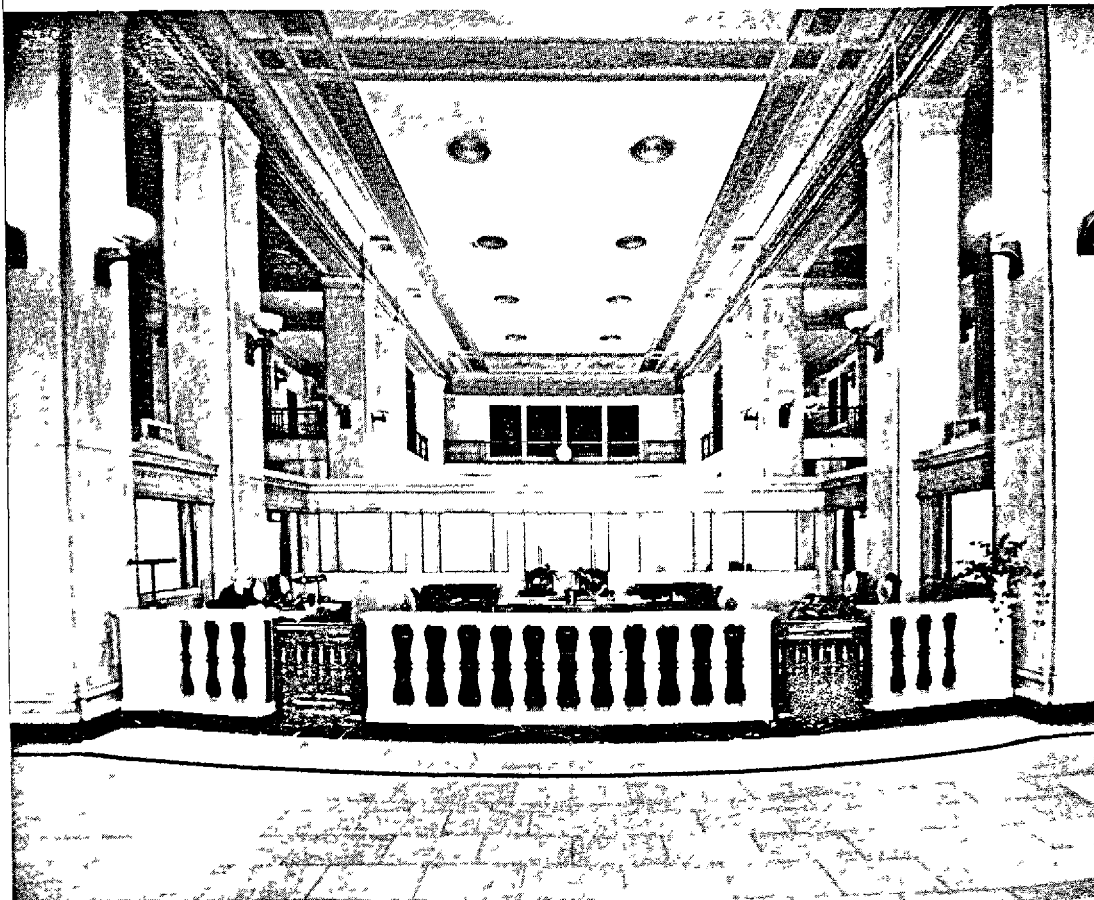
Thirty-fifth Annual Report

FEDERAL RESERVE BANK OF ATLANTA

1949



Main Floor Entrance to Bank Building
Federal Reserve Bank of Atlanta
Atlanta, Georgia

Thirty-fifth Annual Report

FEDERAL RESERVE BANK OF ATLANTA

for the

Year Ended December 31, 1949

FEDERAL RESERVE BANK
OF ATLANTA

February 28, 1950

To the Member Banks of the
Sixth Federal Reserve District:

It is a pleasure to present to you the Thirty-fifth Annual Report of the Federal Reserve Bank of Atlanta. I take the opportunity to acknowledge the splendid co-operation that the member banks gave us in discharging our responsibilities during 1949. The Report is designed to serve as a means of furnishing you with information regarding our activities and as a handbook for your guidance in communicating with us on any of our operating procedures.

Although its name identifies it with the city of Atlanta, I wish to emphasize that our institution truly represents the District in its entirety. We welcome the opportunity to serve the member banks, wherever they may be located.

In behalf of our entire organization, I extend a cordial personal invitation to all bankers in the District to visit with us and to observe our operations.

Very truly yours,

W. S. McLarin, Jr.,
President

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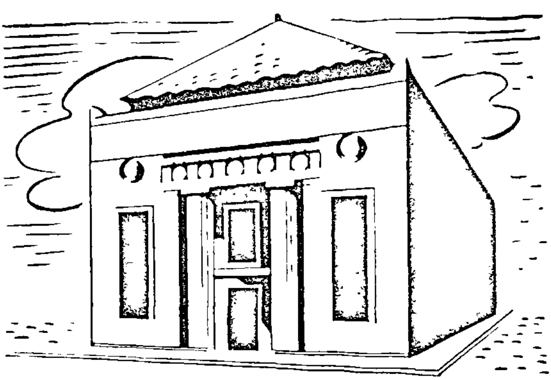


YEAR OF PROGRESS

by

Member Banks of the District

The member banks in the Sixth District ended 1949 in a highly liquid financial condition and with satisfactory earnings. Substantial gains were reported in total resources, with the volume of loans and of investments in United States Government obligations increasing moderately. Total deposits rose only slightly; gains in demand deposits barely offsetting decreases in time deposits. In spite of slightly larger dividend payments for 1949 over 1948, the banks added substantially to their capital structures.

These results were achieved on the basis of a business background that was characterized by general weakening tendencies as the year opened and by a strong upsurge of activity as the year closed. Although changes in deposits, loans, and investments corresponded generally with the changes in business activity, they also responded to actions of the monetary, credit, and fiscal authorities.

Business Background

The year began on a general note of pessimism and apprehension. Declining prices seemed to be in prospect, for the monthly indexes of price movements had been dropping since the preceding autumn. Industrial production had weakened in December 1948 from its postwar peak in October and November. The volume of bank loans had been dropping, and consumer credit outstandings took a disconcerting dip in January. There were fears that the familiar chain-reaction series of depression steps was beginning to appear: a stoppage of consumer buying, factory shutdowns, widespread unemployment, diminishment of purchasing power, business failures, price collapse, and eventual stagnation.

What seemed to give reality to these depression fears was the general expectation that some measure of postwar downward adjustment in business was inevitable. It was reasoned that as prices got too high, consumers would quit buying, and many observers believed that prices had reached the point where just such reaction was in order. There was apprehension that private construction would decline so rapidly that planned public construction could not make up the gap. There was fear that the steel, automobile, and housing industries, the three principal supports to a high level of production, would necessarily experience a sharp contraction as the year developed. Some were skeptical of the ability of the Government to maintain its price-support commitments on agricultural production.

Through the first half of the year, these expectations of contraction in the economy were supported by actual developments in numerous sectors of the District economy. Textiles, lumber, and paper, which represent the principal manufacturing industries of the region, were in a decided slump. Decreases in manufacturing employment, accordingly, were quite pronounced. By July such employment for the District was down 9 percent from the corresponding month of 1948. Alabama showed a decline of 13 percent and Tennessee reported one of 11 percent. This growing unemployment had a very sobering effect upon business sentiment.

In spite of declining manufacturing activity and growing unemployment, retail sales activity in the first half of the year held fairly close to that of the corresponding period of 1948. There were marked declines in sales of furniture, household appliances, and jewelry. But these were offset by increases in sales of automobiles, food, drugs, and motor fuel. Yielding to fears of further business recession, however, many businessmen sharply reduced their inventories. With orders from the distributors falling off, manufacturers reduced their output accordingly.

Banking activity in the District reflected these deflationary developments. Business loans at the commercial banks contracted in volume. This contraction in large measure reflected the lower dollar volume of inventories, lower prices, decreased sales volume of some distributors, and direct pressure by loan officers upon borrowers to reduce inventories. Deposits, too, declined from the high level of the preceding autumn, thus furthering anxiety about the depth and length of the downward swing of the business cycle.

What was happening to business activity in the District was largely occurring throughout the country. Employment, consumer buying, industrial production, construction, and other indicators of business activity were still at high levels but generally below those of 1948. A gradual and orderly decline appeared to be taking place.

The decline was orderly because of a number of cushioning factors. Government spending continued at a very high rate, notably for veterans' benefits and European economic and armament aid. Holdings of liquid assets remained extraordinarily high. Farm price supports prevented any substantial decline in prices of the major crops. Unemployment compensation payments bolstered the purchasing power of those who became unemployed. Price concessions and new vigor in sales promotions tended to maintain retail selling. Consumer demand for new automobiles kept the automobile industry operating at a record rate of production.

Federal Reserve authorities recognized the moderate weakening in the business outlook that faced the country in the early months of 1949. From a policy of restraining inflation, which governed their actions in 1948, System authorities changed to a policy of assuring credit and monetary ease.

The change in policy was followed by a series of actions in the monetary and credit field. Restrictions on the use of consumer installment credit were modified by successive steps in March and in April. Margin requirements on listed-security trading and borrowing were reduced on March 30, 1949. In addition, on June 28, 1949, came the announcement from the Federal Open Market Committee of a change in policy. This announcement implied a program of easier money conditions and a continuance of the high liquidity that characterized the country's banking system. Implementing the new program was the series of actions, extending from May to September, by which member bank reserve requirements were reduced 4 percentage points on net demand deposits and 2½ percentage points on time deposits.

Whatever may have been the principal contributing factors, the month of July marked a turning point in the economy of the District and the nation. The forces of expansion gained a slight margin of strength over the forces of contraction. Economic activity entered an expansionary phase which continued for the remainder of the year, except for extensive labor stoppages in the steel and coal industries.

The change in the District was impressive. In midsummer, textile mills generally called back their laid-off workers. They increased the number of hours worked and added extra shifts. The iron and steel industries in the Birmingham area began operating on an expanded scale. The lumber and paper industries also experienced renewed activity.

By the end of the year, the textile mills were operating at near-capacity levels, and the heavy industries of the area were at work on a large volume of accumulated orders. Retail trade was also flourishing, with notable gains occurring in the sales of furniture stores, household appliance stores, and jewelry stores. A brisk Christmas trade enabled the department stores to end the year with only a slight loss in sales volume compared with that of the preceding year. Construction activity was generally at boom levels. Residential construction in key areas of the District, in fact, had broken all previous records. Although the employment situation at the close of the year had shown marked improvement over the situation at midyear, manufacturing employment was still considerably below that of the end of 1948. In short, District business had weathered the 1949 recession with a minimum of damage and confidently looked forward to a continuation of the recovery into the first half of 1950.

Businessmen of the District were in position to face the developments of 1950 with a good measure of confidence. The upsurge in manufacturing activity was expected to carry well into the new year, responding to the added stimulus of the distribution of National Service Life Insurance dividends. Retail sales offered every prospect of continuing at satisfactory levels for some months.

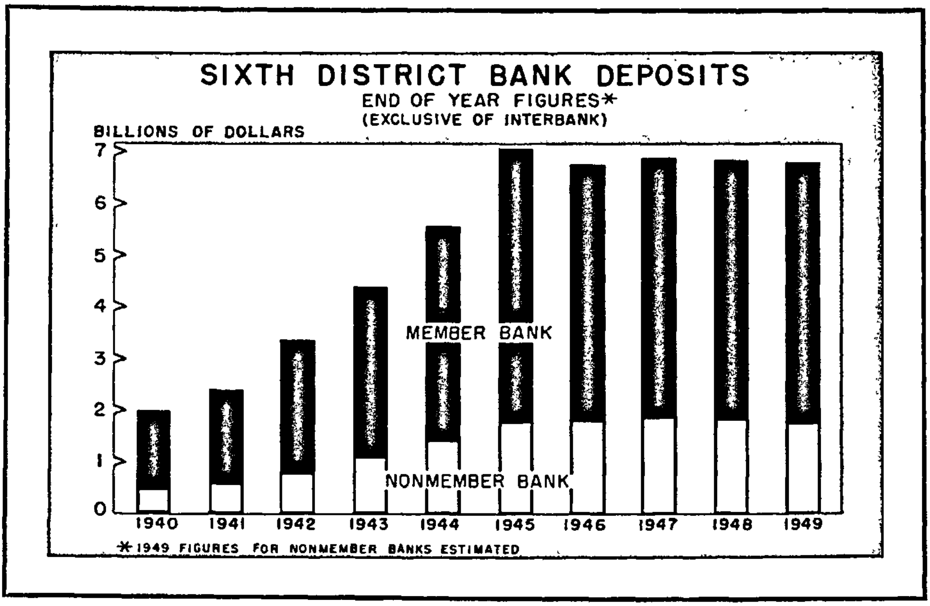
In contrast to the recovery in business was the loss in agriculture. Prices of agricultural products were generally lower and costs of production were higher. The cotton crop proved to be a disappointment; in the District states cotton production was off 26 percent. Cotton production in Mississippi was down 38 percent; in Alabama, 28 percent; and in Georgia, 15 percent. Chiefly responsible for these declines were the ravages of the boll weevil. The damage was somewhat spotty, however; some farmers produced almost normal crops and other near-by farmers experienced almost total failures. Most of the country banks in the cotton sections, as a consequence, had some 1949 cotton-crop loans to carry over into the 1950 crop year.

At the beginning of 1950, the outlook for District agriculture was not too unfavorable. Farmers had the assurance that the agricultural price-support program would be continued for the year. At the same time, they faced the prospect of coping with new acreage controls intended to curtail the production of peanuts, tobacco, and cotton. They realized that as far as cotton was concerned, the acreage controls might not mean much loss in production from 1949. If the boll weevil damage of 1949 is not repeated in 1950, cotton production for the new year may easily show a gain. Because of rising costs of operation and the prospect of moderately declining prices, however, farm income of the District was generally expected to decline in 1950.

Member Bank Financial Condition

The member banks of the District shared in the general recovery movement that took place in the second half of the year. Replenishment of inventories and accelerated business activity led to an active demand for loans. Instalment loans, particularly for automobile purchases, expanded in volume. The reductions in reserve requirements permitted the banks to increase their investments in Government securities. Consequently, at the end of the year the banks found themselves in a financial position very little different from that at the beginning of the year.

Assets and liabilities were moderately larger. Total assets, in fact, reached $6,118 million, an all-time high. Loans and discounts rose from $1,546 million to $1,611 million, representing 26.3 percent of total assets at the end of the year as compared with 25.5 percent at the end of 1948. Holdings of United States Government obligations increased from $2,255 million to $2,372 million or from 37.1 percent to 38.8 percent of total assets. Total deposits amounted to $5,712 million, against $5,698 million at the end of 1948. Demand deposits were $4,633 million, a gain of $27 million for the year, and time deposits were $1,078 million, a decrease of $13 million. Total operating earnings amounted to $146 million, compared with $137



million in 1948, a gain of 6 percent. Interest on United States Government obligations accounted for 25.3 percent of the total and interest on loans accounted for 47.2 percent. Net operating earnings were $54 million, compared with $50 million for 1948. Net profits after all charges, including taxes on net income, amounted to $34 million for 1949, against $27 million for 1948, a gain of 25.9 percent.

Moderate increases in dividend payments were made. Cash dividends declared on stock were 8 percent higher for the year, amounting to $11.7 million, against $10.8 million for 1948.

The capital position of the member banks was further improved. Total capital accounts rose to $363 million from $339 million, a gain of 7 percent. Capital stock accounts were increased by $2.2 million, surplus accounts by $11.6 million, profits accounts by $6.1 million, and other capital accounts by $4.3 million.

Changes in Membership in the Sixth District

The Sixth District had a net gain of five members during the year 1949, representing six admissions and one loss through merger of two members. Total membership at the close of the year was 351, consisting of 281 national banks and 70 state banks.

The increase in membership came through the admission of five state banks and the conversion of one nonmember state bank into a national bank. The five new state bank members are identified as follows:

Date of Admission 1949	*Name of Bank*	*Location*	*Deposits December 31, 1949*
January 3	Central State Bank	Calera, Alabama	$ 757,859
January 10	Childersburg State Bank	Childersburg, Alabama	1,159,014

July 5	The Peachtree Trust Company	Atlanta, Georgia	$ 1,134,212
December 27	Alabama City Bank of Gadsden, Alabama	Gadsden, Alabama	3,262,830
December 27	Washington Loan and Banking Company	Washington, Georgia	2,841,284

The nonmember state bank that converted into a national bank was The Richland Bank, Pulaski, Tennessee. On January 3, 1949, it became the First National Bank of Pulaski. This bank on December 31, 1949, had deposits of $3,463,688.

Two other member banks exchanged state charters for national charters, thus involving no change in membership. The DeKalb State Bank, Doraville, Georgia, became the DeKalb National Bank of Brookhaven on January 21, 1949. It had deposits of $1,229,688 at the end of the year. The Lake Charles Bank and Trust Company, Lake Charles, Louisiana, became the Gulf National Bank at Lake Charles on February 1, 1949. On December 31, 1949, its deposits amounted to $13,731,619.

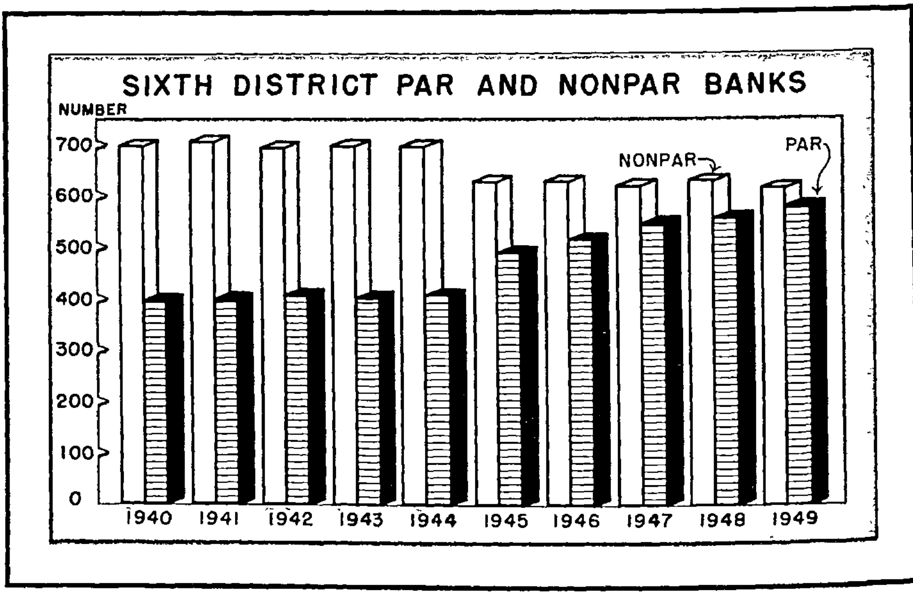
The only loss in membership in 1949 came through the merger of the Capital National Bank in Jackson with the Jackson-State National Bank on February 22, 1949, under the title of the First National Bank of Jackson, Jackson, Mississippi. The new institution had deposits of $64,233,962 on December 31, 1949.

On July 1, 1949, the Farmers and Merchants Bank, "Inc.," Brewton, Alabama, a member bank, and the Citizens Bank, a nonmember bank, merged under the title, Citizens-Farmers & Merchants Bank, Brewton, Alabama. This member bank had deposits of $3,560,211 on December 31, 1949.

The First Savings & Trust Company of Tampa, Tampa, Florida, changed its name to the Marine Bank & Trust Company, Tampa, Florida, effective July 1, 1949. This state bank member had deposits of $11,550,608 on December 31, 1949.

Growth in Par Banking

A further growth in the number of par banks took place in 1949. At the end of the year, there were 1,191 banks in the District, of which 576 were on the Par List. The number includes 281 national



banks, 70 state member banks, and 225 state nonmember banks. There was a gain of five in the total number of banks in the District and a gain of twenty in the number on the Par List.

Nonmember state banks added to the Par List in 1949 were the following:

ALABAMA

Peoples Exchange Bank	Beatrice
Watkins Banking Company	Faunsdale
Peoples Bank of Frisco City	Frisco City
Citizens Bank	Geneva
Monroe County Bank	Monroeville

Peterman State Bank	Peterman
Canebrake Loan & Trust Co.	Uniontown
Planters & Merchants Bank	Uniontown
Farmers & Merchants Bank	Waterloo

FLORIDA

Citizens Bank of Clermont	Clermont
First Bank of Clewiston	Clewiston
Peoples State Bank of Groveland	Groveland
Tallahassee State Bank	Tallahassee
Bank of Zephyrhills	Zephyrhills

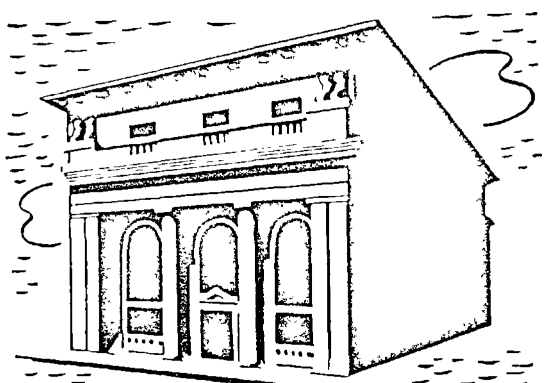
GEORGIA

Citizens Bank of DeKalb	Avondale Estates
Citizens Bank	Hapeville
Bank of Toccoa	Toccoa

Although the number of banks in the District on the Par List has shown a consistent growth in recent years, the District still has more nonpar banks than any other Federal Reserve District. Six of the Districts, in fact, have all banks on the Par List, namely, the Districts of Boston, New York, Philadelphia, Cleveland, Chicago, and San Francisco. The Minneapolis District has almost as many nonpar banks as does the Atlanta District. The St. Louis District has 337 nonpar banks; the Richmond District, about 200; the Dallas District, about 100; and the Kansas City District, only 9.

REVIEW OF BANK OPERATIONS

Jacksonville Branch
Federal Reserve Bank
of Atlanta



OPERATING ACTIVITIES
of the
Federal Reserve Bank
of Atlanta

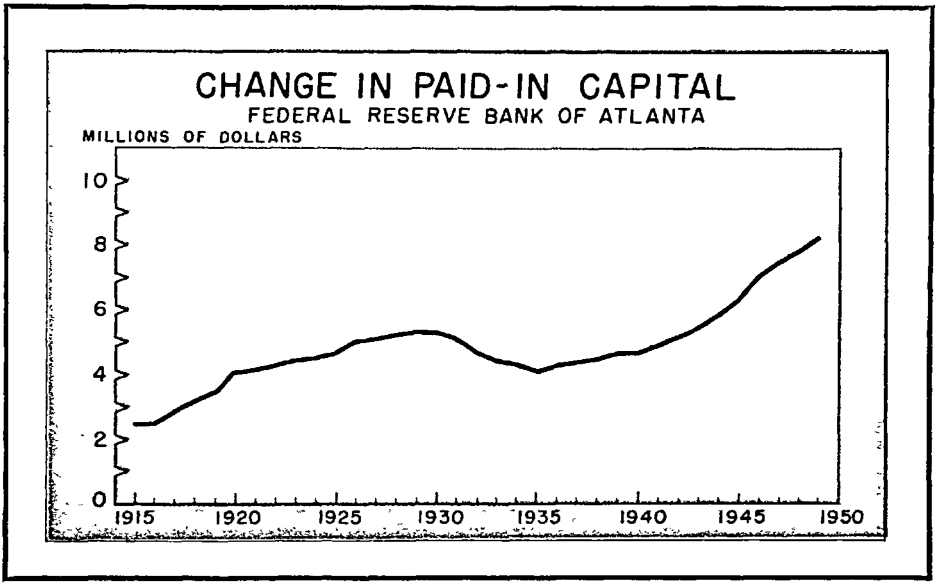
Activities for the year were governed by the Bank's statutory authority. This authority embraces three principal categories of functions. One category is related to banks and banking, in which fall such services as the holding of deposits of member banks, the safekeeping of securities, the supplying of currency and coin, and the offering of discount and credit facilities. A second category comprises the work performed by the Bank as fiscal agent, depositary, and custodian for the United States Treasury and other Government units. The third category includes the activities of the Bank in carrying out the credit policies and general supervisory powers of the Board of Governors of the Federal Reserve System and associated authorities.

Some of these responsibilities are regulatory in nature. Others are essentially service activities. These responsibilities were discharged on the basis of the utmost co-operation and good will on the part of all concerned. The varied nature of this work is described in the following sections.

Capital Stock Issues

At the close of the year, the paid-in capital stock of the Bank, owned wholly by the member banks, amounted to $8.2 million, the largest amount since the founding of the Bank. During the year, capital stock amounting to $23,550 was issued to new member banks, and other member banks acquired additional capital amounting to $342,100.

In accordance with the Federal Reserve Act, the Bank pays dividends out of its earnings to the member banks. Such dividends are limited to 6 percent per annum on the paid-in capital stock. Accruals during the year amounted to $485,448, compared with $465,488



during 1948. Although dividends are thus distributed by the Federal Reserve Banks, the Banks are not operated for the purpose of making a profit. On the contrary, they are essentially service organizations and derive no income from principal service functions to member banks, such as the clearing and collection of checks and the supplying of currency and coin. The income which accrues to the Federal Reserve Banks is now derived primarily from their holdings of Government securities.

Discount and Credit

Sections 10b and 13 of the Federal Reserve Act govern the lending powers of the Federal Reserve Banks. Under the regulations of the Board of Governors of the Federal Reserve System, a Federal Reserve Bank may make advances to member banks on their promissory notes secured by United States securities, eligible paper, or other acceptable assets and rediscount eligible paper. The Banks are also authorized to extend credit to established industrial and commercial businesses, including banks, by direct loans or commitments or in conjunction with member banks or other financial institutions. These powers enable the Federal Reserve System to safeguard the strength and stability of the dual banking system as it has developed in the United States.

Commercial banks in recent years have maintained a high degree of liquidity with more than ample resources. They have not had to use the discount and credit facilities of the Federal Reserve Banks to any great degree. During 1949, for example, this Bank made only 203 advances, accommodating 37 member banks to the extent of $265 million. The peak of member bank borrowing was reached on March 23, when $17.9 million was outstanding. This amount had declined to $30,000 at the end of the year.

Currency and Coin

The amount of Federal Reserve notes which the Bank put into circulation declined slightly during the year. The total of these notes in actual circulation on the last business day of the year was $1,291 million, compared with $1,329 million for the corresponding day of 1948, a net decrease of $38 million for the year.

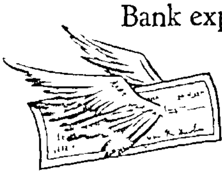
The volume of currency and coin handled by the main office and branches changed moderately from that of the previous year. Receipts of currency and coin from commercial banks amounted to $1,456 million, a decrease of $9 million from the preceding year. Payments of currency and coin to banks amounted to $1,158 million, an increase of $20 million over those payments of 1948. The number of pieces of currency received and counted during 1949 was 261 million, one million more than the number during 1948. The number of pieces of coin received and counted was 297 million, an increase of 44 million pieces.

An important task of the Currency and Coin Department is that of sorting currency received by the Bank. Three principal purposes are served in this operation.

One purpose is to sort the currency according to its condition. Bills fit for further circulation are separated from those that are unfit. This separation is designed to keep the currency in circulation free of badly worn or soiled bills. It can be accomplished only by careful scrutiny of the currency coming into the Bank. Currency determined to be unfit for further circulation and subsequently redeemed during the year amounted to $514 million.

A second objective in currency sorting is to withdraw from circulation in the Sixth District the notes of other Federal Reserve Banks. The Federal Reserve Act provides that no Federal Reserve Bank may pay out notes issued through another Reserve Bank, under penalty of a tax of 10 percent of the face value of the notes so paid out. Accordingly, the notes of the other eleven Federal Reserve Banks are sorted out and are either returned to the Bank of issue or, if unfit for further circulation, are sent to the Treasurer of the United States to be retired. Notes of other Federal Reserve Banks received and sorted out by the department during the year amounted to $503 million.

The third objective of currency sorting is to detect counterfeit currency. Counterfeiting took a decided spurt during 1949. The number of counterfeits received and detected by the currency handlers at the head office and branches far exceeded the number of such notes received in any previous year. The currency sorters detected a total of 873 counterfeit notes, which amounted to $11,523. Counterfeit notes in the denomination of $10 were the most frequently encountered. Currency is sorted in such a manner that the identity of the depositor can usually be determined. During the year, only 29 counterfeits could not be traced to the depositor. On these notes the Bank experienced a loss of $330.



Check Clearing and Collection

The most noteworthy development in check clearing and collection activity was the continued expansion in the volume of work handled. The total number of checks cleared during 1949 was 131,235,000. The number cleared in 1948, which marked the previous high in volume, was 122,097,000.

The Bank continues its efforts to expedite the prompt payment of all checks cleared. It utilizes air mail and air express services in all instances where such services will reduce the collection time and facilitate the handling of checks by the receiving banks.

Another step towards faster collection of checks has been taken with the development of the uniform routing symbol on checks of par remitting banks. The plan for the use of this symbol was first presented to the banks in 1945 through the co-operation of the American Bankers Association and the Federal Reserve Banks.

The uniform symbol is in the form of a fraction which is designed to be shown in the upper right corner of a bank check. Use of this symbol permits faster sorting and greater efficiency in handling checks through the Federal Reserve System.

Studies of the percentage of par checks in circulation bearing the uniform symbol reveal a consistent growth. The initial survey at the end of 1946 indicated that 25 percent of such checks bore the symbol. In December of 1949 the percentage had grown to 67. The latest survey indicated that 74 percent of all par checks payable in the Sixth District had the routing symbol printed in the recommended location. This percentage was the highest of any Federal Reserve District except those served by the Federal Reserve Banks of Boston and New York.

Custodian and Fiscal Agent for the Commodity Credit Corporation

In accordance with a continuing arrangement with the Commodity Credit Corporation, the Bank performed extensive custodian and fiscal agency services for the Corporation. The Corporation, first established in 1933 under a Delaware charter, was granted a Federal charter effective July 1, 1948. It functions primarily in the execution of the agricultural price-support policies of the United States Government. It has chosen to use the facilities of the Federal Reserve Banks and branches in handling cash transactions and in servicing and safekeeping commodity loan notes.

The transactions handled by the Bank for the Corporation originate with the three field offices which the Corporation maintains in the Sixth District. These offices are the New Orleans Cotton Office, the Atlanta Area Fiscal Office, and the GFA (Georgia, Florida, Alabama) Peanut Association at Camilla, Georgia.

The CCC Custodian Department is maintained for handling these transactions at the head office. The work volume varies in accordance with crop and price movements, and personnel requirements are affected accordingly. At the high point of activity, the department employed 56 people; at the low point, it employed 31 people.

With respect to its CCC Custodian operations, the department began the year with holdings of 1948 cotton-crop loans in the face amount of $112 million, secured by 709,570 bales of cotton. Receipts of additional notes, during the remainder of the 1948 program year, increased the total of notes received to a face amount of $152 million, supported by 988,167 bales of cotton. A total of $122 million in certificates of interest was issued to bank lending agents, who preferred the notes in lieu of cash payment.

A major new task was that of handling the moving of 269,770 bales of cotton, necessitated by a shortage of storage space at the original warehouses. This movement of cotton involved the recording of additional cash disbursements on the individual notes covering transportation and handling charges.

The cotton producers' loans under the 1948 cotton-loan program matured on July 31, 1949. Of the 988,167 bales taken into the loan program, repayments totaled only 145,215 bales, or 14.6 percent of the total. Practically all of the remainder, or 842,952 bales, were liquidated by pooling and transferring the notes to the regional office at New Orleans.

Considerable activity in the form of transfers and purchases of certificates of interest accompanied the servicing of the 1948 program. On the July 29, 1949, maturity date, the Bank disbursed to certificate holders $49.3 million, representing principal and interest on all outstanding certificates.

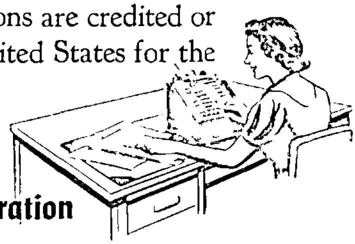
Activity in connection with the 1949 cotton program promises to be substantially less than that with the 1948 program. The first offerings for the new program were received on August 29, 1949. By the end of the year, the total face amount of notes received amounted to $35 million, supported by 232,162 bales of cotton. Under the new program, co-operative association loans were received for the first time. It was necessary to install an entirely new and separate procedure for handling such loans, thus materially increasing the work load of the department. All loan advances were made promptly on the date set by the New Orleans Cotton Office. Certificates of interest in the amount of $29 million were issued upon request of lenders who preferred the investment in lieu of cash payment.

The Bank and its branches also handled an extensive volume of work for the Atlanta Area Fiscal Office. The CCC Custodian Department of the Bank in 1949 paid 12,045 drafts in the amount of $7.7 million. These drafts were drawn by authorized representatives of the Department of Agriculture in connection with the Irish potato, sweet potato, corn, wheat, barley, oats, soybean, and cottonseed purchase programs and the farm storage facilities loan program. When received from banks, such drafts were handled in the same manner as transit check cash letters.

The agency operations at the head office were supplemented by operations at three of the branch offices of the Bank. The Nashville

Branch serviced receipts and disbursements in connection with the Corporation's wool program. The New Orleans Branch handled disbursements and collections for the Corporation's New Orleans office. The Jacksonville Branch functioned disbursements and receipts in connection with the 1949 peanut program.

Service for the GFA Peanut Association is limited in scope. Individual commercial banks serve as fiscal agents for the Commodity Credit Corporation in connection with the peanut-loan program. Debits and credits arising from this relationship, however, are eventually cleared through the Federal Reserve Bank as fiscal agent and custodian. At the end of each day, these transactions are credited or debited to the account of the Treasurer of the United States for the account of the Commodity Credit Corporation.



Custodian and Fiscal Agent for the Reconstruction Finance Corporation

No change in the relationship between the Bank and the Reconstruction Finance Corporation occurred during the year. The Bank continued to accept deposits from the loan agencies of the Corporation for credit to its account with the Treasurer of the United States. It issued Treasury checks for the account of the Corporation upon receipt of properly authorized disbursement schedules.

Service of certain loans by the Bank was continued for which the accounting responsibility had not been transferred to the loan agencies.The Bank continued to hold in safekeeping for the RFC negotiable securities, notes, mortgages, and related supporting documents.

Consumer Instalment Credit

On June 30, 1949, the Bank discontinued its consumer instalment credit department. The department had been established the previous September to administer the consumer instalment credit regulations in the District under the direction of the Board of Governors of the Federal Reserve System. Discontinuance of the department coincided with the lapse of the temporary provision in the Congressional Joint Resolution of August 1948, which had provided for the regulations. At the peak of its activity, the department employed ten field investigators and five clerical assistants. It registered 12,454 instalment credit grantors and conducted 4,923 compliance checks.

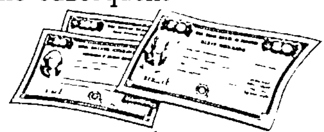
Charged as it is by statute with important responsibility for maintaining suitable national credit and monetary conditions, the Federal Reserve System has recognized the utility of consumer credit controls as an adjunct to its other monetary and credit powers. Greater economic stability is the objective of such controls. When production is at its maximum, requirement of higher down payments and shorter maturities may help to relieve pressure toward higher prices. When production is declining, lower down payments and longer maturities may encourage the revival of consumer buying.

This flexibility of application of the consumer instalment credit controls was availed of by the Board of Governors during the early part of 1949. With the appearance of deflationary tendencies in the economy, the Board promptly modified its restrictions. Effective March 7, 1949, Regulation W was amended to permit maturities of twenty-one months instead of fifteen or eighteen months as originally required on instalment credit obligations. Effective April 27, 1949, it again amended the Regulation, extending the maturities to twenty-four months, reducing down payments to 10 percent on listed articles other than automobiles, and raising the exemption amount to $100 on individual articles.

With the termination of the regulation of consumer instalment credit and with the recovery movement that began in the economy in midyear, the volume of such credit expanded rapidly. This credit rose from $9.1 billion at the end of June, when consumer credit controls were permitted to lapse, to $10.9 billion at the end of 1949. Much of the new volume of instalment credit was being extended on a basis which many regarded as unsound.

When the question of an extension beyond June 30, 1949, of the authority to regulate consumer instalment credit was being considered by the Congress, the Board of Governors recommended such an extension. While there are differences of opinion as to the desirability of this authority, by and large the revival of consumer credit regulation in August 1948 was accepted by businessmen and bankers of the Sixth District with little or no protest. They recognized that the restrictions offered a rallying point for holding the extension of credit on a sound basis, and many have regretted the subsequent termination.

Fiscal Agency and Securities



Operations for the Fiscal Agency and Security functions were nearly the same in volume as in 1948, with the exception of the processing of issues of Armed Forces Leave Bonds and the redemption of United States Savings Bonds. The issuance of leave bonds was transferred from the Armed Forces Finance Officers to the Treasury Department in Washington. Savings bond redemptions, Series A-E, amounted to $248 million and to 4,231,933 pieces. The face value of such bonds redeemed was 31 percent less than that of 1948 and 45 percent less than that of 1947. At the end of the year, there were 1,293 authorized paying agents.

Issues of United States Savings Bonds of all series amounted to 2,133,937 pieces with a maturity value of $284 million. Compared with the preceding year, there was a slight increase in the number of pieces and a decrease of approximately 18 percent in the maturity value. Approximately 72 percent, or $205 million, of the amount issued was handled by issuing agents. At the end of the year, there were 1,343 authorized issuing agents.

Savings bonds can be reissued only by the Federal Reserve Banks or the Treasury Department. Reissues are effected to correct errors that might cause the owners difficulty in redeeming the bonds at or before maturity. Reissues are also made to eliminate the names of deceased co-owners, to distribute estates, and to show changes in names of co-owners and beneficiaries. The head office and branches processed 198,252 pieces with a maturity value of $39 million. The number of pieces processed represented an increase of 6 percent over the number processed in 1948.

New Treasury issues handled by the head office and branches totaled $1,214 million, consisting of 52,905 pieces. The Treasury Department exercised the call privilege on five issues of bonds. Eight issues of certificates of indebtedness and one issue of Treasury notes became due during the year. The holders of all issues, called and matured, were granted the privilege of exchange. With the exception of the weekly offerings of Treasury bills, the Treasury did not have a cash offering of marketable securities. The total amount of bills allotted by the Atlanta and New Orleans offices was $417 million. Facilities were installed at the Birmingham, Jacksonville, and Nashville Branches to issue bills beginning January 1, 1950.

The Bank and its branches act as custodians of securities for member banks and as custodians of securities deposited for municipal and governmental purposes, such as holders of collateral for public moneys and bankruptcy funds, and collateral for penal or performance bonds of the Forestry Service or the Commissioner of Internal Revenue. On December 31, 1949, there were 796 banks in the District which were qualified as depositaries of public moneys under the provisions of Treasury Department Circular No. 92, for the purpose of maintaining Treasury Tax and Loan Accounts, formerly known as War Loan Deposit Accounts.

As a service to the general public, the Federal Reserve Banks are authorized to hold United States Savings Bonds in custody for individuals. On December 31, 1949, the Bank and its branches held 260,513 pieces with a maturity value of $28 million.

This Bank serves as fiscal agent of the Treasury in the exchange, transfer, and redemption of Treasury issues. During the year 42,338 bonds were processed for exchange or transfer, amounting to $1,215 million. There were received for redemption 63,008 pieces, amounting to $996 million.

The volume of coupons paid, representing coupons forwarded for payment and clipped from direct United States Government obligations, was 7 percent lower than for 1948. The Treasury Department has issued certificates of indebtedness without coupons for the past few years and this practice has reduced the volume of coupons. Coupons paid, including those clipped from bonds of agencies and instrumentalities of the United States, amounted to approximately $30 million and were in excess of 535,000 pieces.

An important service performed for member banks by the Bank was the purchase and sale, including the clearance, of United States Government securities in the open market. During 1949 this Bank handled 6,634 such transactions, representing $1,383 million in maturity value. This service was performed without charge to the banks, except for the small fee which the Treasury Department charged for transferring securities by wire.

The United States Treasury Department announced a change effective January 1, 1950, for the reporting and depositing of income tax withheld and employer's tax and employee's tax on wages paid pursuant to the Federal Insurance Contributions Act. The change in procedure will result in material savings to the Treasury Department. The retirement as of February 28, 1950, of the 2 percent depositary bonds, second series, will effect a saving of approximately a million dollars a year. Operating savings will accrue, too, from the use of a punch-card form of receipt that can be processed on tabulating machines.

All banks and trust companies, formerly qualified as depositaries for Federal taxes, will be required to requalify as depositaries for Federal taxes under the terms of the new Treasury Department Circular No. 848. Banks which are also qualified as special depositaries of public moneys under the terms of Department Circular No. 92 may accept tax payments from employers and make payment to the Reserve Bank by credit in the Treasury Tax and Loan Account.

Bank Examination

All state member banks in the District, including their trust departments, were examined at least once during the year 1949. The examinations were conducted in accordance with established procedures as to scope. A summary of these examinations and investigations is presented in the following tabulation:

	Independent Examinations		Joint Examinations With State or Federal Agencies	
	1949	*1948*	*1949*	*1948*
State member banks	36	29	34	33
Membership examinations of state banks	2	3	0	3
Holding company affiliates . . .	0	0	1	1
Applications for membership by new state bank organizations .	1	0	2	1
Applications to organize national banks	0	0	3	5
Applications to exercise trust powers by national banks . . .	0	2	0	0
	39	34	40	43

There was one development of interest with regard to bank examinations. It involved a change in the terminology and, to some extent, in the procedure observed by the three Federal supervisory agencies with regard to classification of assets and appraisal of investment securities. As of July 15, the captions of the classification units, namely, II, III, and IV were abandoned and the captions Substandard, Doubtful, and Loss, respectively, were adopted.

The designations for appraisal of investment securities were not changed, but new procedures were outlined.

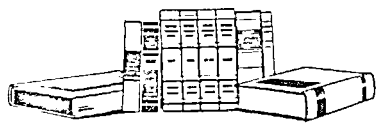
Group I securities are defined as marketable obligations in which the investment characteristics are not distinctly or predominantly speculative. This group includes general market obligations in the four highest grades, and unrated securities of equivalent value. Neither appreciation nor depreciation in Group I securities is to be taken into account in figuring net sound capital of the bank.

Group II securities are defined as those in which the investment characteristics are distinctly or predominantly speculative. This group includes general market obligations, in grades below the four highest, and unrated securities of equivalent value. Under the revised procedure, securities in Group II are to be valued at the market price and 50 percent of the net depreciation is to be deducted in computing the net sound capital of the bank.

The revised procedure did not effect any changes in the classification and appraisal of securities in Group III and Group IV. Group III consists of securities in default. Group IV consists of stocks.

Bankers generally have welcomed the changes. To a good many of them, the Roman numeral captions II, III, and IV were not as impressive or meaningful as the captions Substandard, Doubtful, and Loss. For purposes of discussions with the management of the affairs of the bank under examination, the examiners have found the revised procedure a significant improvement over the old procedure.

Legal Affairs



The Bank was involved in a minimum of litigation. It was made a party defendant in two cases, and answers were prepared and filed by the legal staff. One of the cases was a suit to quiet title to a parcel of real estate in Florida in which the Bank formerly had an interest. The other case was an action in the United States District Court in Mississippi to determine ownership of the proceeds of a collection item handled by the New Orleans Branch. The Bank was also indirectly involved in a suit in South Carolina in the State Court. The question in this case was whether a certain remittance made by a South Carolina bank for a check forwarded by this Bank for collection constituted a final payment of the check under the laws of South Carolina.

Prior to the enactment of Chapter 94 of the Public Acts of Tennessee, 1949, the legal staff participated in numerous discussions with representatives of the Tennessee Bankers Association, the Treasurer and the Attorney General of Tennessee concerning this law. The Act authorizes the Bank and certain commercial banks in Tennessee to hold in safekeeping securities pledged to the State Treasurer.

Numerous written and oral opinions were rendered by the legal staff on operating and administrative problems. Among such problems were those concerning the admission of new banks to membership in the System, amendments to charters of state member banks, and the granting of trust powers to national banks. The staff also prepared, analyzed, and passed upon numerous contracts, documents, and leases of real estate in which the Bank and its branches were interested.

Bank and Public Relations

The Bank continued its program of cultivating closer relationships with bankers throughout the District and of participating actively in the promotion of the economic progress of the region. The provision of improved and expanded services to member banks was the paramount objective of the program.

Representatives of the Bank and its branches made a special effort to meet and talk with officers of every commercial bank in the District. They wished to obtain personal assurance that the Bank was giving the best possible service to its member banks. They solicited suggestions for improvement of the Bank's facilities and services. They developed information regarding the views and attitudes of the commercial bankers on bank problems, both local and national. With the exception of a few unincorporated banks and small savings banks, every bank in the District was visited by these representatives, and many banks were visited more than once. The number of such visits totaled 1,522 for the year, 634 of which were to member banks and 888 to nonmember banks.

In furtherance of the program, representatives of the Bank endeavored to attend all of the principal banker gatherings in the District. All of the annual State Bankers Associations Conventions were thus attended, namely, those of the Alabama Bankers Association at Montgomery on May 13-14, the Florida Bankers Association at Miami on April 9-12, the Georgia Bankers Association at Augusta on April 13-15, the Louisiana Bankers Association at Biloxi on April 24-26, the Mississippi Bankers Association at Biloxi on May 17-18, and the Tennessee Bankers Association Convention at Nashville on May 10-11. Officers of the Bank were also in attendance at a substantial number of the group meetings of the Bankers Associations of the six states and at the various meetings of the Public Relations Committee of the Alabama Bankers Association.

The Bank through its branches served as co-sponsor of a number of meetings held throughout the District. Sponsored by the Alabama Bankers Association, with the assistance of the Birmingham Branch, the Third Alabama Bankers Study Conference was held at the University of Alabama, Tuscaloosa, August 7-10.

Through the agricultural economists in its Research Department and other representatives, the Bank actively co-operated in organizing and promoting banker-farmer meetings. These meetings were worked out jointly with the agricultural committees of the various state bankers associations and the extension services of the state agricultural colleges. The purpose of these meetings was to acquaint bankers with the problems of a changing agriculture so that they might facilitate desirable shifts from less economic to a more economic use of agricultural resources.

All together, twenty-one such banker-farmer meetings were held, and, of course, the discussion themes varied with local problems. In Alabama, the meetings were at Tuscaloosa, Anniston, Huntsville, and Auburn. The primary objective of these meetings was to emphasize the production of higher corn yields per acre. In Florida, four group meetings were held—two at Gainesville and one each at Greenwood and Ona. In these meetings, the primary theme was improvement in pasturage and forestry practices.

Meetings in Georgia, at Tifton and Athens, were held for the purpose of conducting farm credit schools. In Louisiana, the meetings at DeRidder, Franklinton, and Opelousas were concerned with forestry practices. In Mississippi, the conferences at Union, Poplarville, and Wesson were also devoted to forestry matters. And finally, in Tennessee, the five meetings at Athens, Carthage, Johnson City, Nashville, and Tullahoma were devoted to general agricultural problems.

The bank and public relations program included other activities designed to promote public understanding of the purposes, policies, and operations of the Federal Reserve System. Representatives of the Bank made numerous speeches and informal talks, before audiences aggregating 7,500 people. Various luncheon meetings were held at the Bank and its branches, at which banking problems were considered. Tours of the Bank and branches were conducted for bankers, businessmen, and college and high school students.

Operations Survey Service

In keeping with its primary role as a service institution, the Bank has inaugurated a new survey service. It now offers, without cost to its members, a complete survey and analysis of bank operating procedures and methods. Such surveys include a thorough study of service charges and internal operations of the smaller banks. A detailed cost analysis is made of each operation, enabling the bank to compare its own costs with those of a typical bank of like size. Analysis is also made of service charges, and studies are made of systems, machines, and banking forms.

The Federal Reserve Bank's analyst made surveys of twenty-four individual commercial banks. These surveys proved to be of great value; most banks recognize the worth of a cost analysis and a knowledge of current developments in operational matters. The larger banks are able to keep abreast through their own trained personnel, but the smaller banks, working under limitations of both time and personnel, are not always in a position to make the needed studies. The Federal Reserve Bank is always happy to assist the smaller banks that are limited in this respect. Upon request of a member bank, the service is available as promptly as the working schedule of the analyst permits.

Research Department

The Federal Reserve System has the statutory function of regulating the supply, availability, and cost of credit to the end that agriculture, commerce, and industry may be provided with a favorable climate within which to develop. The Board of Governors and the officers of the twelve Federal Reserve Banks must accordingly have at their disposal information as complete as possible on the condition of the commercial banks and of all major segments of the business economy. The provision of this data is the major function of the Research Departments of the Reserve Banks and of the Board's Division of Research and Statistics.

In addition to assembling statistical data, the Research Departments study the economic problems of their respective Districts and make their findings public for the guidance of bankers and businessmen in policy formation. They also serve as centers of economic information for member banks and for the general public.

The work of the Research Department of the Bank followed this general pattern. The department carried on the routine collection of banking and business statistics and handled special surveys or calls for information received from the Board of Governors. Statistical reports were received regularly from some 1,427 reporters, including banks, department stores, retail furniture stores, household appliance stores, jewelry stores, and grantors of consumer credit.

The department issued 45,143 copies of releases during the year. These included two weekly releases, fifteen monthly releases, five annual releases, and four other releases appearing at irregular intervals.These releases were sent to a total of 5,256 addressees, of which 1,427 were reporters, 2,271 were member banks, and 1,558 were in the miscellaneous category.

The work of the department in agricultural development was especially noteworthy. An account of this activity is presented in the section devoted to Bank and Public Relations activities.

In addition to the issuance of its various releases, the department issued two monthly publications, the *Monthly Review* and the *Bankers Farm Bulletin*. The *Monthly Review* now has a mailing list of 8,500 and circulates in every state of the Union and in many foreign countries. The *Bankers Farm Bulletin* appeared for the first time in January 1949 and at the close of the year had a mailing list of approximately 2,500. In 1949, the Bank issued 101,500 copies of the *Monthly Review* and 26,500 copies of the *Bankers Farm Bulletin.*

The department maintains a research library with some 6,600 books catalogued, 616 of which were added in 1949. In addition to the regularly catalogued volumes, there are thousands of pamphlets and releases, arranged by subject in vertical files. The library subscribes to over 200 periodicals and to 20 daily newspapers and answers hundreds of requests for information from within and outside the Bank during the course of the year. Many of these requests come from member banks who also have the privilege of drawing books from the library.

Although the Research Department exists mainly to serve the needs of the Bank and the Board of Governors, it is also meant to serve the member banks. They should look upon it as their own and should feel free to call upon it for whatever services it can perform.

Personnel

In seeking to improve the quality of its service functions, the Bank gives particular attention to employee efficiency. Special attention was given to improvement in standards and to employee training.

The decline in total employment that has been underway since the end of the greatly expanded activity characteristic of the war years continued. At the end of 1949, the total number of employees at the head office and branches was 953, the lowest number since the all-time high of 1,685 reached in July 1944. During the course of the year, there was a net reduction of 75 in the total number of employees; separations numbered 214 and additions, 139. The annual rate of net turnover was reduced to 21.6 percent. There were 140 employees, which is 14.7 percent of the total, who had been in the service of the Bank more than twenty years and of this number, 38 employees, or 4 percent of the total number of employees, had been with the Bank for thirty years or more.

The Retirement System of the Federal Reserve Banks is an important factor in the personnel program. In May 1949, the rules and regulations governing retirement were amended to provide wider benefits. Also, the retirement allowances paid to those employees who had reached the age of sixty or more at the time of retirement

and whose retirement was effective before the rule changes in May were recalculated under the revised rules and were increased accordingly.

Salary scales are reviewed periodically to keep them in line with the scale of salaries paid by leading employers at the head office and branch cities. On the basis of a salary survey made by the Personnel Department, the minimums and maximums of salary grades were adjusted upward by approximately 5 percent in January 1949.

Attention is given to employee welfare. The Bank services a group life-insurance plan for employees. It pays two-thirds of the cost of a hospitalization and surgical insurance coverage. It maintains employee cafeterias at the head office and at the Birmingham and New

Orleans Branches. It maintains a full-time registered nurse at the head office and at the New Orleans Branch and a part-time nurse at the Birmingham Branch. With the co-operation of the local health officers, the Bank arranges for chest X-ray examinations of all employees. Medical examinations are also furnished to each employee.

The Bank encourages participation in the educational courses offered by the American Institute of Banking by reimbursing the cost of tuition and of textbooks to employees who complete such courses. In 1949, it paid the expenses of eleven officers and department heads at the summer session of the Graduate School of Banking at Rutgers University.

Appointments, Elections, and Official Staff Changes

For the year 1950, the Board of Governors of the Federal Reserve System appointed Frank H. Neely of Atlanta, Georgia, to serve as Chairman of the Board of the Federal Reserve Bank and as Federal Reserve Agent, and Rufus C. Harris of New Orleans, Louisiana, as Deputy Chairman. For the three-year term beginning January 1, 1950, the Board appointed Rufus C. Harris as Class C Director and Branch Directors as follows: Birmingham Branch, Thad Holt of Birmingham, Alabama; Jacksonville Branch, Howard Phillips of Orlando, Florida; Nashville Branch, W. Bratten Evans of Nashville, Tennessee; and New Orleans Branch, E. O. Batson of New Orleans, Louisiana.

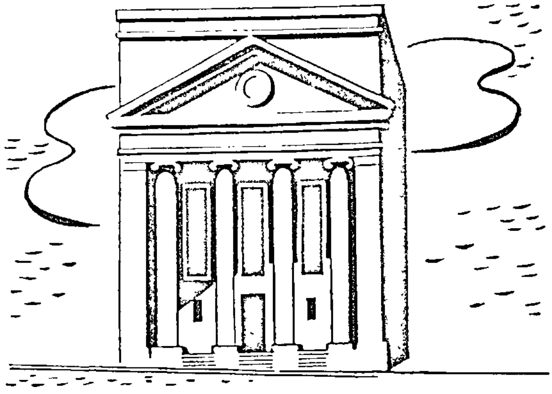
For the three-year term beginning January 1, 1950, member banks chose L. R. Driver of Bristol, Tennessee, as their Class A Director and Donald Comer of Birmingham, Alabama, as their Class B Director.

For the three-year term beginning January 1, 1950, the Board of Directors of the Federal Reserve Bank of Atlanta appointed the following Branch Directors: Birmingham Branch, J. B. Barnett of Monroeville, Alabama, and A. M. Shook of Birmingham, Alabama; Jacksonville Branch, N. Ray Carroll of Kissimmee, Florida, and J. E. Bryan of St. Petersburg, Florida; Nashville Branch, T. L. Cathey of Lewisburg, Tennessee, and Thomas D. Brabson of Greeneville, Tennessee; New Orleans Branch, Elbert E. Moore of Baton Rouge, Louisiana, and Percy H. Sitges of New Orleans, Louisiana.

The Board of Directors of the Federal Reserve Bank of Atlanta reappointed J. T. Brown, President, The First National Bank of Jackson, Jackson, Mississippi, to serve as member of the Federal Advisory Council for the year 1950. The Board of Directors also reappointed, for the year 1950, the five members of the Industrial Advisory Committee for the Sixth District. The Chairman is John E. Sanford, Vice President, Armour & Company, Atlanta. The other members are George Winship, President, Fulton Supply Company, Atlanta, Georgia; W. W. French, Chairman of the Board, Moore-Handley Hardware Company, Inc., Birmingham, Alabama; Luther Randall, President, Randall Brothers, Inc., Atlanta, Georgia; and I. C. Milner, President, Gate City Mills Company, East Point, Georgia.

There were three changes in the official staff of the Bank. Effective August 1, 1949, J. R. McCravey, Jr., Assistant Vice President, resigned to become associated with the Bank of Forest, Forest, Mississippi, as Vice President. Effective October 1, 1949, W. E. Pike, General Auditor, resigned to accept a position with the First National Bank of Atlanta, Atlanta, Georgia, as Vice President. R. DeWitt Adams, Manager of the Auditing Department, was appointed Acting General Auditor to succeed Mr. Pike.

DIRECTORS AND OFFICERS



Nashville Branch
Federal Reserve Bank
of Atlanta

DIRECTORS FOR 1950

Class A

Elected by and representative of member banks

	Group	Term Expires December 31
R. Clyde Williams President, The First National Bank of Atlanta, Atlanta, Georgia	1	1951
Leslie R. Driver President, The First National Bank in Bristol, Bristol, Tennessee	2	1952
George J. White Chairman and President, The First National Bank of Mount Dora, Mount Dora, Florida	3	1950

Class B

Elected by member banks and representative of nonbanking interests

	Group	Term Expires December 31
Alfred Bird Freeman Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd., New Orleans, Louisiana	1	1950
J. A. McCrary Vice President and Treasurer, J. B. McCrary Company, Inc., Decatur, Georgia	2	1951
Donald Comer Chairman of the Board, Avondale Mills, Birmingham, Alabama	3	1952

Class C

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
Frank H. Neely, *Chairman* Chairman of the Board, Rich's Inc., Atlanta, Georgia	1950
Rufus C. Harris, *Deputy Chairman* President, The Tulane University of Louisiana, New Orleans, Louisiana	1952
Paul E. Reinhold President and Director, Foremost Dairies, Inc., Jacksonville, Florida	1951

OFFICERS

W. S. McLarin, Jr., *President*

L. M. Clark
First Vice President

V. K. Bowman
Vice President

S. P. Schuessler
Vice President

J. E. Denmark
Vice President

Harold T. Patterson
General Counsel

E. L. Rauber
Director of Research

R. DeWitt Adams
Acting General Auditor

J. H. Bowden
Assistant Vice President

C. R. Camp
Assistant Vice President

F. H. Martin
Assistant Vice President

I. H. Martin
Assistant Vice President

Roy E. Milling
Assistant Vice President

E. C. Rainey
Assistant Vice President

Member of Federal Advisory Council

J. T. Brown
President
The First National Bank of Jackson
Jackson, Mississippi

Industrial Advisory Committee

John E. Sanford, *Chairman*
Vice President
Armour & Company
Atlanta, Georgia

Luther Randall
President
Randall Brothers, Inc.
Atlanta, Georgia

George Winship
President
Fulton Supply Company
Atlanta, Georgia

I. C Milner
President
Gate City Mills Company
East Point, Georgia

W. W. French
Chairman of the Board
Moore-Handley Hardware Company, Inc.
Birmingham, Alabama

Birmingham Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
WM. HOWARD SMITH, *Chairman* President, McQueen-Smith Farms, Prattville, Alabama	1951
THAD HOLT President and Treasurer, Voice of Alabama, Inc. (Radio Station WAPI), Birmingham, Alabama	1952
J. ROY FAUCETT Senior Partner, Faucett Brothers, Northport, Alabama	1950

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

J. B. BARNETT President, The First National Bank of Monroeville, Monroeville, Alabama	1952
W. C. BOWMAN Chairman of the Board, The First National Bank of Montgomery, Montgomery, Alabama	1950
A. M. SHOOK President, Security Savings Bank, Birmingham, Alabama	1952
D. C. WADSWORTH President, The American National Bank, Gadsden, Alabama	1951

OFFICERS

P. L. T. BEAVERS
Vice President and Manager

H. C. FRAZER
Assistant Manager

H. J. URQUHART
Cashier

L. W. STARR
Assistant Cashier

Jacksonville Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
MARSHALL F. HOWELL, *Chairman* Director and Secretary-Treasurer, Bond-Howell Lumber Company, Jacksonville, Florida	1950
J. HILLIS MILLER President, University of Florida, Gainesville, Florida	1951
HOWARD PHILLIPS Vice President, Dr. P. Phillips & Sons, Inc., Orlando, Florida	1952

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

J. E. BRYAN President, Union Trust Company, St. Petersburg, Florida	1952
J. D. CAMP President and Director, Broward National Bank of Fort Lauderdale, Fort Lauderdale, Florida	1951
N. RAY CARROLL President, First National Bank, Kissimmee, Florida	1952
J. W. SHANDS President and Director, The Atlantic National Bank of Jacksonville, Jacksonville, Florida	1950

OFFICERS

T. A. LANFORD
Vice President and Manager

T. C. CLARK
Cashier

J. WYLY SNYDER
Assistant Cashier

C. MASON FORD
Assistant Cashier

Nashville Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
HAROLD C. MEACHAM, *Chairman* Farmer, Franklin, Tennessee	1951
C. E. BREHM President, University of Tennessee, Knoxville, Tennessee	1950
W. BRATTEN EVANS President, Tennessee Enamel Manufacturing Company, Nashville, Tennessee	1952

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

PARKES ARMISTEAD President, First American National Bank of Nashville, Nashville, Tennessee	1951
THOMAS D. BRABSON President, The First National Bank of Greeneville, Greeneville, Tennessee	1952
T. L. CATHEY President, Peoples and Union Bank, Lewisburg, Tennessee	1952
W. H. HITCHCOCK President, First and Peoples National Bank of Gallatin, Gallatin, Tennessee	1950

OFFICERS

JOEL B. FORT, JR.
Vice President and Manager

E. R. HARRISON
Cashier

ROBERT E. MOODY, JR.,
Assistant Cashier

New Orleans Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
HENRY G. CHALKLEY, JR., *Chairman* — President, Sweet Lake Land and Oil Company, Inc., Lake Charles, Louisiana	1950
JOHN J. SHAFFER, JR. — Sugar Planter, Ellendale, Louisiana	1951
E. O. BATSON — President, Batson-McGehee Company, Inc., Millard, Mississippi	1952

Appointed by the Board of Directors, Federal Reserve Bank of Atlanta

JAMES C. BOLTON — President, Rapides Bank & Trust Company in Alexandria, Alexandria, Louisiana	1951
T. J. EDDINS — President, Bank of Slidell, Slidell, Louisiana	1950
ELBERT E. MOORE — President, Louisiana National Bank of Baton Rouge, Baton Rouge, Louisiana	1952
PERCY H. SITGES — President, Louisiana Savings Bank & Trust Company, New Orleans, Louisiana	1952

OFFICERS

E. P. PARIS
Vice President and Manager

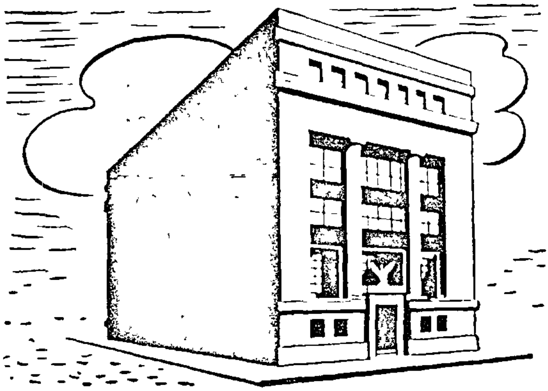
M. L. SHAW
Assistant Manager

W. H. SEWELL
Cashier

F. C. VASTERLING
Assistant Cashier

L. Y. CHAPMAN
Assistant Cashier

FINANCIAL AND VOLUME REPORTS



New Orleans Branch
Federal Reserve Bank
of Atlanta

Currency and Coin Operations
Main Bank and Branches

NUMBER OF PIECES RECEIVED AND COUNTED FOR 1949 AND 1948, BY MONTHS

	Currency (In Thousands)		Coin	
Month	*1949*	*1948*	*1949*	*1948*
January	24,368	23,971	24,704	23,377
February	24,024	22,328	28,478	20,472
March	24,030	23,890	25,953	22,118
April	23,000	22,800	24,802	22,644
May	21,688	22,083	25,067	20,723
June	20,400	19,554	25,798	22,722
July	19,116	20,528	21,114	19,981
August	21,555	21,295	25,945	22,134
September	20,856	20,212	24,363	18,971
October	20,426	19,148	23,564	18,641
November	20,379	20,554	22,966	19,037
December	21,279	23,628	24,088	22,120
Total	261,121	259,991	296,842	252,940

RECEIPTS FROM BANKS AND PAYMENTS TO BANKS FOR 1949 AND 1948, BY MONTHS

	Receipts (In Thousands)		Payments	
Month	*1949*	*1948*	*1949*	*1948*
January	$146,309	$144,235	$67,946	$68,193
February	123,622	119,968	85,021	77,395
March	144,890	138,313	108,498	91,106
April	120,843	122,014	94,459	87,922
May	110,574	105,769	93,832	88,184
June	112,620	110,119	90,621	99,558
July	107,674	110,242	97,142	92,412
August	114,510	106,006	94,404	103,761
September	110,038	113,345	98,211	110,158
October	108,202	114,485	103,466	105,432
November	115,211	124,822	100,245	95,390
December	141,529	156,312	124,421	118,604
Total	$1,456,022	$1,465,630	$1,158,266	$1,138,115

Reserve Position of Member Banks

Semimonthly Period Ended December 31, 1949 and 1948

State	Total Reserves (Millions)		Percent State Reserves to District Reserves		Percent Total Reserves to Required Reserves	
	1949	*1948*	*1949*	*1948*	*1949*	*1948*
Alabama	$111.3	$147.1	16.6	17.3	108.4	107.1
Florida	145.5	180.0	21.7	21.1	111.8	107.5
Georgia	146.5	187.3	21.9	22.0	105.5	104.7
Louisiana	141.3	174.3	21.1	20.5	108.9	109.1
Mississippi	22.0	31.9	3.3	3.7	109.5	110.0
Tennessee	103.2	131.2	15.4	15.4	110.5	106.8
District	$669.8	$851.8	100.0	100.0	108.9	107.1

Comparative Statement

ASSETS	December 31, 1949	December 31, 1948
Gold certificates	$ 995,700,383.92	$1,059,483,417.35
Redemption fund—F. R. notes	39,850,752.57	44,407,590.00
Total gold certificate reserves	1,035,551,136.49	1,103,891,007.35
Other cash	21,131,989.40	23,505,882.30
Discounts and advances:		
Secured by U. S. Government obligations direct and guaranteed	30,000.00	35,000.00
Other bills discounted and advances	*2,849,500.00	*7,795,125.00
Total discounts and advances	2,879,500.00	7,830,125.00
U. S. Government securities:		
Bills	258,911,000.00	275,100,000.00
Certificates	336,446,000.00	304,687,000.00
Notes	30,141,000.00	39,633,000.00
Bonds	386,962,000.00	550,320,000.00
Total U. S. Government securities	1,012,460,000.00	1,169,740,000.00
Total loans and securities	1,015,339,500.00	1,177,570,125.00
Due from foreign banks	1,543.52	2,002.06
Federal Reserve notes of other banks	18,865,250.00	19,581,000.00
Uncollected items	211,620,743.98	180,308,861.14
Bank premises (net)	1,523,303.62	1,573,911.11
Other assets	5,498,809.07	7,536,046.74
Total assets	2,309,532,276.08	2,513,968,835.70
LIABILITIES		
Federal Reserve notes in actual circulation	1,290,998,620.00	1,329,271,475.00
Deposits:		
Member bank—reserve account	685,366,469.27	874,451,464.53
U. S. Treasurer—general account	50,492,636.50	75,302,347.75
Foreign	31,184,600.00	26,063,700.00
Other deposits	31,948,301.66	3,938,619.75
Total deposits	798,992,007.43	979,756,132.03
Deferred availability items	182,688,791.71	171,763,347.73
Other liabilities	455,043.24	490,176.86
Total liabilities	2,273,134,462.38	2,481,281,131.62
CAPITAL ACCOUNTS		
Capital paid in	8,239,800.00	7,874,150.00
Surplus (Section 7)	21,193,500.54	20,027,863.59
Surplus (Section 13b)	762,425.68	762,425.68
Reserve for contingencies	6,202,087.48	4,023,264.81
Total liabilities and capital accounts	2,309,532,276.08	2,513,968,835.70
Contingent liability on acceptances purchased for foreign correspondents	430,842.31	136,497.89
Commitments to make industrial loans	None	287,500.00

*Consists solely of foreign loans on gold.

Earnings and Expenses

	1949	1948
Current Earnings:		
Discounts and advances	$ 110,508.60	$ 193,434.25
Industrial loans	None	6,209.69
Commitments to make industrial loans	713.55	753.71
U. S. Government securities	16,734,213.52	14,986,851.73
All other	34,512.89	31,450.77
Total current earnings	16,879,948.56	15,218,700.15
Current Expenses:		
Operating expenses	4,344,269.80	4,270,212.96
Less reimbursements for certain fiscal agency and other expenses	903,984.43	980,762.82
Net operating expenses	3,440,285.37	3,289,450.14
Assessment for expenses of Board of Governors	133,800.00	132,681.00
Cost of Federal Reserve currency	519,838.83	487,862.29
Total current expenses	4,093,924.20	3,909,993.43
Current net earnings	12,786,024.36	11,308,706.72
Additions to current net earnings:		
Profit on sales of U. S. Government securities	1,638,434.57	327,610.70
All other	384.59	1,657.23
Total additions	1,638,819.16	329,267.93
Deductions from current net earnings	104,639.48	1,142.37
Net additions	1,534,179.68	328,125.56
Transferred to reserves for contingencies	2,178,867.89	1,992,637.35
Paid U. S. Treasury (Interest on outstanding Federal Reserve Notes)	10,490,251.54	8,260,729.10
Net earnings after reserves and payments to U. S. Treasury	1,651,084.61	1,383,465.83
Dividends paid	485,447.66	465,487.56
Transferred to surplus (Section 7)	1,165,636.95	917,978.27

Member Bank Comparative Statement

(Amounts in thousands of dollars)

ASSETS	December 31, 1949	December 31, 1948
Loans and investments	$4,412,144	$4,198,843
Loans (including overdrafts)	1,610,587	1,546,005
U. S. Government obligations, direct and guaranteed	2,371,976	2,254,680
Obligations of States and political subdivisions	344,381	311,125
Other bonds, notes, and debentures	75,469	77,629
Corporate stocks (including Federal Reserve Bank stock)	9,731	9,404
Reserves, cash, and bank balances	1,622,170	1,796,758
Bank premises owned and furniture and fixtures	55,431	51,303
Other real estate owned	1,490	2,058
Investments and other assets indirectly representing bank premises or other real estate	1,011	748
Customers' liability on acceptances	8,666	6,522
Other assets	17,286	15,358
Total assets	$6,118,198	$6,071,590
LIABILITIES		
Demand deposits	$4,633,481	$4,606,712
Individuals, partnerships, and corporations	3,179,553	3,197,195
U. S. Government	95,569	69,219
States and political subdivisions	612,612	605,118
Banks in U. S. and foreign countries	694,989	684,227
Certified and officers' checks, cash letters of credit and travelers' checks, etc.	50,758	50,953
Time deposits	1,078,186	1,091,089
Total deposits	5,711,667	5,697,801
Bills payable, rediscounts, and other liabilities for borrowed money	205	35
Acceptances outstanding	11,870	8,379
Other liabilities	30,980	26,163
Total liabilities	$5,754,722	$5,732,378
CAPITAL ACCOUNTS		
Capital	$ 115,713	$ 113,479
Surplus	164,228	152,627
Undivided profits	59,474	53,376
Other capital accounts	24,061	19,730
Total capital accounts	$ 363,476	$ 339,212
Total liabilities and capital accounts	$6,118,198	$6,071,590

Changes in Membership 1942-1949

	1942	1943	1944	1945	1946	1947	1948	1949
Membership, beginning of year	317	318	316	317	325	333	340	346
Additions during year:								
Organization of National banks	0	0	4	0	0	3	2	0
Conversion of State banks to National banks*	2	1	3	4	6	1	2	3
Admission of State banks	2	3	3	7	5	6	4	5
Resumption following suspension	0	0	0	0	0	0	0	0
Total additions	4	4	10	11	11	10	8	8
Losses during year:								
Mergers between National banks	0	0	0	0	0	1	0	1
Suspension or insolvency	0	0	0	0	0	0	0	0
Withdrawal of State banks*	1	2	8	1	3	1	1	2
Voluntary liquidation	0	0	1	2	0	1	1	0
Conversion of member to nonmember banks**	2	4	0	0	0	0	0	0
Total losses	3	6	9	3	3	3	2	3
Net change during year	+1	—2	+1	+8	+8	+7	+6	+5
Membership end of year	318	316	317	325	333	340	346	351
National banks	263	260	266	268	274	276	279	281
State banks	55	56	51	57	59	64	67	70

*Includes conversion of State member banks to National banks.

**Includes conversion of National banks to nonmember banks, and absorption of members by nonmembers.

Higgins-McArthur Company
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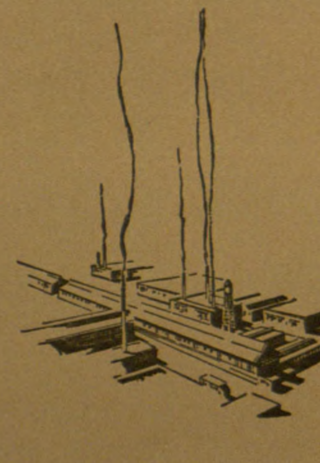
MISSISSIPPI'S BAWI PLAN

An Experiment in Industrial Subsidization

FEDERAL RESERVE BANK OF ATLANTA

Department of Research and Statistics



[1944]

MISSISSIPPI'S BAWI PLAN

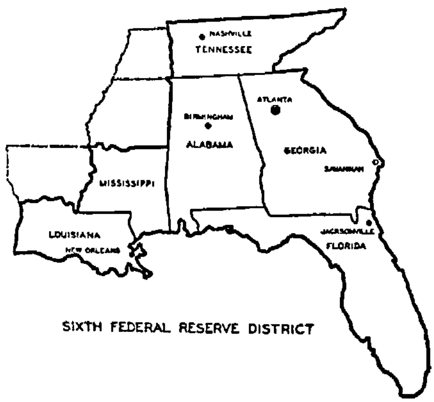
B*alance*
A*griculture*
W*ith*
I*ndustry*

AN EXPERIMENT IN INDUSTRIAL SUBSIDIZATION

by Ernest J. Hopkins
Senior Economist

FEDERAL RESERVE BANK OF ATLANTA

January 1944



SIXTH FEDERAL RESERVE DISTRICT

FOREWORD

For more than a quarter of a century, the Federal Reserve Bank of Atlanta, as an integral part of the Federal Reserve System, has served its District and the nation in accordance with a variety of responsibilities that, from time to time, have been placed upon the System and the Bank by Congress. These responsibilities, which are discharged in the public interest, have been typically related to banking and monetary affairs. In fulfilling these responsibilities, the Bank, as a matter of course, has always concerned itself with commercial and industrial developments and trends within the District it serves. Ever since 1919 the Bank has issued a monthly review of business and agricultural conditions in the Sixth Federal Reserve District.

The preparation of the *Monthly Review* has always been one of the primary tasks of the Bank's Research and Statistics Department. Because of the enormously changed economic and financial relationships that have emerged as the current war has progressed, the Board of Directors more recently requested the Department to expand its undertakings for the purpose of making the Bank's knowledge of economic affairs in its region more complete and more detailed. With this widening of the scope of the Research Department's investigations, the directors of the Bank, with the cordial endorsement of W. S. McLarin, Jr., president of the Bank, authorized the printing and distribution to the public of any studies that appeared suitable for a wider circle of readers than might be available within the Bank itself and that might not fit within the space limitations of the monthly publication.

One such study was the Bank's recently issued *Directory of Postwar Planning Agencies*. This Directory, prepared in mimeographed form, was mailed to those individuals and agencies who co-operated in assembling the data the Directory contained. A few copies of the Directory were also made available on request to other individuals who had an interest in postwar planning problems.

During the course of the research staff's effort to collect information regarding the activities of a planning and promotional character in the District, it appeared that, aside from the ever-present concern for the agricultural future of the Southern territory, interest in industrial expansion of the region was paramount. In this latter connection, representatives of a number of chambers of commerce and other organizations having a primary interest in promoting Southern industry frequently cited Mississippi's state-controlled plan for subsidizing new enterprises, a plan that was terminated shortly before the outbreak of the current war.

The recurring mention of the Mississippi plan prompted the Bank's Department of Research and Statistics to undertake a review of the entire experience. The report proved to have an interest that warranted the issuance of a second special publication, namely, the one here presented.

Publication appeared justified as a matter of historical record alone, for the Mississippi subsidy experiment was in many respects unusual in its conception as well as in its administration. Moreover, attempts to attract new industries by various subsidy offers are so characteristic of the South, and the literature upon the subject is so scant, that it was believed value would be found in a factual analysis of this elaborate attempt to use the subsidy mechanism—which usually is organized less thoroughly, administered less vigorously, and conducted less completely within the public view.

In publishing this study by its research staff, it need hardly be said that the Bank thereby assumes no point of view toward the Mississippi plan, toward subsidy plans in general, or toward the various other issues and questions involved. The position of the Bank in this respect is precisely that of any other publisher; namely, that the work is of interest, that it is calculated to stimulate individual thought, and that there is a wide latitude for differences of opinion and reaction on the part of the reader and for personal judgment on the part of the writer.

This pamphlet is the work of Ernest J. Hopkins, who holds the rank of senior economist in the Research and Statistics Department of the Bank. In the field investigation, Mr. Hopkins had the assistance of Buford Brandis, assistant manager and economic analyst of the same staff. The work was performed under the direction of Lloyd B. Raisty, manager of the Research and Statistics Department.

FRANK H. NEELY
Chairman of the Board

January 22, 1944

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FEDERAL RESERVE BANK OF ATLANTA
INCORPORATED MAY 18, 1914

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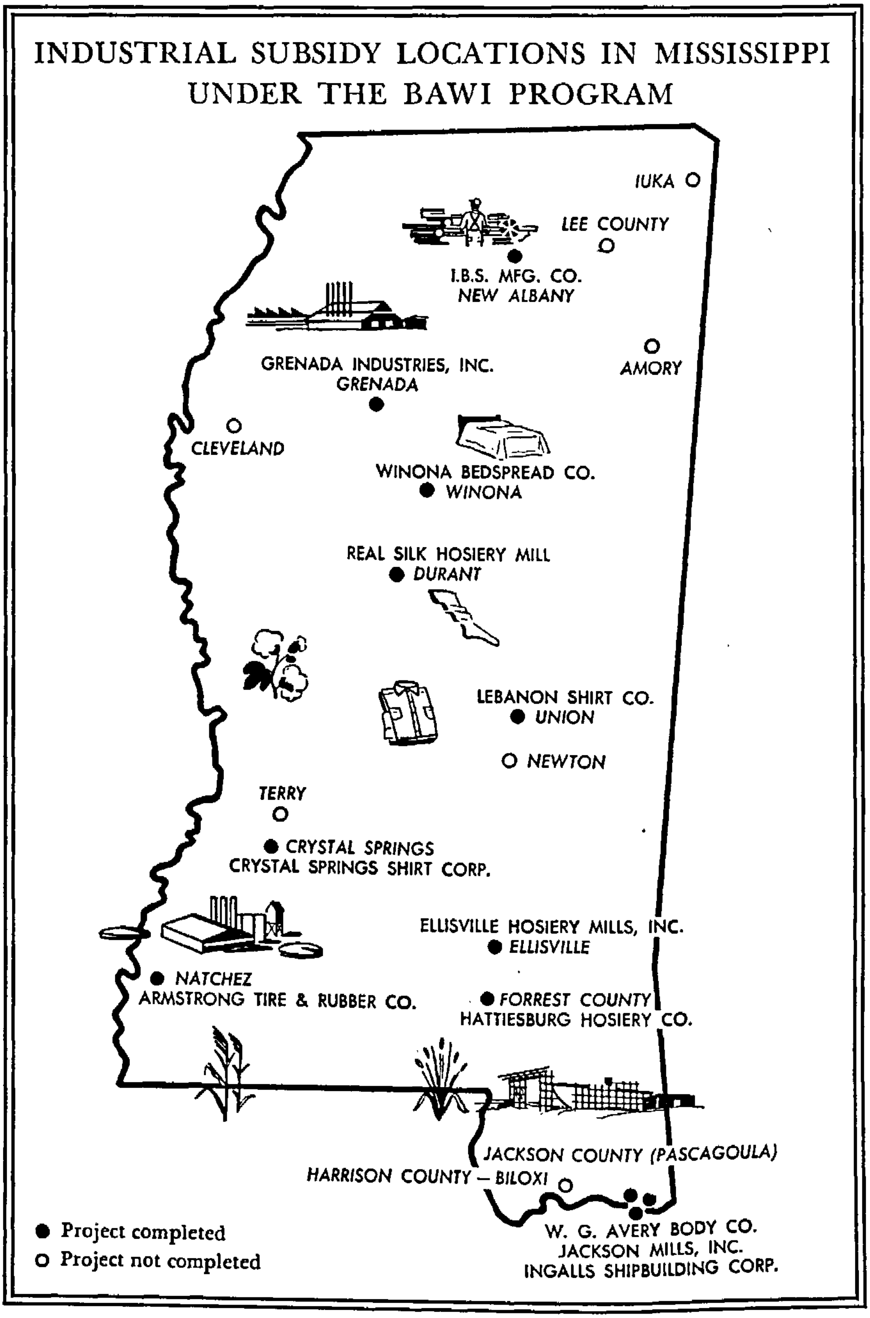
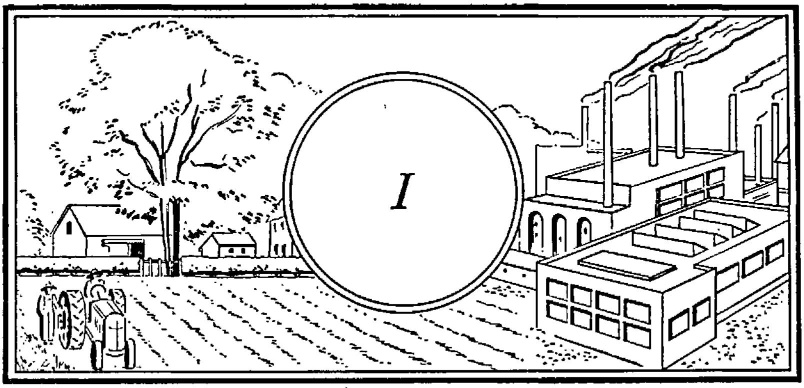

INDUSTRIAL SUBSIDY LOCATIONS IN MISSISSIPPI
UNDER THE BAWI PROGRAM
IUKA
LEE COUNTY
I.B.S. MFG. CO.
NEW ALBANY
GRENADA INDUSTRIES, INC.
GRENADA
AMORY
CLEVELAND
WINONA BEDSPREAD CO.
WINONA
REAL SILK HOSIERY MILL
DURANT
LEBANON SHIRT CO.
UNION
NEWTON
TERRY
CRYSTAL SPRINGS
CRYSTAL SPRINGS SHIRT CORP.
ELLISVILLE HOSIERY MILLS, INC.
ELLISVILLE
NATCHEZ
ARMSTRONG TIRE & RUBBER CO.
FORREST COUNTY
HATTIESBURG HOSIERY CO.
JACKSON COUNTY (PASCAGOULA)
HARRISON COUNTY – BILOXI
W. G. AVERY BODY CO.
JACKSON MILLS, INC.
INGALLS SHIPBUILDING CORP.
Project completed
Project not completed



MISSISSIPPI'S BAWI PLAN

Central Features of the Plan

From November 1936 to June 1940, Mississippi was engaged upon a unique experiment in the development of new industries by public subsidy. Under the authority of the state government, cities and counties issued bonds, built or acquired manufacturing facilities, and leased them to private enterprises at nominal cost. The immediate purpose of this system was to relieve an emergency of unemployment, serious in Mississippi at the time. The long-range purpose was to "balance agriculture with industry" in a cotton-growing and lumber-producing area; and this purpose gave its name to the movement, which was and is today popularly known as the "BAWI."

The story of this adventure in state-fostered industrial development has a bearing upon regional problems of the South at the present time. The BAWI was a prewar plan: one of the few systematic state programs attempted during the 1930's in this region. As such, it represented a direct if limited endeavor by a single state to remedy the deficiency of the manufacturing structure within its area. Thus, the BAWI dealt with a question that is not only of central importance to much of the South, but is revived for consideration today in connection with the region's postwar situation. Mississippi's particular method of attacking this problem, that of attracting new industries by subsidizing them, also represented a long-familiar and highly debatable Southern practice, in a culminating form. The resulting experience was a mingled one; the BAWI developed its quota of controversies and failures as well as its quota of successes. Some of its attempts came to nothing, while several new plants, including some of war importance, were founded under the terms of the plan. This prewar experience has an empirical value today. It may be looked to for case material illuminative of problems and questions of the present time. It is believed that some of the same fundamental issues will again arise, and again require difficult decisions by the economic leadership of the South.

Issues Involved in the BAWI

In its theoretical aspect, the BAWI represented a series of assumptions by the Mississippi leadership on five underlying issues. Four of these issues are still current; the fifth arose from the BAWI plan itself.

First to be listed is the broad difference in point of view between those who desire the South to become more highly industrialized and those who conceive of its more appropriate development in terms primarily agrarian. Upon this basic issue the BAWI took a clear position. The assumption in favor of a manufacturing development was the fundamental tenet of the plan, though what might constitute a balance with the agricultural life of Mississippi was never very clearly defined.

The second issue was this question of balance. The BAWI had a system for selecting not only the types of manufacturing, but also the particular manufacturing companies, to be fostered within the state. The difficult problem of industrial desirability accordingly arose, involving such questions as these: whether to develop certain special types of production, or simply more manufacturing of any type; whether, for example, to stimulate more processing of Mississippi's raw materials in minerals, lumbering, and agriculture, or to foster types of industry not clearly related to the basic resources; whether to encourage the hazard of Mississippi capital in expectation of profits, or to award both risk and profits to outside capital; whether to prefer the independent type of enterprise, or the branches and affiliates of multiestablishment concerns.

The answer of the BAWI was, again, a clear one, but it was largely dictated by the emergency that existed at the time. The principal criteria adopted were, first, that all risk and possibility of failure must be avoided and, second, that the most immediate opportunities for increasing employment must be seized. These twin requirements implied a preference for the branch or affiliate plants of existing organizations, the stronger the better, and subordinated the questions of the participation of Mississippi capital, the economic appropriateness of enterprises to the Mississippi background, and the founding of new native industries. In practice, a further restriction was found desirable: no manufacturing operation was brought into Mississippi from a previous location; all BAWI plants proved to be new expansions of their parent concerns. The concept of balance, under these limitations, amounted to that of supplementing the state's farm income by an increased income from industrial wages and of providing added local purchasing power to buy the products of the farm.

The third issue was the entire problem of subsidies, and with this, the controversial nature of the experiment is seen to mount. To induce the establishment of new manufacturing affiliates within Mississippi, the BAWI offered subsidy inducements. A great national question, both historic and current, was here involved. Classical and neoclassical economic theory has generally condemned—and actual practice in the United States has long included—the subsidization of private enterprise. Subsidy has been assailed, both generally and in specific cases, for arbitrarily loading the scales of open competition and interfering with the natural course of a free economy. Yet subsidy has been found in a wide variety of forms, direct and indirect—among them the tariff, the disposal of public lands and of their agricultural, timber, and mineral resources, public financing of canal and railroad developments, tax exemptions and differentials, franchise and patent monopolies, public highway, seaport and airport developments for commercial use, and Government contracts in aid of new or existing economic functions in peace and in war.

Instances of subsidy have ranged from those that had a discreditable coloring to those that amounted to the purchase by Government from private enterprise of some desired gain or outright necessity of the public welfare. But generally the practice has been controversial; few issues in our political economy have presented a greater challenge. To this vast background of debate, Mississippi now contributed an isolated and somewhat unusual chapter.

The fourth issue was that of community subsidization, a form of subsidy not peculiar to the South but of such frequent occurrence in this region as to be among its standing problems. Community subsidization of individual manufacturing companies is a piecemeal and particularistic kind of subsidy emphasized in areas that tend to be disfavored by the more wholesale differentials. In its usual form, community subsidization involves the raising of local subscription funds, gifts or virtual gifts of lands and buildings to wanted establishments, state and local tax exemptions to new industries, and the free provision of special municipal services, all in aid of new local business developments. This form of subsidy is usually spoken of as "buying pay roll" or "bringing in industry." Many communities in the Southeast ascribe to it their prosperity and, indeed, their survival.

But such subsidies confer arbitrary competitive advantages upon the favored companies, and in addition to the more general arguments brought against subsidization itself, this local variant has been condemned for having an uneconomic effect upon the location of industries, for robbing other communities of their means of support, for being most alluring to unsound and unreliable business concerns, for being the work of an "inside" group rather than of the whole community, for exploiting the local labor supply, and, in the cases where none of these things may have been true, for having been fundamentally unnecessary, inasmuch as the sounder establishments certainly needed no subsidy and presumably had already selected their locations. Nevertheless, the practice has persisted. The BAWI adopted community subsidization as its basic practice but adapted and elaborated it, inventing new procedures and establishing a plan of centralized controls.

The fifth and last issue was the public financing and state authorization of community subsidies. This issue, peculiar to the BAWI, culminated the controversies. Under the Mississippi plan, community subsidization of particular manufacturing companies was made a feature of the policy of the state. The raising of local funds was translated into terms of public bond issues and appropriations by city and county governments. The voters endorsed each local subsidy proposition and the taxpayers underwrote it. The manufacturing facilities that were made available to the private companies accordingly were publicly owned. The law, in fact, went so far as to authorize the cities and counties to operate their factories directly; on paper, this drastic power existed, though it was never actually used.

As the centralizing feature, the state investigated and expressly authorized each act of city or county subsidization. This control was exercised through a powerful state industrial commission, which, first, inquired into each new manufacturing proposal in close detail and, second, upon being satisfied as to the soundness of each deal, authorized it by legal franchise—the familiar certificate of public convenience and necessity in a new and unprecedented application—issued to the local unit of government. Upon receiving the certificate, the local government did the rest. Such was the BAWI plan; it at once provided the most centralized, systematic, and financially potent form yet taken by community subsidization in the South and at the same time carried the state of Mississippi, on paper at least, a considerable distance in the direction of socialistic theory.

An ironical contradiction is here apparent. Mississippi would generally be ranked as a conservative and highly individualistic state, and at the time of the BAWI it was under a "businessman" administration. Yet, in its urge to develop new industrial employment, it actually extended the previous limits of constitutionality. How this situation came about is a fascinating illustration of causation sequence, as well as of the conflict between theory and practice not infrequently found in economic life.

These issues, then, define the economic significance of the BAWI. Some of these issues were and are today regional in scope and in one form or another may be expected to recur. The question of increased industrialization of the South is the fundamental consideration of postwar planning in the region. The accompanying problem of selecting the more appropriate and more desirable types of industry, and of truly balancing the basic economy, becomes more far-reaching in its importance the longer it is studied. Subsidy in the large is among the gravest of national issues, and the challenge that it presents appears to be increasing rather than decreasing with time. And certainly the South has not seen the last of community subsidization of local industry. This is an old remedy, almost habitually resorted to in the past and likely to be revived and to call for new decisions of leadership in connection with local problems of postwar unemployment, conversion of small war plants, or developmental activity on the local level.

The BAWI, as will be seen, had its measure of success and also of frustration. To pass judgment upon a completed matter of history is beside the point, and it is not here attempted. Rather, the search is for implications bearing upon current and future problems. Whether to emphasize the practical gains or the debatable theory of the Mississippi experiment, and whether to accept, reject, or modify the various features of the BAWI plan, the reader will decide.

Working Features of the BAWI

There are in Mississippi today 12 manufacturing establishments[1] that were founded under the BAWI. Their names, locations, types of product, and approximate size in number of workers are given in table 1.

Certain features of the present status of these concerns and of their common history serve to define the BAWI plan in more detail and to describe its working features. A word of caution is necessary. Because these 12 plants present a sample of concerns within the broad area of industrial subsidization, there is danger that inferences bearing upon this broad area may be drawn. Such inferences would be unjustified. The BAWI enterprises were a carefully selected group; no other manufacturing concerns that have been aided by subsidies in the South were subjected to quite the same process of advance selection. In limiting the study to this particular group of plants, it is expressly recognized that the special methodology may have brought nontypical results.

The first working feature of the BAWI plan to be observed from table 1 is its obvious flexibility. Except that all 12 concerns are engaged in some form of manufacturing, they have little in common. In size they range today from the employment of approximately one hundred workers to the employment of several thousand. In types of manufacture they produce shirts and ships, bathing suits and ordnance, plywood and silk stockings, bedspreads and rubber tires. Few of them are peculiarly adapted to Mississippi alone. What here is indicated is the fact that the BAWI plan itself had no limits or bounds other than the selections made by its administrators from among the manufacturing concerns that were interested in locating in Mississippi. Literally any kind or size of manufacturing establishment could have been established in Mississippi under the plan.

[1] One silk hosiery plant shut down in June 1943 and the structure it had occupied was leased to a new tenant in October 1943. Similarly, the plywood plant changed tenants in midyear of 1943.

TABLE 1

NAMES, LOCATIONS, PRODUCTS AND APPROXIMATE NUMBER OF WORKERS OF FACTORIES ESTABLISHED IN MISSISSIPPI UNDER THE BAWI

Name of Establishment	*Community*	*Type of Product*	*No. Workers*[a]
Ingalls Shipbuilding Corp.	Pascagoula	Steel Ships	1,000 and over
Grenada Industries, Inc.	Grenada	Silk Hosiery, Shells	500 - 1,000
Armstrong Tire & Rubber Co.	Natchez	Rubber Tires, Shells	500 - 1,000
Jackson County Mills, Inc.	Pascagoula	Woolen Sweaters, Bathing Suits	500 - 1,000
Lebanon-Shirt Co. [b]	Union	Shirts	250 - 500
I. B. S. Manufacturing Co.	New Albany	Shirts	250 - 500
Crystal Springs Shirt Corp.	Crystal Springs	Shirts	250 - 500
Winona Bedspread Co.	Winona	Chenille Bedspreads	250 - 500
Real Silk Hosiery Mill	Durant	Silk Hosiery	250 and less
W. G. Avery Body Co. [c]	Pascagoula	Plywood, Wooden Automobile Parts	250 and less
Ellisville Hosiery Mills, Inc.	Ellisville	Silk Hosiery	250 and less
Hattiesburg Hosiery Co. [d]	Hattiesburg	Silk Hosiery	250 and less

[a] Based upon data of June 30, 1943, grouped to avoid disclosure.

[b] Formerly West Shirt Co. Succeeded original tenant, a silk-throwing concern, in January 1940.

[c] Succeeded as tenant by Pascagoula Decoy Co. in July 1943.

[d] Succeeded as tenant by Reliance Manufacturing Co. in October 1943.

The second working feature was the process of careful advance investigation of the applicant prospects, leading to the selections that were made. While the influence of other important factors must be recognized, this investigative and selective feature cannot be overlooked in accounting for the importance of these plants, some of them especially, in Mississippi today. This importance is considerable. In the period of four and one-half years from the beginning of 1939 to midyear of 1943, these 12 enterprises paid a total of $43,539,361 in wages. This total is heavily dominated by the shipyard, which is by far the largest employer at present in Mississippi, but even the smallest of these concerns is of importance to the small community in which it is located. The total numerical employment in the BAWI plants, likewise dominated by the shipyard, was 12,466 on June 30, 1943. Mississippi even yet has no great volume of manufacturing, so that the BAWI plants have a considerable percentage importance: combined they employed 14 per cent of the total manufacturing workers of the state and paid 24 per cent of the total manufacturing wages in the second quarterly period of 1943.

Comparison of the two percentage figures indicates that the average wage in these plants exceeds the state average, but this must be qualified: the shipyard accounts for most of the excess above the average wage, the remaining 11 plants, taken together, accounting for only a fractionally higher percentage of state total wages than of state total employment. More to the point of the general vitality of these establishments is the fact, later to be discussed in detail[2], that in all of them the total wage payments have risen year by year more rapidly—in some cases much more rapidly—than the number of workers. The fact that to begin with these 12 enterprises were winnowed by an investigative process from some 3,800 total propositions and suggestions, and selected for their operative and financial strength, is in some part responsible for their present-day importance in the state.

After having been investigated and selected, these 12 concerns were aided or subsidized by their respective communities. This aid was the third working feature of the plan. While some variations appeared, the usual history—one that would be hard to duplicate for any other 12 plants in the United States—was as follows:

1) Each establishment, after having been investigated and approved by the State Industrial Commission, was officially and formally certified to be necessary to the public welfare of the community in which its location was desired.

2) Each certified company was legally authorized by the state to become a recipient of public subsidy aids extended by the city or county government of the community. This authority was evidenced by a certificate of public convenience and necessity, issued by the State Industrial Commission to the local government concerned.

3) Each authorized subsidy deal was further ratified by the voters of the given city or county by means of a bond election requiring a two-thirds majority of voters for passage of the necessary bonds.

4) Each bond issue (the amounts ranged from $6,000 to $300,000)

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[2] See table 2, page 32, and discussion, page 31.

was then sold and the proceeds were expended by the city or county government to buy plots of ground and to erect factory buildings satisfactory to, and in most cases planned by, the accepted manufacturing concerns.[3]

5) Each publicly owned site and building then was leased for a term of years to the manufacturing concern, which thus became a private tenant in city-owned or county-owned premises.[3]

6) Each operating tenant, under a leasing contract approved by the State Industrial Commission, paid a cash rental, in some cases as low as $1 or $5 a year and in all cases low in relation to the value of the premises.[4]

7) Each operating tenant, as the main rental consideration, contracted to attain and maintain the employment of a certain minimum number of workers, or, more usually, a certain minimum annual pay roll, subject to various contingencies, qualifications, and penalties. Local residents were given preferential status for employment.

8) Each tenant enterprise provided and installed its own machinery and equipment. Such capital investment was exempted from taxation during the first five years of actual operation.

9) In most cases the tenant enterprises were additionally aided by paving, sewer construction, and other facilities and services provided by the city and county governments at public expense, and in some cases stipulated in the contracts.

This enumeration gives an outline of the general method. In essence, the plan amounted to the public provision of manufacturing premises to selected operating concerns, in consideration of local pay roll. Within this main pattern, of course, the terms and arrangements varied.

One final feature of the system, not characterizing every case but important in some, was a by-product of the BAWI and may not have been foreseen: an attitude of interest or sponsorship continuously taken by some communities and their officials in the affairs of the manufacturing enterprises, such as would hardly exist in the case of a wholly private operation. Such a proprietary feeling remains to some extent today. It arises from the memory of the voters that they author-

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[3] The exception is the Pascagoula shipyard, the site for which was prepared by the county, after being purchased by the company. No buildings were involved.

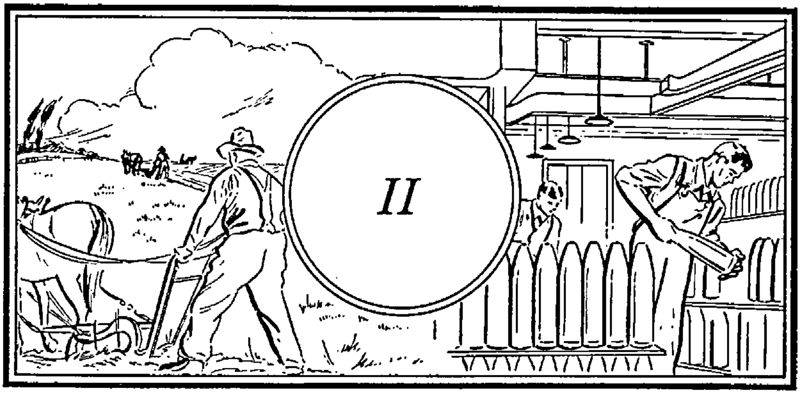
[4] The highest rent paid is $3,600 a year for a property costing $290,000, the first five years' rent being waived.

ized the establishments in the beginning. It comes from the annual reminder to the taxpayers that they subsidized the plants and are still paying for the bonds. It develops from the landlord-and-tenant relationship between the city aldermen or county supervisors and the plant management. In some cases co-operative and helpful relationships have resulted, in others a cértain friction has appeared; but, in any event, this proprietary interest seems intrinsic in the public subsidization of a private manufacturing concern and in the use for private industrial purposes of premises that are publicly owned.

In addition to its positive features, the BAWI plan had important negative features. First, in eight communities proposals were approved and certified by the State Industrial Commission, yet came to nothing, because the operation went to some rival community, because management changed its mind, or (in two cases) because opposition developed in the community. Although not in all cases responsible, the BAWI system is sometimes blamed for these disappointments.

Second, a large number of propositions were rejected. For this the BAWI is generally praised today, even by its former opponents: "The State Industrial Commission 'rode herd' on the municipalities and protected them from unsound deals." "The good concerns might have come into the state anyway—the bad ones were kept out." These opinions are frequently heard, and they serve to emphasize the danger that is inherent in any well-advertised general subsidy plan; namely, that of attracting the worst elements in industry along with the best. This danger, in Mississippi, was purposefully guarded against by investigations and judgments administrative in character, though, even so, some disappointments occurred.

Questions, indeed, exist: Was the winnowing process of the State Industrial Commission too vigorous? Were some good propositions, especially those calling for the formation of home-owned companies to process local agricultural and mineral products, perhaps thrown out along with the propositions of the poorly financed or less reputable applicant concerns? Some Mississippians think that the commission "leaned over backward to be safe." On the whole, however, the strenuous centralized control exerted by the State Industrial Commission over the many subsidy proposals that were made is regarded as one of the most valuable features of the plan, as it was also one of the most unusual.



How the BAWI Plan Developed

Experience of Columbia, Mississippi

The leading figure in the development of the BAWI was Hugh L. White, capitalist and retired lumberman, who was Governor of Mississippi from 1936 to 1940. The BAWI plan was his conception and developed from his experience. Its inception was in Mr. White's home town of Columbia, Mississippi, in 1931-32.

The pay rolls of the lumber interests owned by Mr. White had been for years the principal economic basis of Columbia, a town with a population of 4,833 in 1930. The enterprises consisted of three sawmills, a veneer plant, and a box factory. Columbia was also the trade center of an agricultural area, but much of its market for farm products was provided by the wage income of the town. Early in the depression, because of a combination of reduced lumber demand and depletion of the timber supply of the locality, Mr. White retired from the lumber industry and the Columbia operations were discontinued.

The consequences provided an emphatic lesson in the importance of industrial pay roll to a small community. The population of Columbia showed signs of serious decline. Houses and stores became vacant, homes were lost, families were divided, and the surrounding farms suffered along with the town. Feeling some responsibility for this developing distress, Mr. White took steps to remedy the situation.

On a contribution of $3,000, a new Chamber of Commerce was organized. It proceeded to shop around for a foot-loose industry that might be induced to locate in Columbia and replace the lost pay rolls. Opportunity for attracting new plants existed at the time, the pressure of the depression and of labor troubles having developed a locational restlessness among certain industries in other sections. These industries were, typically, manufacturing enterprises of the lightly mechanized type, not especially oriented to adjacent raw materials or markets, but primarily in search of low labor-cost ratios. So marked was the phenomenon of industry on wheels in that period that a form of brokerage had developed, designed to bring together client companies on the one hand and subsidy-offering communities on the other. Through such a location broker, of Chicago, the Columbia Chamber of Commerce was put in touch with a garment-manufacturing concern that wanted to set up a plant in the South.

A subsidy of $80,000 was required to cover the costs of land and buildings and probably, also, the broker's commission. This sum was raised in Columbia by a Chamber of Commerce campaign. Part of the contribution was in cash, but much of it was in the form of 6 per cent notes made out to the Chamber of Commerce and collectible by instalments. These promissory notes presented a financing problem, for cash was needed. The problem was solved when a New Orleans bank advanced the full amount of the unpaid contributions on the security of the portfolio of notes and the personal signatures of 40 Columbia businessmen, including Mr. White, on a master note. Thus, the building for the garment plant was financed. Construction proceeded and the company moved in.

Economically the garment factory was unconnected with its Columbia environment and socially it was at first a stranger to the town. To the question of why the same sum was not used to capitalize a native industry processing some Mississippi product, Mr. White replied that none of the requirements were present for success in such a venture. Outside of lumbering, Columbia had had no previous industrial experience. It had no available qualified management, no trained labor, and no established marketing contacts. Also, the time was extremely unfavorable for new hazards. To bring in an already operating company, it was concluded, offered the only feasible solution to the town's unemployment problem.

The garment plant came in and it succeeded. It soon was employing about seven hundred workers. Concededly, the wages it paid were low, as the labor market was at bottom price and this was before the passage of Federal minimum wage legislation and after the $12-a-week NRA standard had been abandoned. A Jackson newspaper, attempting to muckrake Mr. White during his campaign for the governorship in 1935, assertedly found instances of girls' receiving as little as $9.11 a week in the Columbia plant. A New York newspaperman reported wages of $7.20 a week in the same plant.

Nonetheless, the new factory produced a good-sized pay roll, and its sum total revived the town. Instances occurred of homes saved and of families held together. Local business revived. Moreover, the exodus of population was curbed. The reaction on the surrounding farming area also was marked. An observation frequently heard today in Mississippi may be dated from that time; namely, that the women and girls of farm families represent a labor surplus and that farm incomes are especially benefited by their employment in industry—that, thus, a factory may subsidize a farm. (It is less frequently recognized that the presence of a cheap and immobile labor surplus on the farms also may subsidize an industrial operation.) Since both the farm and wage income were spent principally in the town, the $80,000 subsidy extended to this plant by the local businessmen had the character of a self-supporting and self-retiring investment on their part.

Spread of the Columbia Idea

The Columbia subsidization was not the first instance of the kind in Mississippi, but it was the most widely advertised. The plan created intense interest, and Mr. White found himself invited to tour the state and explain it to Chamber of Commerce groups. Columbia businessmen, by much the same method, later brought in a plant to process pine stumpage, and also a cannery. So rapidly did the device gain ground that in 1936 Mr. White, who had become Governor, was able to inform a state editorial convention that "over 20 new industries have been established, representing investments of $5,000,000, giving employment to some 5,000 individuals, with an annual pay roll exceeding $2,500,000, as the result of the Columbia method." He also recited that the sales of merchants in Columbia had gained in dollar volume by 26 per cent since 1932, whereas in comparable communities that had no manufacturing industry, the sales had declined by an average 32 per cent. In 1940, it may be added, Columbia's population was 6,064, or 26 per cent larger than it had been ten years before.

Shortcomings of the Columbia Plan

As the leading sponsor of this development, Mr. White observed its workings over a four-year period and by 1935 had come to certain conclusions. The basic idea, he believed, was sound. Especially, he considered that the plan was sound as applying to small communities, lacking in pay roll, and located in relatively poor agricultural or lumber areas. There were many such communities in Mississippi, and they were generally in distress.

Yet Mr. White saw that the Columbia plan had certain flaws: One, such communities were usually very poor; it was an effort for the more active citizens to contribute or pledge the needed subscription funds. Two, in the course of the voluntary fund drives, there were always some individuals who were willing to contribute freely, others who would not contribute at all; this situation created bad feeling, since all stood to benefit, in theory at least, from the gain of the community in respect to pay roll. Three, the Chambers of Commerce of the smaller towns lacked the means to investigate thoroughly or to determine capably whether given propositions were sound; local desire for employment had overcome good judgment at times. Some unfortunate episodes—such as the prompt departure from one town of an overall factory whose advent had been enthusiastically celebrated by a public "Overall Day" not long before—served as a warning that a means of overhead investigation and control was greatly needed. And four, bankers had not in all cases come to the aid of the fund-raising sponsors and liquidated the pledge notes, as they had done in the case of Columbia.

Further Development of the Plan

It was purely as a practical solution to difficulties that had actually arisen in the various cases of community subsidization that Mr. White developed what were to become the features of the final BAWI plan. He wanted results. In translating the Columbia system of privately raised subscription funds to one involving the use of local government funds, he was crossing a gap that was wide in theory but appeared narrow in practice.

The municipal and county governments, Mr. White reasoned, were close to their people, in the smaller communities especially. These governments offered a ready medium for doing what the people wanted; counties and cities already had participated in the subsidy movement to the extent of supplying various services in aid of the new industries. It was typical of the area that, in the smaller towns, the same set of leaders would work now through the Chamber of Commerce, now through the local government, and now individually, in various patterns of private-public co-operation. Indeed the inclusion of these governments in the community subsidy efforts appeared to Mr. White more democratic than their omission, inasmuch as what might otherwise appear as the act of a limited group of town leaders could, in this way, have the sanction of the voters in general.

To raise the subsidy funds from public rather than private sources would, in itself, in Mr. White's view, have financial advantages. Primarily, he believed that the entire scope and energy of the movement would be greatly increased, inasmuch as the borrowing power of the units of government could raise much larger sums than the businessmen would be able or willing to pledge. The burden of what might be termed the subscriptions would be spread evenly and proportionately over all the taxpayers; thus, the unequal incidence of the private subscription system would be reduced. Also, the problem of deferred payments would disappear, for public bonds would be immediately convertible into cash. Finally, even though the electorate itself was limited, the active voters in the smaller communities were usually a high percentage of the eligible voters. The bond election, therefore, while not a perfect means, impressed Mr. White as a good available means of polling the community as to whether the particular new enterprise was wanted or not.

Underlying the resort to public deficit financing was also the existing dearth or frozen condition of private capital funds. The money market at the time was reluctant to accept the securities of private industrial concerns. But the market was responding readily to full-faith-and-credit bonds of towns and counties that were not already too heavily bonded. Therefore, under the stimulus of public bond issues, it appeared that capital would flow, much larger sums could be raised, public sanction would be more general, and the subsidies would be available in cash from the start.

Basic to the entire scheme was the control to be exercised by the state government. A central state board, empowered to investigate the various subsidy propositions and to control the local deals, would operate, in Mr. White's belief, as an important safety factor. Able and neutral businessmen could thus be placed in charge of the entire growth of new industry in Mississippi. A state advertising campaign also would assist in bringing queries to the localities that wanted new industries and would help supply the necessary momentum.

Thus, the two-level BAWI plan was developed. It provided for state sponsorship and control, but for local financing and operation. It was to be at once a means of attracting industries, of controlling the subsidizations, of polling the voters, and of getting capital to flow. Mr. White in 1935 campaigned for governor and was elected, largely on the basis of this plan. Taking office at the beginning of 1936, he proceeded to try to put the BAWI, as it was already known, into effect.

Problem of Drafting the Act

The first session of the legislature under the new administration appropriated $100,000 for state advertising and established an Advertising Commission. But the legislators promptly encountered the fact that serious problems of constitutionality were involved in the Governor's BAWI plan, and they were unable to draft a bill. Toward the end of the session, the Governor called several prominent attorneys into conference. He placed before them the practical objectives that he wanted to reach and entrusted to them the legal problem of drafting the necessary legislation. They accepted the challenge. The final stage in the development of the BAWI plan had been reached.

The group of attorneys included H. H. Creekmore, Garner W. Green, Forrest B. Jackson, Louis M. Jiggitts, W. H. Watkins, Sr., and Major W. Calvin Wells—all leading members of the Jackson, Mississippi, bar. Just as Governor White had arrived at his plan by purely pragmatic considerations, so these attorneys now sought a workable means of bringing it about within the fundamental laws of Mississippi.

The legal issue was a difficult one; it appeared at first insuperable. The Mississippi Constitution forbade the use of the public money or credit, derived ultimately from taxes, in aid of private individuals, firms, or corporations. This inhibition was altogether specific:

> The credit of the state shall not be pledged or loaned in aid of any person, association, or corporation, and the state shall not

> become a stockholder in any corporation or association. . . . No county, city, town, or other municipal corporation shall hereafter become a subscriber to the capital stock of any railroad or other corporation or association, or make appropriation, or loan its credit in aid of such corporation or association.[5]

These forthright provisions were based upon the due-process clause and had been upheld by the Mississippi Supreme Court in a number of decisions. In one case a county had been prohibited from subscribing to the capital stock or lending credit in aid of a private or semi-public hospital.[6] In another case the city of Jackson had been forbidden to turn over to a streetcar company a forfeit collected from its predecessor.[7] As recently as 1932, in another court decision, the town of Booneville had been prohibited from using the proceeds of a $15,000 bond issue to build a garment plant for lease to a private operating concern.[8] The last procedure was precisely what it was now desired to do on a large scale under the proposed BAWI plan.

The attorneys readily perceived that what had seemed a simple, workable way of bringing new industry into Mississippi involved the very fundamentals of constitutional law. Accordingly they set out to find a basic legal principle higher and more compelling than "due process" and capable of overcoming it in court.

Their attention became centered upon the "general welfare" clause that is so familiar to American constitutional law. It is basic to government to promote the general welfare of the people. Could this principle be so interpreted as to apply to the problem that was now in hand?

The principle of the general welfare, indefinable *per se,* had been embodied in many legal cases. These cases were now exhaustively explored. Obviously the power of a governmental unit to lease out a publicly owned facility—the plan called for such power—must be based upon the legal power to operate as well as to own that facility. Since general manufacturing was contemplated, Governor White's plant-leasing plan involved outright public ownership and operation of manufacturing plants as a legal right, at least. But how far did the legal right of public ownership extend? Could it extend to city or

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[5] *Constitution of Mississippi,* sec. 258 and sec. 183.

[6] *Brister v. Leflore County,* 156 Miss. 240; 125 So. 816.

[7] *Adams v. Jackson, etc.,* 78 Miss. 887; 30 So. 58.
Jackson, etc. v. Adams, 79 Miss. 408; 30 So. 694.

[8] *Carothers v. Town of Booneville,* 169 Miss. 511, 153 So. 670.

county ownership and operation of hosiery, tomato-canning, and plywood plants?

In legislation adopted by the state of North Dakota, during the period of the ascendancy of the Non-Partisan League, the Mississippi attorneys finally found their desired legal precedent. Under Governor Lynn Frazier, North Dakota had developed a full-fledged system of state banks, state crop insurance, state home building, public grain elevators, grain warehouses, and even flour mills to process grain. The legislation was based on the general welfare clause and on specific provisions of the North Dakota Constitution, which defined the welfare of that state in terms of its wheat economy. But, in addition, there was language indicating that *employment itself* might be regarded as a general welfare necessity. Thus, the clue was supplied. If industrial employment, irrespective of the type of industry, could be declared by the Mississippi Legislature to be a requirement of the public welfare of Mississippi, the legal bars against the Governor's BAWI plan might be down.

The North Dakota system had been attacked in a taxpayer's suit and the United States Supreme Court had decided, in effect, that it was a state's right to define the terms of its own welfare. The decision had concluded:

> If the state sees fit to enter upon such enterprises as are here involved, with the sanction of its Constitution, its Legislature and its people, we are not prepared to say that it is within the authority of this Court, in enforcing the processes of the Fourteenth Amendment, to set aside any such action by judicial decision.[9]

On the basis of this decision, the Mississippi Industrial Act was finally drawn.[10] The bill was presented to the Governor and legislative leaders, was passed at a special session summoned for that purpose, and became law by Governor White's signature on September 19, 1936. Embodying powers of public manufacturing far broader than Governor White—or anyone else in Mississippi—had the least intention of using, the act also contained provisions for limiting those powers, on

[9] *Green v. Frazier*, 253 U.W. 233, 40 Supreme Court 499.

[10] *Mississippi Laws*, 1936, First Extraordinary Session, Ch. 1; *Mississippi Code 1930 Anno.* Ch. 124A, 1938 Supplement.

the administrative level, to the much narrower bonding, plant building, leasing, and central supervision features of the BAWI. The law could be one thing; the practice, a lesser thing.

Details of the Industrial Act

The provisions of the Industrial Act may be summarized briefly, with quotations in part.[11]

Its heading began: "An Act recognizing Mississippi's necessity to protect its people by balancing agriculture with industry . . . ." A lengthy preamble set forth the existence of an "acute economic emergency" involving both unemployment and lack of agricultural markets, of which "the sole remedy . . . is to develop industry so that her citizens may be afforded a livelihood . . . ."

The act proper began with a declaration of policy, in part as follows: ". . . the present and prospective health, safety, morals, pursuit of happiness, right to gainful employment and general welfare of its citizens demand, as a public purpose, the development within Mississippi of industrial and manufacturing enterprises . . . ."

The later sections set up a State Industrial Commission of three members (one full-time and two part-time) and charged it with the execution of this policy. The commission was specifically empowered to determine:

> . . . whether the public convenience and necessity require that any municipality shall have the right to acquire lands and thereon to erect industrial enterprises and to operate them and to dispose of such lands and industrial enterprises.

Upon application by a local government, the commission was empowered to issue a "certificate of public convenience and necessity, determining that the public convenience and necessity and that the general welfare require that such municipality enter into such enterprise."

Before granting such certificate, the State Industrial Commission was required to satisfy itself as to certain points. At least 20 per cent of the registered voters of a local government had to petition directly for the certificate. Surplus labor supply in the area had to be sufficient to provide one and one-half workers for each prospective job. Bonds issued for the purposes of the act might not exceed 10 per cent of the

[11] *Mississippi Laws,* 1936, First Extraordinary Session, Ch. 1.

total assessed valuation of the property in the issuing unit. Finally, the commission had to find that:

> . . . said enterprise is well conceived, has a reasonable prospect of success, will relieve unemployment, or will add materially to the financial and business interest of the municipality, will not become a burden upon the taxpayers of the municipality, and that the municipal officers proposing to operate said enterprise are suitable, competent and fit persons to direct and control such operations.

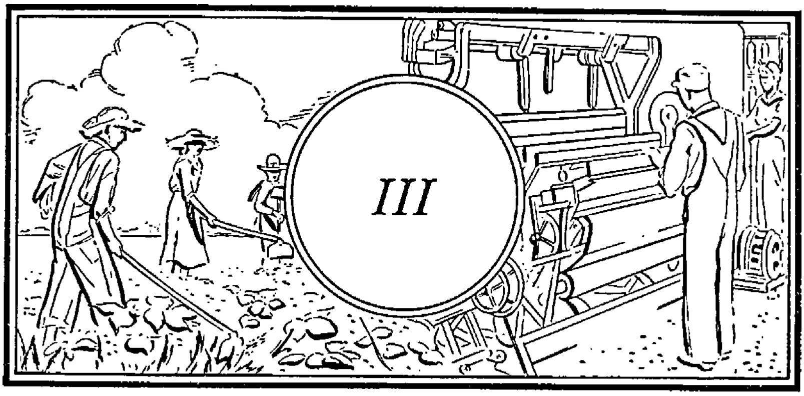
This last provision was the heart of the act, in practice. It passed the question of direct municipal operation of factories squarely up to the commission, which, in order to keep public operation of factories out of the picture, had only to declare that the municipal authorities were not "suitable, competent and fit." Since a later clause in the act provided that a municipality might lease to private operators any manufacturing facility that it did not operate, Governor White's original objective was thus attained in roundabout fashion. In practice, the municipal authorities were invariably found by the commission not to be "suitable, competent and fit" to run a factory. Thereby, the leasing provision was brought into play.

Additional provisions related to the bond issues, the terms being on the whole the usual ones, except that the burden of the securities was exempted from the municipal taxation limits and also from state and local taxation. It was provided that surplus sinking funds of counties or municipalities instead of funds from bond issues might be used in acquiring factory premises.

Tax exemption for five years was granted upon all privately owned equipment used to operate a subsidized plant but not upon the products manufactured. Such exemption reiterated a law that was already on the statute books and remains in effect in Mississippi today.[12]

This act, embodying the BAWI plan, successfully passed both state and Federal appellate tests. It was terminated in 1940 by legislative repeal.

[12] *Mississippi Code, 1930, Anno.* sec. 3109.



The BAWI Plan on the State Level

Selection of the Commissioners

Following the enactment of the Mississippi Industrial Act, the first step in practice was that of setting up the State Industrial Commission. The act provided for the appointment by the Governor of three commissioners, one full-time and salaried, the others part-time and compensated on a per diem and expense basis. Their terms were to extend until April 1, 1940, "or until their successors are appointed," an arrangement that recognized the experimental nature of the act and would give the next governor (in Mississippi a governor may not succeed himself) a three-month opportunity to decide the fate of the experiment.

Governor White went outside the political field in selecting the commissioners. As the full-time member and chairman, he selected Harry O. Hoffman of Hattiesburg, assistant to the vice president of the Mississippi Central, a short-line railroad. Mr. Hoffman was in charge of the public relations and community work of the railroad. He had come to Mississippi in railroad work 26 years before. Before accepting the BAWI appointment, Mr. Hoffman stipulated that the commission should be wholly free of political interference or influence. The Governor in turn stipulated that the commission should "do nothing for which we will afterward be sorry."

As part-time commissioners, Frank A. England of Greenville and S. A. Klein of Meridian were appointed. Mr. England had been with the Oliver Plow Company at South Bend, Indiana, and had been for several years its Southern sales manager, for a territory extending from El Paso to Norfolk. Selecting Greenville as his home, he had acquired the Ford agency and other interests and had been active as a bank director and as a leader in community affairs.

Mr. Klein was a retired merchant, having owned a department store in Meridian for many years. Later he had combined philanthropy and civic activity with his financial interests as a broker and investment banker. In Mississippi today, nothing but praise of this commission and its personnel may be heard from opponents and adherents of the BAWI plan alike.

The commissioners required an attorney and selected Forrest B. Jackson, who had assisted in drafting the Mississippi Industrial Act. At the outset Mr. Jackson established the technical procedures and forms, and at a later period he successfully defended the commission in the appeal proceedings before both the Mississippi and the United States Supreme Courts.

There were never more than the two secretarial employees, Frances Hammond, who served throughout the life of the commission, and Wallace Ijams, who served during part of that period. The total cost of the commission, to the state, for its entire duration, was $77,250.

It should be mentioned at this point that the original commissioners served only about three years, resigning in January 1940, when Governor Paul B. Johnson succeeded Governor White. They were succeeded by three new commissioners, who liquidated the operation. Three of the 21 certificates of public convenience and necessity were granted by the successor commission.

Activities of the Commission

Sped by the general publicity given to the plan by advertisements of the Mississippi Advertising Commission in trade journals and other national media and by a series of advertising circulars prepared by the same commission, the flow of proposals and inquiries began.

The routine work of the State Industrial Commission and its staff consisted in screening these proposals, sifting the good from the bad. How thoroughly this task was performed is attested by the small number of deals finally approved.

In all, about 3,800 inquiries and propositions were received (a considerably smaller number than had been anticipated). Of these, more than nine tenths were quickly eliminated. In some cases the inquirer failed to respond to the first routine reply, which consisted of a transmittal letter with a circular. In other cases the propositions were clearly impracticable and, occasionally, fantastic.

The propositions that were adjudged impracticable included some suggestions for the establishment of new, indigenous Mississippi industries, involving the formation of new companies in the venture category. Although the Mississippi Industrial Act contained wording in contemplation of this type of development and included a list of Mississippi agricultural, lumber, and mineral raw materials that might be processed, the continuing attitude of the commission was that neither the time nor the managerial and labor-skill situation in the state warranted a public subsidization of new hazards. The emphasis of the commission throughout its operations was upon the extension of established enterprise, not the birth of new. Governor White in 1938 called a "Chemurgic Conference," the express purpose of which was to find new uses for Mississippi's agricultural products and natural resources, but nothing concrete came from the conference.

The initial screening or sifting process brought the 3,800 proposals down to 300 that appeared worth while. The investigative work then began.

Unfavorable credit reports were grounds for eliminating many of the 300. Others were eliminated because of unfavorable reports received through various channels of direct inquiry, which were exceptionally complete. The commissioners had business and financial connections in New York and other cities. Mississippi's senators and representatives had others. The business and financial leadership of the state was interested in the commission's work, and placed various sources of information at its disposal. Industrial departments of power companies and railroads contributed. The records show a constant participation in many aspects of the BAWI movement by R. S. MacFarlane and B. M. Davis of the Mississippi Power and Light Company and by Dave Cottrell of the Mississippi Power Company. Central sources of information of these companies were also used. The commissioners also investigated in person. The superior ability of a strongly manned state board to bring investigative power to bear on distant enterprises was thoroughly established by this commission.

The 300 propositions were in turn brought down to about 100. The work then involved a concentration upon those 100, with the result that 60 manufacturing concerns became sufficiently interested to send their representatives into the state for interviews and inspections. These visitors were interviewed, taken around Mississippi, introduced to local officials, and shown industrial sites. In the process they themselves were thoroughly looked over. By deliberate decision, the commissioners sedulously avoided an attitude of salesmanship in dealing with both the interested visitors and the municipalities. Their attitude was that the momentum would be supplied by the Advertising Commission, the localities, and the industries themselves, and that the commission's proper position was that of an independent and impartial arbiter.

Out of the final 60 firms that showed definite interest in Mississippi came the issuance of 21 certificates of public convenience and necessity—18 issued by the original commission, three by the successor group. Twenty of these certificates covered new establishments and one provided for a plant enlargement. For various reasons that will be examined, eight propositions fell through in final stages; thus only 12 plants were eventually established under the BAWI plan.[13]

For the original 3,800 proposals, there was an over-all mortality rate of 99.7 per cent. For the 300 propositions that seemed fairly promising, the mortality rate was 90.1 per cent. Such mortality rates arouse reflection, on the one hand, as to whether the commission may not have been too conservative—as is occasionally claimed today—and, on the other hand, as to the prevailing quality of subsidy-seeking industries and the bad effects upon the economy of the state if the acceptance test applied by the State Industrial Commission had been less severe.

The Process of Certification

The central power of the commission was that of issuing the certificate of public convenience and necessity. In practice, certain preliminaries preceded the issuance of certificates. While the actual bargaining was done primarily by the county and local authorities, the prestige of the commission was such that its members were invariably called in to hear the local discussions and to advise. The final granting of the

[13] These plants are listed by name and location in table 1, page 7.

certificate, accordingly, required no new presentation of facts and became more or less a formality. Conversely, the mere verbal and informal indication to the local leaders that the commission would disapprove of a given proposition if formally applied for was invariably enough to bring about the abandonment of that proposition midway. The official record shows no instance of the denial of a certificate, once it was actually requested.

The first formal step in the process of certification was the signing of petitions in the localities. The signatures of 20 per cent of the registered voters were required, but in most cases this percentage was far exceeded. (For example, in Pascagoula, on the shipyard deal, 80 per cent of the registered voters signed petitions and the bond election was virtually sure of success.) The standard petition read:

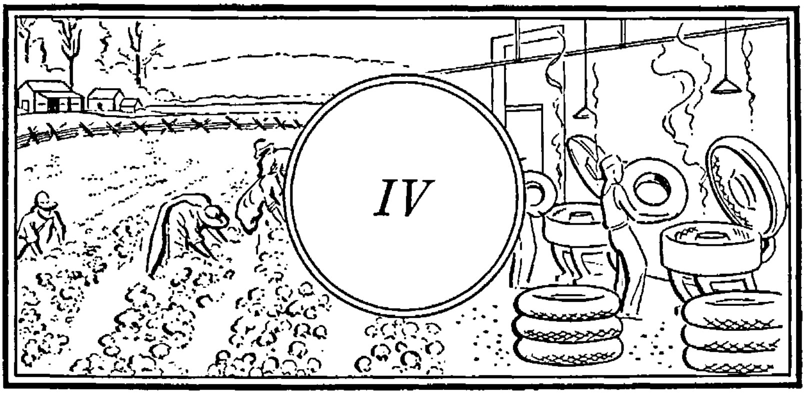
> We, the undersigned qualified electors of .... hereby petition your Board to make request of the Mississippi Industrial Commission for the issuance by said Commission of a certificate of public convenience and necessity after hearings and investigation by said Commission, permitting this municipality to avail itself of the provisions of Chapter 1, of the Laws of Mississippi, First Extraordinary Session, 1936, being Senate Bill Number 1, of said Legislative Session approved by the Governor on September 19, 1936.

Next came the filing with the commission of these petitions, together with the statement of the valuation of the city assessment roll by the county or municipal tax collector and of the existing bonded debt by the clerk. The clerk also replied to the formal questionnaire of the commission, giving numerous items of prescribed information: total number of electors, number signing petition, estimated employment of the proposed industry, estimated average weekly and annual wage per worker, length of proposed lease, estimated number of surplus workers in area, estimated number of operative jobs in the proposed industry, total assessed valuation, amount of proposed bond issue, terms of the bonds, estimated tax rate for interest and retirement, cost of proposed site, and size of proposed building and its estimated cost.

The next step, in the event a project was accepted, was the formal granting of the certificate of public convenience and necessity. The record shows that all certificates granted were unanimously approved by the commissioners.

Then came official study and approval of the proposed leasing contract between the local governmental unit and the operating concern. After this came the official authorization of the bond election, stipulating the amounts and the interest and retirement terms of the bonds. The final step was the receipt by the commission of the record of the vote that had been cast.

At this point, the commission's role ended, except for a few cases in which the contract terms were later revised and the revisions required commission approval. Buying the land, planning and contracting for the building, and similar details were left to the municipality or county concerned.



The BAWI Plan on the Community Level

Local Variations and Uniformities

As is often true of a two-level system, the BAWI plan had uniformity at the top but provided ample leeway for variation at the bottom. This fact of wide variation is important in considering how the system worked out in the various communities to which certificates of public convenience and necessity were granted by the state.

No two local experiences proved to be precise duplicates. The industrial types and managements of industries varied; so did the communities, their leadership, and their respective bargaining positions. The eagerness of communities to obtain new industries and the results of that eagerness likewise varied. Some communities found themselves engaged in bidding against rival communities. Some prospective lessees made greater demands; some towns made greater concessions. Therefore, variety existed in the contract terms, both as to form and content. Two communities lost prospective plants because of internal community opposition. Of the industries that became established, some found themselves both economically and psychologically at home; others remained to some extent strangers in their new locations. As time passed, yet greater variations developed because of the effects of the rising business cycle, the defense effort, and the war.

Despite these variations, certain experiences were at first common to all the enterprises that were established. The initial contact between the local leaders and the representatives of industry led in every case to more or less protracted bargaining; and the commission participated in the discussions, generally by municipal invitation. Then the preliminary contract was framed, its approval by the State Industrial Commission being generally assured in advance.

The next official steps taken were those previously described for obtaining the certificates of public convenience and necessity. These formalities having been completed, and the state certificate received, the bond campaign began. In some cases, passage of the bonds was a foregone conclusion, enough voters having already signed the initial petitions to guarantee such result. In others, parades were held, speeches made, and public opinion aroused. Except in one or two communities, the majorities voting in favor of the bonds were extremely large.

Approval of the bond issues was followed by other equally necessary steps. The bonds were sold. The site was bought. The local board of public works and the tenant management agreed on the construction plans. The public contracts were let, and the facilities constructed. While these steps were being taken, job applicants were listed and interviewed. The selected applicants were trained, the school authorities and the plant management generally co-operating in the training process. The machinery—provided by the tenant concerns—arrived and was installed. Community interest in the new project was thus kept at a high pitch and, when opening day arrived, a celebration usually took place.

Once production began in the subsidized plants, expansion of employment normally followed. In virtually every instance, the contract quotas of numerical employment or total pay roll were attained well in advance of the stipulated dates. This success is generally ascribed to the learning capacity of the resident labor supply, as well as to experienced management and the process of industry selection.

The pathway of newly established organizations never is completely smooth, but as far as the BAWI enterprises are concerned, the production story with few exceptions was one of unexpectedly quick attainment of normal operative capacity.

The factory structures that were built by the municipalities were and are today creditable in appearance and efficiency. As a rule these buildings are of reinforced concrete construction, well lighted and ventilated, plain and without ornamental features. Few of them, of course, are large. They are located, as a rule, in semiopen or wooded country on the outskirts of the towns. Ground space being ample, they are generally of the one-story type with the entire operation on a single floor. Some have lawns, and community pride is shown in the neat appearance of the buildings and grounds. Because the land was cheap and the municipal governments had the equipment for grading and concrete work, the dollars expended went far. As previously stated, the buildings were laid out on plans satisfactory to the tenant concerns, if not actually drawn by them; in some instances extensions were later added as the operations expanded.

Since the buildings were part of the subsidy, it follows that the tenant concerns occupied them at very small rentals. The contracts varied somewhat in this respect, but in most cases the basic payment was a token rental of either $1 or $5 a year, coupled with what may be termed a penalty payment if the stipulated minimum total pay roll or total number of workers was not reached, and a credit if exceeded in any given year. For example, this additional rental may be stated at $1,200 a year, reducible by 50 per cent if the pay roll reaches $30,000 annually and by 100 per cent if it reaches $60,000; while the excess above $60,000 is applicable to the succeeding year or to any year in a five-year period. In some cases, the building would be the property of the tenant after a given period of pay roll production, free or at a depreciated price. In one case where the rental charge was a flat $3,600 annually for a 50-year period, the first five years' payments were forgiven. In short, the revenue directly obtained by the local government through the lease of the facilities was in most cases virtually nil; the compensation primarily sought was the pay roll, regarded as income to the community in general.

The redemption of bonds, the interest, and the costs of the paving, grading, and other municipal services, thus was thrown back upon the general taxpayer. It is for this reason that the bonds were not, in the strict sense, revenue bonds resting upon the returns of the enterprises to the public treasuries, but full-faith-and-credit bonds based upon the general assessment rolls. In theory, the taxpayers were assumed to share in the pay roll returns, whether directly or indirectly. Thus they were assumed to be compensated for the bond charges, which ordinarily represent two to five mills in the local tax rates.

The theory presupposes that the voters who voted the bonds, the taxpayers who must retire them over 20-year or 25-year periods, and the beneficiaries of the factory pay roll are identical. This, of course, is not always the case; presumably there are voters who pay no taxes and taxpayers who do not share in the benefits of the pay roll either directly or secondarily. Roughly, however, in small communities a sufficient coincidence exists among these three groups so that the theory is seldom questioned.

In the total employment of the BAWI plants, the men today outnumber the women, but in the plants first established, the employees were mostly women and girls. This fact was related to the types of manufacturing that responded most readily to the subsidy; only within those types could the State Industrial Commission make its selection. The commission favored hosiery plants as a superior kind of fiber industry; as has been seen, four hosiery plants were founded, as well as a woolen knitting mill, a chenille concern, and three shirt factories. (Textile mills had figured in the Columbia-plan type of subsidization, but none were established under the BAWI.) These types of industry emphasized female employment. The small towns previously had provided little opportunity for female employment, although the large families, characteristic of the area, included women and girls who wanted employment. Frequently heard during the inquiry made for purposes of this study was the statement that the $15 or $18 a week brought home by the daughter from a BAWI plant equaled or exceeded the cash earnings of the father on the farm. This background of low farm income cannot be omitted from the consideration of this and other aspects of the BAWI.

The wage levels in the BAWI plants, especially at the outset, were low in relation to national or industrial standards. Every factor of a low-wage situation was present in these communities: the protracted history of general impoverishment, the large labor surplus, the lack of alternative employment other than that of the WPA, the lack of industrial experience and training of the labor, and the absence of any legal or organizational floor under wages. That the new enterprises in some cases took shrewd advantage of these background circumstances is regrettable rather than remarkable.

Against their background of need, the local governments were weak in bargaining power. The contracts were made in terms of total pay roll, with no stipulation as to individual wages beyond the vague requirement that prevailing standards for the same type of occupation in the same area should be observed—a requirement that, in practice, meant little or nothing. Questions as to this wage situation were and are today usually answered by the statements that the labor was untrained, that the female workers lived at home and were not dependent solely upon wages, and that living costs were low.

Regardless of the fact that individual wages tended to be low, most BAWI communities today date their prosperity from the advent of the new plants. The communities responded to the total pay roll. To the individuals, half a loaf in wages looked extremely large.

A trend of wage betterment, however, was at work. The demonstration of this principle was one of the most important developments of the BAWI. First, in October 1938 the national Fair Labor Standards Act went into effect, and the BAWI plants that were already in operation, in most cases, had to raise their wages to meet the minimum. But, also, from 1939 onward the total wage payments in these plants, with a single minor exception, continued to rise year by year, and to do so much more rapidly than the average numerical employment. This gain is shown in table 2, in the form of index figures based upon the 1939 average employment and pay roll.

The rapidity of the rate of wage increase above the rate of increase in the numerical employment is seen in some cases to have been phenomenal. Some such consequence was foreseen by the leaders of the BAWI. They reasoned: start a new plant, and it will expand and increase wages if it is sound; provide employment, and the productivity of the worker, hence his wages, will increase with time; absorb the labor surplus of any locality (all contracts required the preferential hiring of resident labor), and wages may ultimately respond to a local scarcity of workers. The war brought about these results with abnormal speed. Nevertheless, the principles involved would probably have operated to some extent had there been no war.

In Jackson, one may still hear favorably quoted the dictum of Justice W. D. Anderson, who dissented from the majority opinion by which the Industrial Act was finally upheld. "In my judgment," he wrote, "the majority opinion drives a steam shovel through our

TABLE 2

INDEXES OF NUMERICAL EMPLOYMENT AND ANNUAL WAGES PAID IN PLANTS ESTABLISHED UNDER THE MISSISSIPPI INDUSTRIAL ACT [a]

	1939	*1940*	*1941*	*1942*	*1943* [b]
Ingalls Shipbuilding Corp.					
Number of Workers	100	400	804	1870	2877
Wages	100	471	1404	4169	6385
Jackson County Mills, Inc.					
Number of Workers	100	95	125	132	117
Wages	100	110	156	176	182
Grenada Industries, Inc.					
Number of Workers	100	97	104	149	232
Wages	100	111	137	195	369
Lebanon Shirt Co.					
Number of Workers	----	100	278	462	493
Wages	----	100	328	598	719
Armstrong Tire and Rubber Co.					
Number of Workers	100	197	224	161	228
Wages	100	206	273	217	418
Crystal Springs Shirt Corp.					
Number of Workers	100	120	198	197	154
Wages	100	127	249	306	232
I. B. S. Manufacturing Co.					
Number of Workers	----	100	224	231	263
Wages	----	100	443	538	693
W. G. Avery Body Co.					
Number of Workers	----	----	100	339	89
Wages	----	----	100	355	100
Real Silk Hosiery Mill					
Number of Workers	100	116	182	172	207
Wages	100	145	183	254	248
Winona Bedspread Co.					
Number of Workers	----	100	202	176	330
Wages	----	100	197	216	467
Hattiesburg Hosiery Co.					
Number of Workers	100	261	232	168	50
Wages	100	305	315	273	84
Ellisville Hosiery Mills, Inc.					
Number of Workers	----	----	100	457	636
Wages	----	----	100	824	1137
TOTAL, ALL COMPANIES					
Number of Workers	100	194	332	567	787
Wages	100	235	536	1271	1900
TOTAL WITHOUT SHIPYARD					
Number of Workers	100	142	213	240	262
Wages	100	157	246	302	400

[a] First full year of operation was taken as the base year for each plant. The numerical employment used in the calculation is the annual average. The wages are the annual totals.

[b] Based upon first six months.

Constitution." In the smaller communities, daily familiarity with the factories in publicly owned buildings has left no more consciousness of an anomalous situation than is felt by the average rider on a publicly constructed subway that is leased for private operation.

When the BAWI plan is considered from the financial side, it is to be noted that the bonds sold readily, except for a few early offerings that were made prior to the appellate decisions establishing their legality. The securities were absorbed by local banks, by banks in other Southern cities, and by brokerage and investment banking houses, singly or in groups. In one case, a power company acquired part of an issue and, in another, a Midwest insurance concern bought a considerable block. The bonds could not be sold at less than par initially; and in some cases, owing to competitive bidding, they were sold at a slight premium. On resale, they generally appreciated—some issues considerably. The bonds were not revenue bonds, based on the small income from the rental of plants, but full-faith-and-credit securities backed by the county or city assessment rolls. The local governments had to be sufficiently solvent to support the bonds, under the terms of the law.

The general demonstration was that capital responded readily to this form of investment in a period when it was not responding to private industrials, especially small industrials. In no case, it may be emphasized, has there been to date a single instance of default or delay by a municipality or county in meeting interest and retirement charges on these BAWI bonds. This fact reflects the pay roll income that was created, strengthening the communities' ability to carry the indebtedness, adding to the per capita income, and increasing the local bank deposits.[14]

Nevertheless, some bankers who disapproved of the BAWI plan express the opinion today that the general credit standing of the participating municipalities was adversely affected. The institutions that these bankers represent have refrained from investing in these particular securities. This aspect of banker opinion is generally based upon a disapproval of community subsidization and a denial of its ultimate economic wisdom.

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[14] Deposits in member banks in BAWI communities rose from $50,380,000 in December 1938 to $119,187,000 in December 1942. The BAWI pay rolls, however, were not the sole influence.

The Question of Interpretation

In interpreting the degree of influence exercised by the BAWI system upon the success or nonsuccess of the individual subsidized plant, a knotty question arises: that of deciding whether any particular incident or trend was or was not a direct result or ultimate consequence of the plan. Other causative factors besides the BAWI system of plant founding and subsidization were clearly at work, both at first and later. Local community conditions, types of industry and management, the personal wisdom of officials and leaders of the towns, differences in financial judgment, the rising trend in the business cycle—all played their part. In Mississippi, where there is still a perceptible line-up of opinion for or against the BAWI, confusion exists on this matter of causation.

Two illustrations of this difficulty of interpretation may be given. During the latter part of 1942, in Hattiesburg, a silk hosiery mill that had been established under the BAWI plan and had operated successfully up to that time began to lose its labor to the near-by war industries and to feel the shortage of silk. In June 1943, this plant shut down and left the community with a vacant factory structure on its hands. During the same period, in Grenada, a silk hosiery mill that was also a BAWI plant and was similar to the Hattiesburg concern in many respects added a shell-manufacturing unit and kept on expanding. Some former critics of the BAWI dwelt upon the Hattiesburg occurrence as a sign of the weakness or failure of the BAWI system. Former protagonists of the BAWI plan regretted the Hattiesburg experience, but pointed to the Grenada experience as a sign of the success of the plan.

Yet such diametrically opposite results could hardly have arisen from the same single cause, even at the outset, much less after a considerable period of time. The BAWI was not the causative factor in either of these cases. What these two episodes primarily presented was a difference of reaction on the part of nonresident managements (in the one case in New York, in the other case in Indianapolis) to business conditions brought about by the current war.

The same confusion has existed in regard to the issue of low wages, previously discussed. To what extent was the BAWI, whether as a plan or as an administrative system, responsible for the wage levels? As has already been indicated, the economic situation in the state was one root cause; the BAWI was expressly called into existence to remedy that situation. Thus the fact that wages were not higher at the outset represented the initial obstacle faced by the plan. It has been suggested that a stronger stand might have been taken; that the State Industrial Commission, while it could not under the law write wage minima into the contracts, might have influenced the local governments to do so. It may be seriously questioned whether these suggestions were at all practicable under existing circumstances. It is probable that the mere attempt to do so might have caused these applicant enterprises to go to some competing place.[15] In reality the employing managements alone fixed the terms of employment, and the BAWI policy of starting a plant and trusting to economic developments to better the wage levels was probably the only policy possible under the conditions.

In short, discrimination must be exercised in judging the BAWI plan solely by its fruits. That is a process that leads to overpraising it in some respects, underpraising it in others. The fruit of a tree is affected by soil, climate, and cultivation long after the initial planting. As an industrial "planting" system, the BAWI did have certain continuing effects that must be clearly distinguished from the other influences that were at work first and last. To explore this distinction at this point is to aid the interpretation of the individual case stories that follow.

To begin with, under the system, the particular enterprises were selected for their operative strength. This selection meant that the enterprises had higher-than-average chances of survival and growth and thus protected the communities against instability; but it also meant that the enterprises were tough bargainers and that decisions vitally affecting the Mississippi communities were made at distant points with reference solely to the needs of the corporate interests involved. In no case did these selected concerns strictly need the subsidy that was offered; this basic contradiction runs throughout the BAWI plan. The choice lay between (1) subsidizing relatively strong organizations or (2) bringing in weak concerns; in choosing to avoid the latter type of hazard, the commission and the localities further reduced their comparative weight at the bargaining table. Some of the incidents in the record of the subsidy experiences are traceable to

[15] The effect of the Federal Seamen's Act on the American Merchant Marine in the 1920's offers material in point.

this cause, which in turn was intrinsic in the BAWI plan as it was administered by the State Industrial Commission.

Subsidized plants received three different kinds of public aids. First, capital subsidies were offered. The communities issued and sold $980,500 in bonds to provide $834,500 in lands and buildings and $146,000 in later expansions and incurred other expenses to an unknown sum. The industries, however, did not immediately benefit to the entire amount of this aid. Offsetting the direct subsidy at the outset were their capital outlays for new machinery and equipment, the costs of getting into production, and incidental expenses. In some cases, where the machinery was merely rented, the net capital endowment represented by the ground and building was probably a considerable portion of the total capital investment; in others, the usual explanation that the subsidy only "helped pay the moving expenses" is nearer the truth. Land and buildings are normally a minor but by no means a negligible element in capitalization. The capital subsidy must be regarded as having had a beneficial and continuing effect upon the capital position of the enterprises and as giving them varying degrees of advantage in competition.

The second kind of subsidy was the current-expense saving in the costs of plant occupancy. The tenant enterprises paid and, in most cases, still pay a rental very low in relation to the value of the property. If measured by the current costs to the taxpayers for bond interest and redemption, this saving amounts to roughly $70,000 a year distributed among these enterprises. This, however, is no great sum, and there is an important offset. Some plant managements assert that their disadvantage from increased freight costs, arising from their added distance from affiliated plants or from their markets, is greater than their current savings in costs of occupancy. This contention, which amounts to the statement that the subsidy only equalizes competition by overcoming a locational disadvantage, may conceivably apply to some of these cases. But there are other cases in which transportation costs have been actually reduced by location in Mississippi and in which this continuous economy in occupancy costs is accordingly of real importance.

The third kind of subsidy is the five-year tax exemption on privately owned machinery and equipment in the plants. This exemption is, or has been, of advantage to the enterprises only in those cases in which competitors do not have the same advantage. Tax exemption is no Mississippi patent, and in the hosiery and garment industries especially there are many competing concerns in other states that are equally tax free. Where industrial tax exemption is sufficiently general, its main effect is that of reducing the public revenue, rather than that of conferring competitive advantages. One or two plants on the BAWI list have, however, been greatly aided in competition by the saving in taxes.

These three kinds of subsidies constitute the total of the public aids extended to enterprises by the BAWI. Their sum has undeniably given certain of these enterprises a definite competitive edge, and this effect is continuous. The same competitive advantage was accorded under the old Columbia plan, which also granted land, buildings and municipal services, low rent, and tax exemption—but to less carefully selected enterprises. Thus, there is a broader base than the BAWI sample alone for the conclusion that all three types of subsidy put together would not be sufficient to overcome continued bad management, inadequate or improper financing, loss of markets, or lack of any of the primary requirements of industrial survival. Subsidy undoubtedly helps, but it does not determine, the continued competitive success of the beneficiary concerns.

Perhaps the principal effect of the BAWI system was its influence upon plant location. The plan operated to induce strong enterprises to locate in what was to all intents and purposes a virgin industrial territory. This primary fact of locational influence was in most cases a greater aid to the industries than the specific subsidies, for Mississippi itself, apart from the BAWI, had much to offer to these enterprises in the way of cost savings due to climate, freedom from regulatory legislation, and low labor costs. In one outstanding instance, major considerations were a good shipyard site and access to raw materials and, in another, the consideration was nearness to a market that it was desired to develop.

All in all, it cannot be said that the BAWI system was in itself the fundamental or decisive factor in determining many things that were ascribed to it at the outset or that have been ascribed to it since. Rather, its offer of aids was a marginal factor, serving to precipitate half-formed decisions of management, to ease and aid the transitions, and to grant some degree of continuing advantage in the business positions of the enterprises.

Narrative of the Community Subsidy Experiences

The case stories of the 21 instances of certification under the BAWI system can now be presented. In this presentation the order of certification is generally followed, but the community itself is made the focal point of interest. Table 3 summarizes the basic data.

Cities of Durant, Cleveland, and Grenada

Certificates numbers 1, 3, and 4, issued to the cities of Durant, Cleveland, and Grenada, originated from an expansion program of the Real Silk Hosiery Mills, Incorporated, of Indianapolis, Indiana. This company already had a branch plant in Dalton, Georgia, and in the latter part of 1936 proposed to establish three more branches. Attracted by the publicity of the Mississippi plan, the company's representatives were put into touch, by the State Industrial Commission, with local officials of Durant, Cleveland, and Grenada, Mississippi. These officials and commission members visited the Real Silk plants at Dalton and Indianapolis and conferred with the brothers Jacob A. and Lazure L. Goodman, who headed the concern. The BAWI leaders liked both the particular company and the prospect of starting the new BAWI system by getting three plants in a single transaction.

The Durant proposal called for a building costing the public $25,000; the consideration was a minimum $60,000 annual pay roll and $5 annual rent. The certificate for the Durant subsidy deal was the first that was granted by the Mississippi Industrial Commission after Chairman Hoffman's appointment.

Durant previously had been supported by railroad shops, but it had lost this employment. The voters authorized the $25,000 in 6 per cent bonds by a vote of 330 to 19. Then two obstacles arose. The constitutionality of the law had not yet been tested and the legality of the entire situation was in doubt. Hence, the Durant bonds would not sell, in spite of the 6 per cent interest rate, and after a time they were withdrawn from sale. Simultaneously, in Indianapolis, the Goodmans, who had done the bargaining, withdrew from the Real Silk Corporation.

At this point, a Mississippi investor, with banking support, after receiving legal advice from a leading bond attorney, bought the entire

TABLE 3

SUMMARY OF THE DETAILS OF THE CERTIFICATIONS OF PUBLIC CONVENIENCE AND NECESSITY ISSUED BY THE STATE INDUSTRIAL COMMISSION OF MISSISSIPPI

No.	Date	Issued to	Amount of Bond Issue	Life, Max. (Yrs.)	Int. Rate (Pct.)	Result
1.	12/ 8/36	City of Durant	$ 25,000	25	6	Plant established
2.	1/27/37	City of Amory	50,000			Plant independently established
3.	3/ 4/37	City of Cleveland . .	32,000			Defeated by voters
4.	3/16/37	City of Grenada . . .	32,000[a]	21	4	Plant established
5.	3/30/37	Jackson County . . . (District 3)	150,000	25	5	Plant established
6.	4/19/37	Jackson County . . . (District 1)	10,000	Appropriation		Plant established
7.	6/ 1/37	City of Terry	15,000			Negotiations failed
8.	6/ 1/37	City of Winona . . .	35,000	25	4	Plant established
9.	7/19/37	City of Union	35,000	25	6	Plant established
10.	10/ 5/37	City of Natchez . . .	300,000	20	3½	Plant established
11.	10/ 5/37	City of Newton . . .	35,000			Negotiations failed
12.	8/17/38	Forrest County . . . (District 2)	67,500	25	3½	Plant established
13.	10/20/38	Jackson County . . . (District 1)	100,000	25	4½	Plant established
14.	6/ 2/39	City of Iuka	8,000			Negotiations failed
15.	9/18/39	City of New Albany .	25,000	20	3	Plant established
16.	10/ 3/39	Jackson County . . . (District 2)	75,000	25	3½-3¾	Plant expanded
17.	11/21/39	City of Crystal Springs	25,000	20	3½	Plant expanded
18.	12/29/39	City of Biloxi	75,000			Negotiations failed
19.[b]	2/23/40	City of Ellisville . . .	30,000	25	3½-3⅝	Plant established
20.[b]	3/22/40	Harrison County . . . (District 1)	75,000			Negotiations failed
21.[b]	3/27/40	Lee, Prentiss Counties (District 2)	40,000			Bond sale enjoined

[a] Supplemented by later issues of $6,000, $15,000 and $50,000 for expansions.

[b] Issued by successors to original commissioners, who resigned in January 1940.

Durant issue at par. Friendship for the White administration figured in this purchase; the Governor's adherents did not want to see the first BAWI deal fail. The apparent financial risk that was involved in the purchase did not materialize, however, and later, the issue was resold at 115, with some of the series subsequently rising still higher.

Real Silk, under its new officials, decided to go ahead with the agreement. The Durant operation started in 1938. The total pay roll stipulation of $60,000 a year was exceeded in 1939, and both employment and wages since then have risen rapidly. The product is finished hosiery, sold direct to the consumer through a widespread system of house-to-house selling. The plant continues in successful operation today, though some reduction in employment occurred in the spring of 1943.

Certificate number 3, which was issued to Cleveland, was to have established a second Real Silk plant. But this became the only instance in which approval by the State Industrial Commission was followed by failure of the voters to endorse the bond issue at the polls. The proposed $32,000 bond issue got a majority of 222 to 163, less than the necessary two-thirds. Reflecting the attitude of the opposition, a Cleveland newspaper before election called attention to the prospective wage levels and asked: "Is that the class of laborers we want in Cleveland? . . . We insist that if a factory concern is not big enough to erect its own building, and doesn't want to come to Cleveland that bad, let them stay away. . . . Steady growth is better." Enough voters responded to this argument to veto the deal.

Grenada approved its bond issue by a vote of 412 to 69. The bonds were purchased by local and Memphis banks. The operating concern, which had remained in the Goodman interest, was incorporated in Mississippi as Grenada Industries, Incorporated. It leased about $450,000 worth of equipment, hired workers specially trained for the purpose by the public schools, exceeded its stipulated $60,000 annual pay roll by four times in 1939, and expanded with especial rapidity after September 1941. Three expansions of the building occupied by this firm were financed by additional public bond issues: the first, at the outset, for $6,000 at 4 per cent; the second, in 1939, for $15,000 at 3 per cent; and the third, in 1942, for $50,000 at 2¾ per cent. The basic operation of the company is the manufacture of hosiery in the gray, which is finished and sold in Indianapolis. A shell-manufacturing plant has been added and this is among Mississippi's more important war industries today.

The community aspect of the Grenada operation has had an interesting bearing upon labor relations. The original contract included the following provision:

> The Second Party [Grenada Industries, Inc.] pledges itself to be fair in all of their dealings with employees and to pay fair and reasonable wages, and the First Party [the City] agrees that

> it will so far as possible prevent any interference from outside sources which may cause or result in labor disputes or trouble, and the pay roll guarantee hereunder by the Second Party shall be cancelled during the period of any labor disturbance caused by outside interference.

This clause, apparently pledging the police power of the municipality to the policy of preventing attempts to unionize the plant, except by a company union, was amended in 1938 to emphasize the preferential employment of local residents and to provide that:

> The Second Party pledges itself . . . that it will not require membership in any organization, religious, fraternal, or otherwise, as a prerequisite to entering the employment of said Second Party. Second Party agrees that it will not enter into any contract with any group of employees unless and until said contract shall first have been submitted to First Party [the municipality] for its approval.

This agreement, in effect, apparently required the approval of the Board of Aldermen to a collective bargaining contract, even should the tenant concern seek to depart from its pledge and become a closed shop. The implications of this provision do not appear to have been explored in practice.

However, community involvement in labor relations at Grenada has appeared in another form. Early in the operation, some incidents of firing, dispute over the effective date of a wage increase, and a shift-freezing plan of the management, impelled the workers to appeal to the superintendent of schools, under whom most of them had gone to school in the past and under whose supervision they had been trained for this work. Upon the management's agreeing, a plant election was held at which the workers chose a committee to umpire grievances. The committee consisted of three men—the superintendent of schools, a local merchant, and a local theater owner. This committee served for some time; in all cases, its recommendations were accepted by the management and the workers. The War Labor Board eventually superseded the committee.

Such a committee arrangement undoubtedly arose from a general feeling that the community had a certain proprietary interest in the manufacturing operation, owing to the plant's BAWI origin. The management of the plant did not share this feeling but was willing to "go along" with it. Grenada Industries, Incorporated, is well liked in its community, and it is the largest employer in the vicinity today.

City of Amory

Certificate number 2, issued to the city of Amory, resulted in a plant, but not under the BAWI system. After the voters had passed the $50,000 bond issue by 542 votes to 25, the enterprise, fearing legal involvements, decided to do without the subsidy and constructed its own building.

Jackson County (Pascagoula)

Certificates numbers 5 and 6 were issued to Jackson County in behalf of the Onyx Knitting Mills, a family-held partnership operated by three Peterzell brothers in Philadelphia. This firm had had labor trouble and was looking for a new location in a place where a more stable labor force might be found.

Jackson County, Mississippi, in the area of Pascagoula, was at the same time in great need of manufacturing employment. In this area farming was poor, lumbering had declined, and a large rural population was in a condition verging upon distress. Through the industrial agent of the Mississippi Power Company, the Jackson County board of supervisors was put into contact with Meyer J. Peterzell, head of the Onyx Knitting Mills. From this contact resulted what was to become the second largest employing company in the BAWI list.

This company is now the Jackson County Mills, an important manufacturer of woolen bathing suits and sweaters. It was established on the outskirts of Pascagoula by a county bond issue of $150,000 at 5 per cent, voted by a majority of 1,259 to 110. Of this issue, the largest BAWI financing to that date, $100,000 was bought after competitive bidding by a group of brokers and bankers of Mobile, New Orleans, and other points, and $50,000 was bought by the county itself. An annual pay roll of $250,000 was stipulated in the contract.

The company was housed in a concrete building of about 100,000 square feet of floor space. The building was economically constructed by the use of county grading and cement mixing equipment and some county convict labor. It was later nearly doubled in size through funds supplied by a second bond issue of $75,000, voted in 1938.

At the time of the enlargement, the Peterzells abandoned their Philadelphia parent plant and made Pascagoula their headquarters, while retaining an affiliated yarn mill in New England. The stipulated pay roll was considerably exceeded from 1939 on. The new employment changed the outlook of the area and resulted in mortgage redemption, farm improvement, and considerable building. Pascagoula today looks to this company for much of its future stability, the prospect of a postwar backlog of consumer demand for woolen goods being favorable.

A second Jackson County venture in subsidies, for which certificate number 6 was issued, brought to Pascagoula a plywood plant. The subsidy in this case was a building constructed from the proceeds of an appropriation of $10,000. The stipulated annual pay roll was $30,000. This was a case of the subsidization of an indigenous Mississippi industry, for the operating tenant was the W. G. Avery Body Company, a Mississippi enterprise with several plants, utilizing the state's hardwoods to make bodies and veneer parts for Detroit automobile concerns. The branch at Pascagoula had its highest employment in August 1942, after which date its number of workers gradually diminished. In 1943 this operation was consolidated with the parent plant at Jackson, Mississippi. A new tenant, the Pascagoula Decoy Company, making wooden equipment for the army, soon occupied the building.

A third Jackson County venture in subsidy, for which certificate number 13 was issued, was instrumental in part in bringing the Ingalls Shipbuilding Corporation to Pascagoula. This venture is usually regarded as the climax of the BAWI, but the causation in this case may be questioned, inasmuch as first-class shipyard sites are few and a company desiring to establish a yard in a certain general area may be presumed to know all the available sites and to take its choice. This venture included citizen activity as well as BAWI financing and had many ramifications.

In 1938, the Ingalls Iron Works Company of Birmingham, an important fabricator of structural and plate steel, planned to found a shipyard as an outlet for its products and to bid on Maritime Commission contracts then in view. Its representatives toured the Gulf Coast, looking for shipyard sites. Pensacola had an unoccupied site, and so had Pascagoula. Officials of Jackson County, in which the Pascagoula site is located, first suggested a $50,000 subsidy but heard that Pensacola had offered $130,000. Jackson County doubled its offer to $100,000, and the offer was accepted by the parent company.

The site, of ample acreage, was unique in having a natural deepwater channel broad enough for endwise launching of the largest type of vessel. In addition, the site had an advantageous natural slant of ground. During the first World War, this site had been used with success by the International Shipbuilding Corporation in building vessels for the Italian Government. The property had reverted to the city for taxes, but the title was clouded, several residents of the city of Hattiesburg having claims.

The first steps rather resembled the Columbia plan. The community leadership undertook to clear the titles and consolidate the land holdings. A citizen group was formed as a committee of trustees. It included a banker, who supplied the necessary financing, and an attorney, who went to Hattiesburg, interviewed the claimants, and obtained quitclaim agreements. The city government escrowed its tax titles with the trustees.

The county government then applied to the State Industrial Commission and received the certificate of public convenience and necessity for a bond issue of $100,000, to be used in clearing, grading, and improving the shipyard site. The voters, 80 per cent of whom had signed the petition, passed the bonds almost unanimously. The clearing and grading work on the site was performed by the county. The Port Authority, which received reimbursement from the county, dredged and straightened the launching basin and drove a large quantity of creosote piling. Finally, the finished site was conveyed by the city to the newly incorporated Ingalls Shipbuilding Corporation, the committee of trustees acting as intermediary in the transaction.

Thus, by an instance of all-round co-operation among a citizen group, four governmental units, the voters, and the enterprise itself, the famous "250-mile assembly line" of the Ingalls concern was founded. The parent company provided the shipbuilding equipment, the new company bid for and obtained a $10,000,000 Maritime Commission contract, and the first all-welded, "one-piece" steel ship in the United States was soon under construction. Later the shipyard employment was multiplied and additional lands were purchased by the company. When the war emergency came, this shipyard was ready for performance, as the record abundantly shows.

City of Terry

Certificate number 7 was issued to the city of Terry. After having voted $15,000 in bonds to bring in a garment manufacturing operation, the voters of Terry were disappointed by the action of the management in calling off the deal and deciding upon a location in Texas.

Certificate number 8 was issued to the city of Winona and resulted in the establishment of the Winona Bedspread Company. This certification won its place in BAWI history by becoming the basis of the taxpayers' suit that tested the constitutionality of the Industrial Act. Such a suit was wanted by the friends and opponents of the act alike, and the narrow margin in the Winona voting, 262 to 113 on a $35,000 issue of 4 per cent bonds, suggested the opportunity. W. S. Albritton, a railroad employee at Winona, was the plaintiff. He lost his case in the local chancery court, and an appeal was arranged.

This case was elaborately briefed and argued by both sides before the Mississippi Supreme Court. W. E. Morse of Jackson, Mississippi, appeared as attorney for Albritton. Forrest B. Jackson, W. T. Knox, H. H. Creekmore, Garner W. Green, and Louis M. Jiggitts, all of Jackson, appeared for the commission. Weaver E. Gore filed a brief, as *amicus curiae,* taking the view that the act was unconstitutional. These briefs are exhaustive and are significant today to the student of municipal ownership and of the debatable ground between "due process" and the general welfare. On April 4, 1938, the Mississippi Supreme Court declared the Industrial Act constitutional by a vote of five to one.[16] The United States Supreme Court later found that no Federal question was involved, that the matter was exclusively for determination by the state.

The practical effect of this decision was to liberate the important Natchez deal (certificate number 10), which was under way, and to free the resale of previous bond issues that were in the original investors' hands. Lower interest rates on the subsequent bond issues were also made possible.

The tenant in the new Winona plant, the Winona Bedspread Company, was a Jackson, Mississippi, concern loosely affiliated with a group of cotton cloth and bedspread plants in Mississippi and Alabama towns. The operation in Winona made a halting start, owing, it is said, to the belief on the part of the first employees that the new employment had a public relief character. After initial production delays, and discharges and replacements of labor, the annual

[16] *Albritton v. City of Winona,* 181 Miss. 75, 178 So. 799; App. dism. 58 Supreme Court 766, 303 U. S. 627.

pay roll stipulation of $75,000 a year was satisfactorily met and continues so today.

City of Union

Certificate number 9, issued to the city of Union, resulted in an issue of $35,000 in 6 per cent bonds, voted by the overwhelming majority of 293 to 9. The proceeds of the bond issue were used in constructing a factory building for a silk-throwing concern. The tenant enterprise started operations but failed to perform its contract and after a brief period closed down. This closure caused disappointment almost as great as the initial enthusiasm.

The community-owned building then stood idle for some 18 months. It was finally rented in November 1939 by the West Shirt Company (later the Lebanon Shirt Company), a Mississippi corporation with New York and Pennsylvania affiliations. The operation of this company has continued to the present time, with pay roll results several times the $50,000 minimum stipulated in the first contract.

City of Natchez

Certificate number 10, issued to the city of Natchez, resulted in the largest of all bond issues under the BAWI—$300,000 in 3½ per cent bonds of the city. Proceeds were used for the purchase of a 22-acre site and the construction of reinforced concrete buildings to house the Armstrong Tire and Rubber Company, Incorporated. This company is owned 50 per cent by Armstrong Rubber Company of West Haven, Connecticut, and 50 per cent by Sears, Roebuck and Company. It was established at Natchez under contract to manufacture tires for distribution by the latter concern, which was represented in the subsidy negotiations.

The Armstrong Tire and Rubber Company does not appear to have been in need of subsidization from any source, but as to Natchez' need of industrial employment, there could be no question. The decline in river traffic had seriously reduced the community's employment opportunities. The State Industrial Commission, while anxious to secure soundly financed enterprises for the state, raised questions about the certification. One question bore upon the remaining bonding capacity of Natchez, which already owed $776,000 in bonds. The additional $300,000 would virtually absorb the city's remaining margin of bonding capacity. Again, the commission pointed out that the $300,000 bond issue was to bring in a stipulated $300,000 annual pay roll, or a ratio of one to one, whereas in all previous subsidy propositions the ratio of prospective pay roll to bond investments had been considerably higher. Natchez' need of employment, however, prevailed over these considerations.

The weakness of Natchez' bargaining position was apparent in the rental terms of the contract. Under the original contract, the company was to pay $600 a year basic rent for the $290,000 property[17] for five years. At the end of that time, the property would be conveyed in fee simple to the company, providing the pay roll by that time amounted to $1,000,000. If the pay roll had not reached $1,000,000, the conveyance would be postponed until it had done so. Under this arrangement after five years the property would become private property and, hence, taxable.

At the end of 1938, when operations were beginning, this rental arrangement was amended. The amended contract provided for a 50-year lease, the rental for the first five years to be waived, and $3,600 annually to be paid after this rent-free period. The company was given an option to purchase the property at cost less a stipulated annual straight-line depreciation at any time during the leasing period. Thus, the property pays no taxes to the city for 50 years, unless the option is exercised. Interest on the bonds, initially, was $10,500 annually, and average annual amortization is $12,000. This amount may be compared with the annual $3,600 rental payment. The city also was obligated by the contract to provide pavement to the site, and it performed grading work. The cost of these services has been estimated as between $35,000 and $50,000.

The pay roll income has meant as much to Natchez as to any other community—perhaps more. With the simultaneous growth of the Armstrong plant and of a second factory in the area—indirectly the result of an earlier attempt at subsidization by the fund-collecting process—the community revived. So rapidly did the pay roll of the Armstrong operation expand that, had the original contract been unchanged, the company would have become owner of the site and building by mid-1941. At that time the rubber shortage became evident and numerical employment receded temporarily, but, as in the case of Grenada, a

[17] $10,000 was paid by Natchez as a location fee.

shell plant was added, and in 1943 the plant's pay roll was larger than ever before. From the beginning of 1939 up to June 30, 1943, the Armstrong plant disbursed in pay roll more than nine times the face of the bond issue. Since the ratio of pay roll to bond issue is the customary way of figuring the "return upon investment" in the subsidizing communities, it is apparent that Natchez is financially satisfied with the deal.[18]

However, the town authorities failed to act upon a request laid before them by company representatives that the city issue another $150,000 in bonds in order to provide funds for the construction of a tire warehouse. The argument upon which the refusal was based was that a warehouse does not employ a large labor force and that, as figured on a ratio of bond issue to prospective pay roll, the investment would not pay. The company thereupon built the warehouse from its own resources.

City of Newton

Certificate number 11 was issued to the city of Newton. Voters of the city approved a $50,000 issue of bonds in order to bring in a branch of a Michigan hosiery concern. Upon decision of the company not to establish a plant in the South, the bonds were cancelled.

Forrest County (Hattiesburg)

Certificate number 12 was issued to Forrest County for the purpose of bringing a manufacturing company to Hattiesburg, the county seat. Hattiesburg, third city in population in Mississippi, had had a silk-weaving mill that had discontinued operations. The presence of an experienced labor supply attracted the attention of one of the largest concerns in the silk industry, Julius Kayser and Company, Incorporated, with numerous subsidiaries and an integrated vertical operation extending from silk throwing to finished manufacturing and selling in retail outlets.

The subsidy was in the form of a factory building. Proceeds from a county bond issue of $67,500 were used to take over and alter the vacant silk mill. The Hattiesburg Hosiery Mill, a Kayser subsidiary,

[18] Some pay rolls of the BAWI plants have returned yet higher ratios. See table 6, page 57, and discussion, pages 57-58.

was thereupon incorporated in Mississippi, and it leased the building from the county.

Operations of the new mill started in January 1939 and expanded gradually. Normal production was maintained during 1940 and until about October 1941. Then the plant began to lose labor to near-by war industries and training classes. It also encountered silk and nylon shortages. In June 1943 the plant was closed by the parent concern. The workers generally found other employment and in October 1943 the plant was leased and reopened by a new tenant. It is now operated as a branch of the Reliance Garment Company, a shirt manufacturing concern.

City of Iuka

Certificate number 14 represented an anticlimax. After the voters of Iuka had approved an issue of $8,000 in bonds to import a garment company located in adjoining Alabama, the company decided to stay where it was.

City of New Albany

Certificate number 15 put a second shirt factory, the I. B. S. Manufacturing Company, into New Albany, where the Irwin Manufacturing Company, Incorporated, was already located. Irwin B. Schwabe of New York is president of both concerns, which have identical officers though they are separately incorporated. Work shirts are manufactured on a contract basis and handled through Irwin B. Schwabe Company of New York City.

Operations began in 1940 in a new factory building financed by a bond issue of $25,000. Employment has been at capacity and on a remarkably even keel since the beginning of 1941. The stipulated $50,000 annual pay roll has been far exceeded. Community relations of the public-tenant corporation are not distinguishable from those of the older, purely private plant.

City of Crystal Springs

Certificate number 17 covered part of a somewhat complicated and protracted transaction involving the city of Crystal Springs. The transaction at various stages involved the acquisition of the city's municipal power plant by the Mississippi Power and Light Company, the erection of one structure to house a shirt factory by a Chamber of Commerce fund of $30,000, and the erection of an extension from the proceeds of a public bond issue of $25,000. The operating concern is the Crystal Springs Shirt Company, a family partnership connected with the Bernstein and Son Shirt Corporation of New York. The contract provided that the company could acquire the public building in 10 years, if its total pay roll in that time amounted to $500,000. This amount was reached in less than five years.

City of Biloxi and Harrison County

Certificates numbers 18 and 20 were granted to the city of Biloxi and to District 1 of Harrison County, in which Biloxi is located.[19] These certificates were for a pottery-manufacturing operation to utilize local kaolin deposits and represented a departure from the previous policy, in that the proposed operation was a new promotion. Each authorization was for $75,000, a total of $150,000 for the new venture, but the proposition was dropped and, according to local opinion today, was unsound.

City of Ellisville

Certificate number 19 resulted in a bond issue of $30,000. Proceeds were used to establish the Ellisville Hosiery Mills, Incorporated, in Ellisville. This plant was the smallest of the BAWI establishments and proved to be the last. It has operated with success.

Lee County

Certificate number 21, granted to two county districts in Lee County, northeastern Mississippi, was to have established a branch of the Blue Ridge Overall Company of Virginia near the town of Baldwyn. A $40,000 bond issue was voted. Sale of the bonds was enjoined by taxpayers in the neighboring community of Guntown, and the deal fell through. This failure is still greatly regretted in Baldwyn today.

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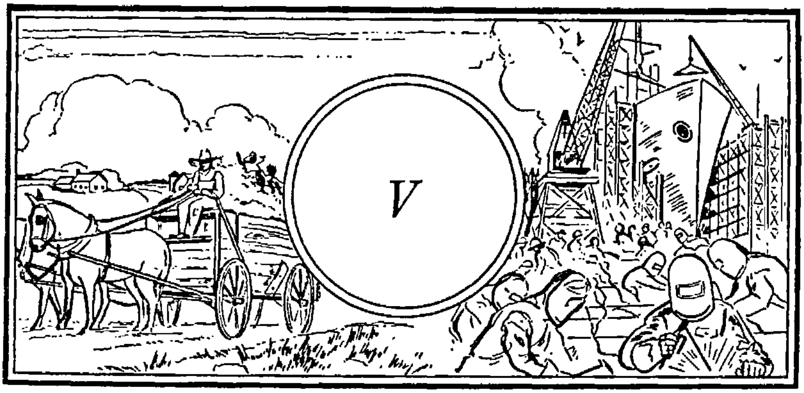
[19] Certificate number 18 was the last certificate issued by the original State Industrial Commission before its resignation in January 1940 at the conclusion of the administration of Governor White. Several other deals were "on the fire" at this time, and three were certified by the successor commission, appointed by Governor Paul Johnson. Two resulted in the establishment of plants, one under the BAWI and one under other auspices.

The new commissioners were Joseph F. Dixon of Natchez, who succeeded Mr. Hoffman as chairman; M. P. Bush of Ellisville, who succeeded Mr. England; and J. G. Repsher of Meridian, who succeeded Mr. Klein.



End, Aftermath, and Summary of the BAWI

As April 1, 1940, approached, the impression was general in Mississippi that the Industrial Act of 1936 was due to expire automatically. The act, to be sure, provided only that the appointments of the commissioners, and any unused certifications, should become void on that date. But in Mississippi, where a Governor may not succeed himself, each new administration is expected to review the more experimental acts of its predecessor. The Industrial Act had been so written as to provide expressly for such a review.

The circumstances at this time favored the discontinuance of the BAWI for several reasons. Governor White, father of the plan, was no longer in office, having been succeeded by Governor Paul B. Johnson. Coincidentally, the BAWI appeared to have worked itself out of a job. The restlessness and southward drift of industry had subsided. War had come in Europe and the business trend in the United States was upward. Few applications had been received by the State Industrial Commission for some months past. Mississippi's unemployment emergency was less acute than formerly. Most communities that wanted to act under the BAWI plan, and had the bonding capacity to do so, had either got their new industries or had tried and failed.

Concern with problems of public revenue had put the BAWI under heavy fire. Its features of public subsidy, bonded debt, and tax exemption for industrial property were clearly related to the revenue problems. Moreover, no abundant showing of returns in numerical employment and in pay roll dollars could yet be cited in answer to the recurrent attacks upon the theory of the BAWI.

The fact was that up to April 1940 the visible returns from the BAWI plan had been actually meager. To conduct negotiations, approve bond issues, build new plants, and bring new factories into normal production were steps that required time. Up to the date mentioned, only seven new concerns had come into actual operation under the BAWI, and these had a total of only 2,691 employees. This number was less than 5 per cent of the total manufacturing employment of Mississippi. Thus, the plan appeared to have failed to produce the hoped-for and intended results. The future, of course, could not be foreseen.

Joseph F. Dixon, whom Governor Johnson had appointed chairman of the State Industrial Commission, favored the continuance of the public subsidy plan, but with a change in administrative policy. Mr. Dixon believed the BAWI system might be used to develop natural home industries, such as tomato canning, the higher forms of lumber processing, furniture making, and other processes adding value to Mississippi's raw products. He discussed this idea with Governor Johnson. The verdict, however, was negative, as it had previously been on the part of the former State Industrial Commission on the same point.

In April 1940, the Mississippi Legislature with virtually no opposition adopted, and the Governor signed, an act consolidating the State Planning Board, the State Advertising Commission, and the State Industrial Commission into the new Mississippi Board of Development and repealing the Industrial Act of 1936. This act became effective June 30, 1940. Thus ended the legal existence of the BAWI. Two matters of unfinished business were affected by the repeal. Taxpayers enjoined the sale of the $40,000 bond issue that was to have brought in a garment plant at Baldwyn. On the other hand, a manufacturing development in Meridian, the negotiations for which had been started under the BAWI, became established after the Industrial Act had expired.

Aftermath of the BAWI

Three years from the date of the repeal of the Industrial Act, the numerical employment in the BAWI plants had multiplied by approximately four times and the wage disbursements by nearly nine times. This rate of expansion far exceeded that of the previously established manufacturing in the state.

The BAWI plan could not be regarded as the cause of the expansion, without strong qualifications.[20] The business cycle and the war demands were the dominating influences. The shipyard became larger than all the rest of the plants combined. The experience of three of the concerns ran somewhat counter to the general trend.[21]

During the eight months of 1940 after the repeal of the Industrial Act, the Winona Bedspread Company at Winona and the I. B. S. Manufacturing Company at New Albany came into operation. The Ingalls Shipbuilding Corporation was still a relatively small employer. The Jackson County Mills, Crystal Springs Shirt Corporation, Grenada Industries, Incorporated, Armstrong Tire and Rubber Company at Natchez, and Hattiesburg Hosiery Company were at or near their normal peaks. The Real Silk Hosiery Mill at Durant was reorganizing, and its employment had temporarily dropped; the West Shirt Company at Union was just getting started. At the end of 1940, 10 BAWI plants were in operation, having 7 per cent of the total numerical employment, and 8 per cent of the total pay roll, within Mississippi's total of manufacturing.[22]

In 1941, the Ellisville building, which had been standing idle, secured a new tenant, and the Pascagoula plywood plant commenced operations. Thus, all the BAWI plants were now going concerns, and in 10 of them 1941 was a year of steady expansion. The shipyard more than doubled its employment during the year. But the hosiery mill at Hattiesburg had reached maximum employment. The rubber and tire plant at Natchez was already feeling the shortage of rubber brought about by the military demands, and in the latter months of 1941 employment in the plant declined. For Mississippi as a whole, the

[20] See discussion, pages 34-37.

[21] How each plant, in relation to its size, affected the total growth of the BAWI group has previously been indicated in the index figures of table 2. See table 2, page 32, and discussion, page 31.

[22] The basic figures, by quarters, are shown in tables 4 and 5. See table 4, page 55, and table 5, page 56.

total employment in manufacturing increased during 1941 by 27 per cent and the total manufacturing wages by 56 per cent. At the end of the year the BAWI group of plants had increased its percentage share to 9 per cent of the total employment and to 14 per cent of the total manufacturing pay roll of the state.

During 1942, several of the BAWI plants turned to war production. Mississippi's major industry, that of lumber production and processing, was under heavy war demands but was having difficulty in keeping its workers. The total increase in manufacturing employment for the state in 1942 was 16 per cent above 1941, and in manufacturing wages, was 38 per cent above 1941. But the BAWI plants during 1942 nearly doubled their number of workers and more than doubled their payment of wages. These 12 plants for 1942 alone contributed 42 per cent of the state's total gain in manufacturing employment and 47 per cent of the state's total gain in manufacturing wages. Most of this gain was due to the shipyard expansion—the shipyard again doubled its employment, for the second successive year—but other plants also contributed in proportion. Exceptions were the Hattiesburg and Durant hosiery mills and the Crystal Springs shirt factory, which lacked raw materials and labor and sustained slight declines. The Natchez tire factory remained below its 1941 levels during most of the year. As 1942 ended, the 12 BAWI plants had 14 per cent of the employment and 23 per cent of the pay rolls in the rising total of Mississippi's manufacturing.

During 1943 the BAWI plants as a group continued to prosper. They had generally attained their war peaks by April and continued thereon, with minor changes due primarily to labor shortage. The shipyard was performing at near capacity in spite of excessive labor turnover. The Natchez tire factory and the Grenada silk plant were manufacturing shells and were expanding their facilities. Other plants also had war orders. But there were negative developments as well. The Hattiesburg Hosiery Company shut down in June because of combined labor losses and silk shortage. At almost the same time, the Pascagoula branch of the W. G. Avery Body Company was consolidated with the parent plywood concern at Jackson, Mississippi.

During the first half of 1943, the lumber industry lost further labor and the state total of manufacturing employment declined somewhat. But the BAWI total on June 30, while slightly below that of April, still was above that of the previous December. Thus at midyear

TABLE 4

NUMBER OF WORKERS, AVERAGED BY QUARTERLY PERIODS, IN 12 MANUFACTURING ESTABLISHMENTS FOUNDED IN MISSISSIPPI UNDER THE BAWI [a]

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Average for Year [b]
1939	1,078	1,348	1,951	2,154	1,633
1940	2,569	3,023	3,347	3,728	3,167
1941	4,359	4,952	5,823	6,533	5,417
1942	6,740	8,392	10,199	11,728	9,265
1943	12,818	12,898	——	——	——

[a] Source: Mississippi Bureau of Unemployment Compensation.

[b] Average of 12 monthly periods.

of 1943 the BAWI group accounted for 14 per cent of the employment and 24 per cent of the pay roll of all manufacturing in Mississippi. In July, the Pascagoula plywood plant obtained a new tenant, and, in October, the Hattiesburg plant did likewise. The other operations continued generally at capacity.

Summary of the BAWI

Mississippi's official attempt to balance agriculture with industry resulted in the establishment of 12 manufacturing plants that were new to the state. They included 4 hosiery plants, 3 shirt factories, a chenille concern, a woolen-goods mill, a plywood plant, a rubber and tire plant, and a shipyard. None had left its former location; all were the branches or affiliates of central or parent concerns that used the BAWI subsidy plan as an aid to their decentralized expansions.

Employment figures for these 12 concerns are shown in table 4 by quarterly periods from the beginning of 1939 to midyear of 1943. The growth in employment was remarkably consistent, as well as rapid, though it is to be recognized that the largest plant, namely, the shipyard, dominates the totals.

The wage disbursements of the 12 BAWI plants are set forth in table 5.

The grand total of wages in table 5, for the period of four and one-

TABLE 5

WAGE PAYMENTS BY QUARTERLY PERIODS IN 12 MANUFACTURING ESTABLISHMENTS FOUNDED IN MISSISSIPPI UNDER THE BAWI [a]

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total for Year
1939	$ 200,828	$ 272,790	$ 404,542	$ 529,414	$ 1,407,574
1940	609,952	764,819	896,826	1,043,048	3,314,645
1941	1,201,666	1,572,602	2,082,547	2,693,414	7,550,229
1942	2,752,115	3,689,388	5,271,056	6,181,827	17,894,386
1943	6,396,435	6,976,092	----------	----------	13,372,527 [b]

[a] Source: Mississippi Bureau of Unemployment Compensation.

[b] Six months only.

half years, is $43,539,361. This sum, in the customary parlance, is termed the pay roll that Mississippi "bought" or in which, under the public subsidy plan, the taxpayers of the state "invested." The "investment" was the sale of a total of $980,500 in public bonds, plus the operating cost of the State Industrial Commission (which was $77,-250), the unknown cost of additional municipal aids and services, and a varying amount of bond interest. Figured in these terms, as is common in subsidy deals, the ratio of "returns" to total "investment" in four and one-half years' time was approximately 36 to 1.

But this popular way of calculating the results of a subsidy deal is open to grave objections. It involves the sweeping assumption that the subsidy actually was an investment—that it actually "brought in" the industries as a purchase payment brings a return in goods. But a subsidy is an inducement, not an investment, and the causative effect of that inducement can never, in the nature of things, be satisfactorily proved. Though neither the grantor nor the recipient of subsidy will ordinarily admit it, the establishment might have been made without subsidy, in which case the ratio of "returns" would be infinity.

Another common way of figuring the results of subsidy is to divide the total amount of the subsidy by the number of jobs in the new enterprise, the result being the "average cost of a job." This method has the same fallacy as the first, in that it assumes causation; but, further, the result of this method varies according to the employment status of an industry at a given time. For example, if calculated for the BAWI plants as of their 1939 average employment, the "cost of

TABLE 6

COMPARISON OF WAGE DISBURSEMENTS AND SUBSIDY BOND ISSUES FOR 12 MANUFACTURING ENTERPRISES ESTABLISHED IN MISSISSIPPI UNDER THE BAWI

Name of Establishment	*Total Wage Disbursements*[a]	*Amount of Bonds*	*Ratio of Wages to Bonds*[b]
Ingalls Shipbuilding Corp.	$32,941,661	$100,000	73.2 to 1
W. G. Avery Body Co.	306,428	10,000[c]	15.3 to 1[d]
Crystal Springs Shirt Corp.	973,704	25,000	8.7 to 1
I. B. S. Manufacturing Co.	552,820	25,000	7.4 to 1[e]
Lebanon Shirt Co.	795,602	35,000	6.5 to 1[f]
Real Silk Hosiery Co.	523,250	25,000	4.7 to 1
Grenada Industries, Inc.	1,780,600	103,000[g]	3.9 to 1
Ellisville Hosiery Mills, Inc.	176,470	30,000	2.9 to 1[d]
Winona Bedspread Co.	254,814	35,000	2.1 to 1[f]
Armstrong Tire & Rubber Co. . .	2,773,607	300,000	2.1 to 1
Jackson County Mills, Inc.	2,017,807	225,000	2.0 to 1
Hattiesburg Hosiery Co.	442,598	67,500	1.5 to 1
TOTAL	$43,539,361	$980,500	9.8 to 1
TOTAL WITHOUT SHIPYARD	$10,597,770	$880,500	2.9 to 1

[a] Source: Mississippi Bureau of Unemployment Compensation.

[b] On basis of annual average pay roll for the period, January 1, 1939, to June 30, 1943, unless otherwise noted.

[c] Direct appropriation.

[d] July 1, 1941, to June 30, 1943.

[e] July 1, 1940, to June 30, 1943.

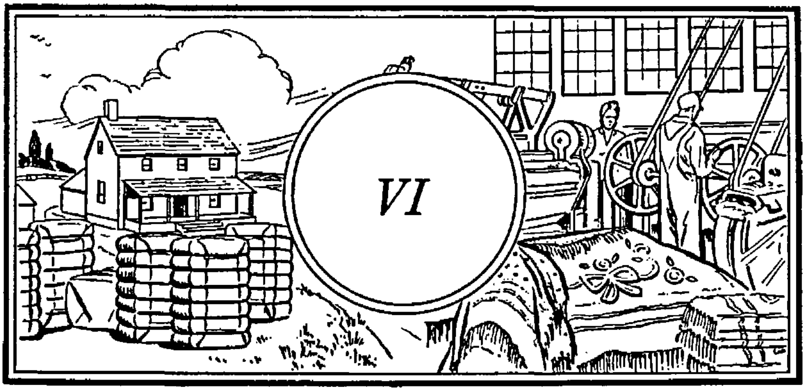
[f] January 1, 1940, to June 30, 1943.

[g] Four bond issues.

a job" is approximately $600, whereas if calculated for the identical plants as of 1943, the "cost of a job" is about $90. Nothing can be made of such a method of figuring, which is here mentioned only because it is prevailingly used in promotional circles in justifying subsidy by its so-called "results."

The ratios between the annual average wage disbursements and the amount of bonds issued for each BAWI plant are shown in table 6, but for a reason very different from the usual "return upon investment" calculation. In the table, the establishments are arranged in descending order of ratios; this arrangement suggests what might prove to be, upon the basis of broader data, a significant limitation upon community subsidization itself. The more highly mechanized and technically advanced operations are in the lower half of the list. The shirt factories are well toward the top, and the shipyard, which is a very heavy user of hand labor in proportion to capital equipment, is at the top.

While the 12 plants alone do not constitute a sufficient exhibit, there are reasons for believing that the sample may run true for the practice of community subsidization in general. Local subsidies are "purchases of pay roll," not of plant. Therefore, the labor-using industries are likely to make better showings than the industries that emphasize capital and that are, on the whole, of the higher technological types. As far as the BAWI plants are concerned, the subsidization of the more heavily capitalized and elaborate types of industry was more costly and did not "pay" in pay roll "returns" as well as that of the more rudimentary operations; and if this holds good in the general field, then there is an economic explanation for the order of enterprises with which community subsidization, prevailingly, has dotted the South.



Some Concluding Comments on the BAWI Plan

The South has long discussed certain major issues connected with the comparatively low level of industrial activity in the region. Should a higher degree of industrialization be a regional goal? If so, what are the preferable types of industry? Should the region endeavor to bring in branch plants of successful national concerns, or should it chiefly attempt the establishment of new concerns, locally owned, and new industries characteristic of the area? Should subsidization be used to encourage the establishment of enterprises, or can the normal forces of interregional competition be relied upon to industrialize the South? To such issues, briefly indicated by the foregoing questions, Mississippi added another: If subsidies are to be used, should they be purely private and local, or should state authority and public financing be factors in the organization of the subsidy program?

The BAWI experiment yielded a background of experience related to these questions, but the most generous review of its history cannot say that it settled any of them. On all such issues, there remain today, even in Mississippi, very grave and entirely justifiable differences of opinion. These differences were expressed in the many interviews made for the purposes of this study, and they are worth noting specifically because attempts to attract industries by means of subsidies of various descriptions are quite characteristic of the South and are almost certain to reappear in the postwar period.

The BAWI demonstrated the great value of industrial pay rolls to communities previously lacking in wage income. Yet some hold the view that if the energy expended under the BAWI had been applied to the diversification and modernization of the state's agriculture, the results would have been more appropriate to the basic economy of the area. The industrial and agrarian attitudes, however, are not necessarily contradictory; they find a common ground in the general opinion that more industries arising from agriculture are a necessity of the Southern economy—a view that may be termed almost universal.

The BAWI procedure for selection and investigation is, in general, strongly approved today by Mississippians who are for other reasons either adherents or opponents of the plan. The selective and investigative procedure, indeed, may well be regarded as the system's greatest innovation and foremost contribution to the planning and development of industrial expansion. However, the question of industrial types—that is, choosing among the many varieties of manufacturing production and between locally owned indigenous industry or the branch-plant kind—is an exceedingly complex problem. Probably for the reason that there is no clear-cut arbitrary solution, this question is one on which there are severe differences of view, even among those who are perfectly agreed that industrialization is desirable. The BAWI can be said only to have propounded this problem anew, not to have solved it.

Much the same can be said regarding the whole problem of whether subsidies of any sort are proper in the attempt to stimulate an industrial expansion. Many differences of opinion exist in Mississippi as elsewhere. These differences, so far as Mississippi is concerned, are based upon experience with community subsidization in three forms: the uncontrolled Columbia plan, the state-controlled BAWI system, and a few cases in which WPA training classes became a starting point for private activities.

The controlled BAWI plan is usually considered to have worked the best; but there are many who dislike and disapprove of the entire practice. In some cases, the larger aspects of community subsidization were recognized. In behalf of the practice, some argued that a greater decentralization of industrial activity was nationally desirable, and that if the efforts of individual communities could help to reduce the national concentrations and fill up the points of industrial vacuum, then the subsidies were an influence in the right direction. On the other hand, there was a considerable tendency to question whether the more "worthwhile" types of industry were responsive to the subsidy inducements.[23]

On the use of the public bonding power as a means of creating subsidy funds, the full round of differences of opinion was found. This was both a most distinctive and also a most controversial feature of the BAWI.[24]

Opinions on this issue, to some extent, also varied by localities. In communities where the BAWI system had operated, the emphasis tended to be upon favorable aspects of the plan. One point of emphasis was that the BAWI raised larger sums than could have been raised by the private-collection method. Another point made was that the sale of municipal and county bonds caused investment capital to flow into industrial development at a time when capital was badly frozen. It was said, too, that the plan distributed the burden of subsidies fairly over all the taxpayers and that the bond elections, characteristic of the plan, polled the voters affected as to whether or not they wanted new industry. Still another point of emphasis was that the BAWI system was more above-board than the old Chamber of Commerce plan.

In other communities, but almost wholly in the nonparticipating communities, the emphasis was upon the unfavorable aspects of the plan. One criticism was that the credit of the municipalities suffered.

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[23] Typical expressions on this point were: If an enterprise will move once, it can move again. A good, strong enterprise needs no subsidy.

[24] Some typical opinions follow:

A banker: The thing was outright Socialism and should never have been attempted, much less held constitutional.

Another banker: The BAWI plan was socialistic in its tendency, but it worked.

A third banker: I'm so much concerned about real forms of Socialism that I can't worry much about that municipally owned but privately operated factory down the street.

A businessman and civic leader: Municipal ownership of a necessary facility, and Socialism, are two very different things.

A Chamber of Commerce leader: The people of this town have a right to work through their local government as well as through this Chamber of Commerce.

A town mayor: I am chairman of a municipal corporation and if this corporation wants to lease a building to another corporation, I don't see that any high-sounding principle whatever is involved.

A factory manager in a BAWI building: This is a purely private enterprise, and don't forget it.

A second criticism was that the burden was shifted from the group that would directly benefit to the shoulders of all the taxpayers. Another criticism was that voter sentiment in some towns was stampeded and that some communities were so "up against it" for employment at the time that they would have tried anything.

Even the legal aspect remains a subject of disagreement. The Industrial Act was held constitutional, but some attorneys were not convinced by the majority decision. Other attorneys, however, expressed the view that the essentiality of a given public facility to the welfare of a given area is a question of fact for the court to decide in each case, rather than a question of law, and that essentiality in fact may vary from time to time and place to place. In view of increasing tendencies toward the legal recognition of income from employment as a social necessity and Supreme Court recognition of the right of a state to define the terms of its own general welfare, some believe that a local government might issue bonds for well-proved public welfare purposes under a simple state enabling act, without the apparatus of certification that was found necessary in Mississippi in 1936.

Differences of opinion such as these and case material such as the Mississippi experiment provided are primary to the problem of a stimulated industrial expansion. There are, in contrast, four aspects of the BAWI experiment that partake so little of controversy that they may be presented as tentative conclusions.

1) *Mississippi made a plan and put energy into carrying it out.* The plan may not have been perfect, and indeed it is not regarded as perfect by its former participants today. They rightly view the BAWI as having been a valiant attempt on the part of an impoverished area to "lift itself by its own bootstraps." They say that when an emergency arose they tried to use all available weapons to cope with that emergency.

It is emphatically true that Mississippi tried and tried hard. A definite program was conceived, and dynamically pressed with considerable results. Having unemployment, Mississippi set out to create employment. Finding the law a barrier to action, it changed the law. Having little private capital, it used the public credit. Lacking established industries, it induced established industries to come in. Having an untrained labor supply, it trained the workers. Finding the old plan of community subsidization faulty, it revised that plan. The effort was conceived, not necessarily perfectly, but always clearly; and it was pressed with energy at every step.

The need for energy in carrying out a plan seems obvious. It is worth noting, however, because the South has for a long time been full of various plans for expanding its industry and numerous such plans are even now afoot. So many industrial promotion schemes have failed in the past, no matter how well or badly they were conceived, simply because sufficient energy was not expended in carrying them out.

2) *The BAWI plan was directly operated by outstanding men.* Neither the planning nor the execution of the plan was left to inferior abilities. Both on the state and community levels, able men left their affairs or emerged from retirement to conceive the BAWI, draft the legislation, and supply the personnel. These leaders did not lend their names in any "showcase" capacity; they did the actual work. Even those who opposed the BAWI or were unenthusiastic about it stressed the fact that while they considered the idea of the BAWI as dubious, the situation was made good by a set of leading men in whom all had confidence.

This point is worth noting because the procedure of the BAWI in this regard has not always been characteristic of the processes of government. No blueprint is any better in practice than the hands to which it is entrusted for execution. Able leadership in a participating capacity is an essential requirement of successful action.

3) *The BAWI, as practiced in Mississippi, demonstrated the superior results of a two-level approach to developmental problems.* Local energy and community self-interest were combined, in the BAWI setup, with the more neutral judgment and greater fact-finding ability of a central state agency. This vertical arrangement was an important invention, apart from all questions as to how it was applied. The prevailing setup in this region consists of a state planning board or developmental body, with a vague mandate to develop the area, and a multiplicity of detached and unrelated local agencies, all working in virtual isolation and with little unity of policy or purpose. Precisely this situation, in Mississippi, threatened economic chaos under pressure of emergency and showed the need of some centralizing structure.

The two-level idea has lately reappeared in Louisiana, where there is an active movement in county resource analysis with state technical aid. Approaching problems appear almost certain to require some such structural provision for unified approach. Disemployment, prospectively the central problem, will probably present itself as a series of community emergencies. Each town or small city may have its quota of war workers returning from shipyard centers, or men demobilized from the armed forces. Simultaneously, the one or two small or medium-sized factories supporting the typical small town may be in the throes of postwar conversion.

Federal assistance for the larger plants seems probable regardless of their ability to solve their conversion problems from their own resources. But in the workings of any general system of assistance the smaller units quite commonly are omitted or do not fit the requirements. Thus, the basis of income in community after community may be in jeopardy because the factory that is its main support must convert from war work to peacetime production of doubtful prospects.

Community emergencies may be expected to breed community subsidization efforts in the postwar period. Local aid to local industries is a remembered pattern in the South, used almost habitually in emergencies and, indeed, in the ordinary course of promotional activity. Mississippi found, as some other Southern areas have found, that a multiplicity of unregulated subsidy attempts was creating considerable disturbance and threatening to change the economic structure in undesirable directions. Community interest, moreover, may easily run counter to economic wisdom. The answer of Mississippi amounted to the organization of the effort, with a state commission as the top planning authority.

The Mississippi Industrial Commission had direct and mandatory powers. Whether such powers were necessary may be open to question. A state agency, empowered only to investigate the local development proposals and to render public reports, might have had virtually the same effectiveness. However, some Mississippi leaders believe that the success of the suasion method of the BAWI rested upon the fact that the State Industrial Commission had "a club in the corner." The point is debatable. But the need of central authority with influence over localities seems likely to present itself with some emphasis in developmental problems of the future.

4) *The BAWI did not bring into being any new enterprises of the independent or indigenous types.* Its failure to do so is the final challenge to developmental work. The independent enterprise is generally representative of the economy of individualism that is favored in the South. A higher utilization of Southern raw and semiprocessed

production is obviously the real key to a balanced economy and a higher regional income.

What were the reasons for the failure of the BAWI to develop new industries? First, capital for investment purposes was lacking. Second, managerial ability and labor skills and experience were also lacking. And, third, the period of deep depression had suspended the fundamental economic act of risking capital funds and had paralyzed the venture spirit in enterprise.

These limiting conditions do not confront the Southeastern region as detrimentally today as in the prewar years. Regional funds are probably sufficient to finance a considerable amount of new local industry, if soundly applied. Labor skills and experience have very greatly increased, and there is a better supply of capable management and submanagement. Surveys of industrial resources and of regional consumer needs are being actively made, so that industrial venturing may have a factual basis upon which to proceed. Whether the entrepreneurial spirit itself will revive, and whether the business environment of the coming period will favor its revival, only the future can determine.

6th District Agriculture

Facilities

Output

Income

Debt

[1953]

Federal Reserve Bank of Atlanta
RESEARCH DEPARTMENT

SIXTH DISTRICT AGRICULTURE SINCE 1910

FACILITIES

OUTPUT

INCOME

DEBT

This study was prepared in the Agriculture Section of the Research Department by Brandon Davis, Research Assistant

FEDERAL RESERVE BANK OF ATLANTA

June 1953

In carrying out its responsibilities for monetary and credit matters, the Federal Reserve Bank of Atlanta must keep abreast of developments within the economic structure of the region that it serves. For that reason, statistical data are gathered by the Bank from a variety of sources and serve a number of purposes. In this instance, the data have been used to compile a brief history of how new ways of farming have affected agriculture in the Sixth District states. The pamphlet is presented for the use of bankers, businessmen, industrialists, farmers, and others who are interested in the progress of the area. Additional copies are available upon request.

SIXTH DISTRICT AGRICULTURE SINCE 1910

FACILITIES, OUTPUT, INCOME, AND DEBT

Farmers in the United States set production records during World War II and surpassed them in postwar years. The national farm output for consumption and sale[1] in 1940-44 was about 21 percent above the 1935-39 average, and in 1945-49 was 32 percent higher than the prewar average (Figure 1). Although farmers in the Sixth Federal Reserve District states[2] did not match this performance, they maintained a 1940-44 output that was roughly one percent above 1935-39. After the war they made a better showing, pushing 1945-49 production 11 percent above 1935-39.

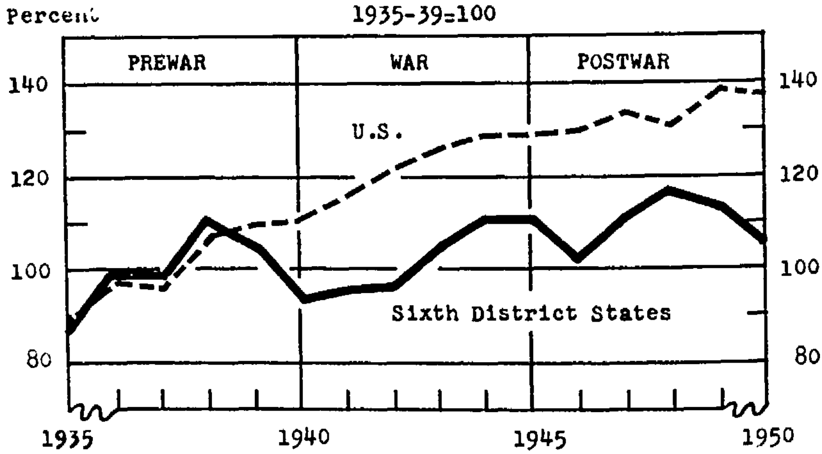
High farm output began, of course, when the wartime need for food and raw materials created a favorable market for farm products. Farmers were able to supply the market during and after the war in large part because the wartime shortages in farm labor and production materials and the postwar rise in operating expenses encouraged efficiency in production. They were more willing to try recommended practices that accumulated from farm research after World War I—practices designed to help them feed the growing national population despite the declining farm labor force. American farming since 1940 has therefore been in one of its most active periods of change.

[1]The index of farm output for consumption and sale was calculated for this study by dividing the index (1935-39=100) of gross farm income (cash receipts, value of home consumption, and annual rental value of farm dwellings—calculated for District states as 10 percent of U.S. rental values) by the index of prices received for farm products.

[2]Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

Figure 1

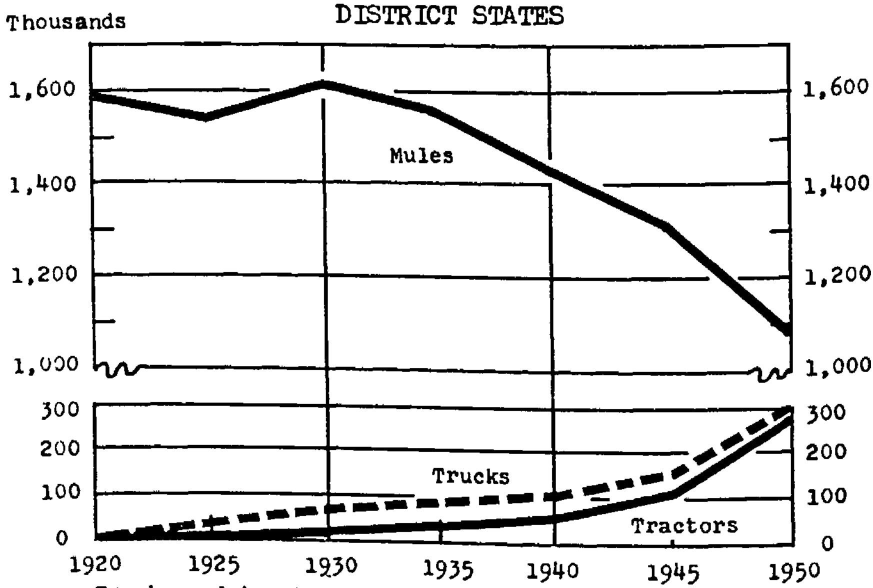
INDEX OF FARM OUTPUT FOR SALE AND CONSUMPTION
DISTRICT STATES AND U.S.



Farm output in the Sixth District states rose less and fluctuated more than in the nation.

Figure 2

MULES, TRUCKS, AND TRACTORS ON FARMS
DISTRICT STATES



Trucks and tractors are replacing mules on farms.

MECHANIZATION

In District states, an important part of the changing production program on farms has been the replacement of manpower and mule power with farm machinery. Between 1920 and 1940, tractors on District state farms increased from around 10,000 to about 57,000 (Figure 2). The number reached 117,000 in 1945; and with the greatest strides in mechanization taking place after the war, farmers in District states were using 277,000 tractors in 1950—one tractor for every 409 acres of farm land. Meanwhile, mules on farms had declined from 1.5 million in 1935 to around one million.

FERTILIZERS

With the use of commercial fertilizers, farmers have been able to gain greater production through higher yields. In 1940, fertilizer consumption in District states, at 2.6 million short tons, was 13 percent higher than the 1935-39 average and averaged around 150 pounds per acre of cropland harvested. In 1950, District state farmers used about 4.9 million short tons of commercial fertilizer, an average of approximately 336 pounds per acre of cropland harvested.

NUMBER AND SIZE OF FARMS

A reshaping of the traditional structure of agriculture has been seen in a decline in the number of farms and an increase in their average size. The 1950 Census of Agriculture reported that there were approximately 275,000 fewer farms in the District states than there had been in 1935 (Figure 3). The average size of farms had increased from 75 acres to 130.

FARM TENURE AND LAND OWNERSHIP

Changes in farm tenure and in the proportion of land in farms owned by farm operators have accompanied the consolidation of small farms into larger holdings. In 1930, over 400,000 croppers represented 31 percent of total farm operators (Figure 4). By 1950, the number had dropped to 186,000 and the percentage to 17. Farm operators have owned an increasing share of the land in farms since 1935, when they held title to only 50 percent. In 1950, operators owned 74 percent of the land in farms.

LAND USE

Between 1935 and 1950, about 13 million acres were added to the land in farms in District states, but cropland harvested declined 5 million acres (Figure 5). Of the 18 million acres in new land or land diverted from harvested crops, 16 million went into pasture acreage. According to the Census of Agriculture, 1945 was the first year when pasture acreage surpassed that of harvested cropland in the District states' land use pattern. By 1950, farmers were using 45 million acres of their land for pasture, whereas crops were harvested from only 29 million acres.

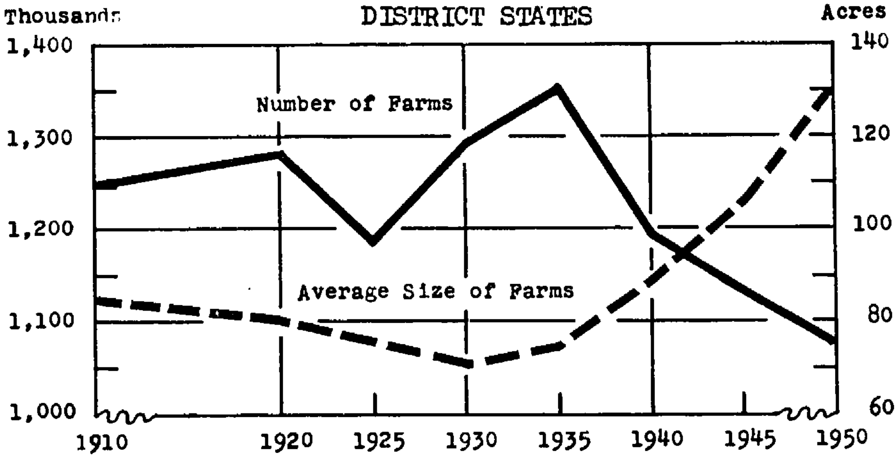
LIVESTOCK AND POULTRY

The increase in pasture signals a rapid development of livestock enterprises. Rising prices for red meats, Government control of cash crops, and the efficient use of labor and land obtained in a livestock program contributed to an upward trend in livestock numbers after 1930 (Figure 6). A higher production per animal unit has been obtained through the grazing of high protein cover crops and the feeding of oil-bearing crops. Winter cover crops have afforded almost year-round grazing. Success in cultivating and harvesting hay, small grains, and pasture crops with farm machinery has also helped the feed production program.

The 1925 Census of Agriculture disclosed the lowest inventory of dairy cows on District state farms since 1910. After that the number of dairy cows increased steadily, and by 1950 there were 2.3 million cows on farms, or roughly

Figure 3

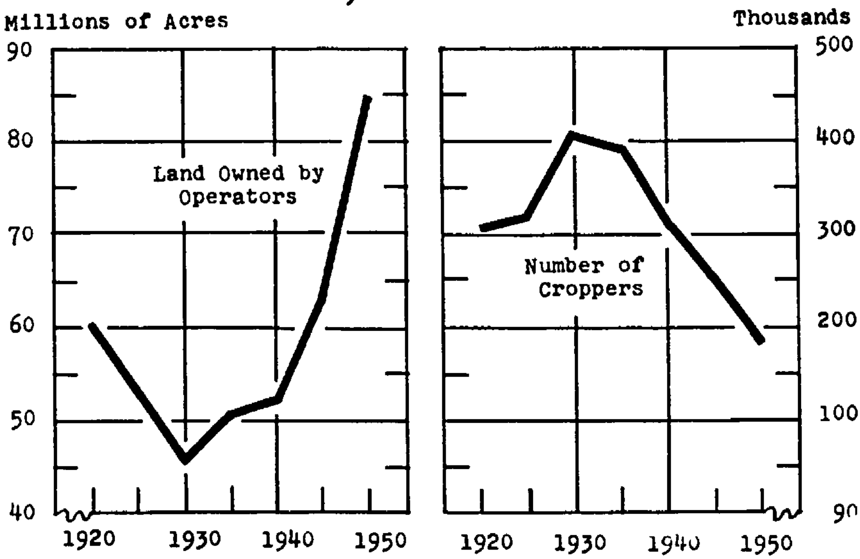
NUMBER OF FARMS AND AVERAGE SIZE OF FARMS
DISTRICT STATES



After 1935 the marked decline in the number of farms was accompanied by a growth in the average size of farm units.

Figure 4

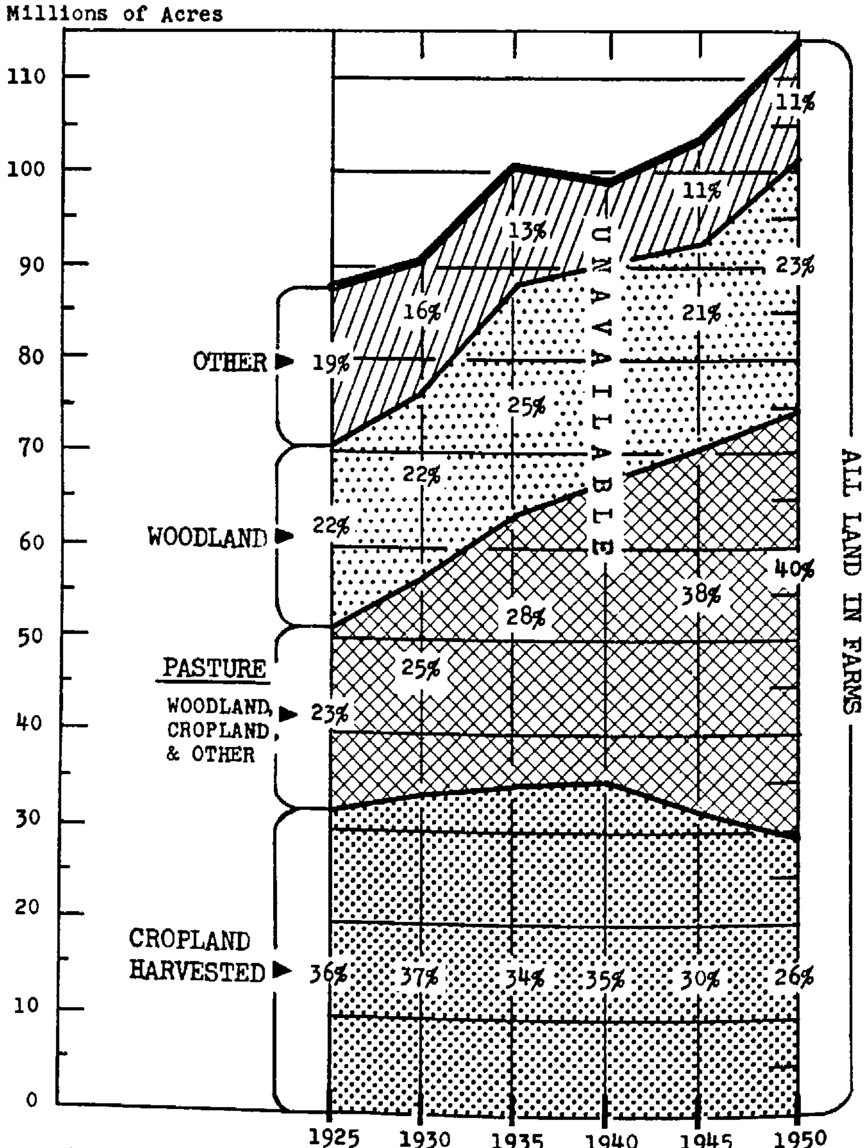
LAND OWNED BY FARM OPERATORS AND NUMBER OF
CROPPERS, DISTRICT STATES



Ownership of farm land has been rapidly passing into the hands of farm operators. A corresponding reduction in the number of croppers has taken place.

Figure 5

FARM LAND USE
DISTRICT STATES



The major shift in the farm land pattern has been toward more acreage in pasture or pasture-type crops. Recently, more land has been put to pasture than to any other single use.

twice the 1925 inventory. Undoubtedly, the improvement of grazing and feeding programs was the foundation for an uninterrupted expansion in beef and dairy enterprises.

The inventory of swine on farms in 1920 was the highest ever reported by the Census of Agriculture for District states, but inventories then dropped sharply until 1930 (Figure 7). Although the trend has been upward since that time, producers must overcome an inability to compete with midwestern producers before hog production becomes a major agricultural enterprise in District states.

In postwar years, modern transportation facilities and the low prices of chicken in comparison with the prices of red meats have opened markets throughout the nation for broiler growers in District states. The mushrooming production of commercial broilers to supply this market has been one of the most phenomenal developments in the section's agriculture. District state growers produced 11.3 million birds in 1939 (Figure 8). Production in 1952 totaled 187.8 million. Feed dealers were primarily responsible for this expansion. Under contracts with growers, they agreed to supply chicks, feed, and management advice. Growers furnished labor and equipment. The typical contract further provided that the feed dealer assume responsibility for marketing the mature birds and that the grower's returns be determined by the degree of efficiency he achieved in converting feed into meat.

Alabama, Georgia, and Mississippi are the leading broiler producers in the Sixth District, with Georgia first among District states as well as in the nation. Georgia growers produced 112.6 million broilers in 1952.

CASH CROPS

Despite the increased emphasis on livestock in District states, farmers still depend primarily upon their cash crops—particularly cotton, peanuts, and tobacco. A survey of crops for recent years reveals a rising production obtained with higher yields.

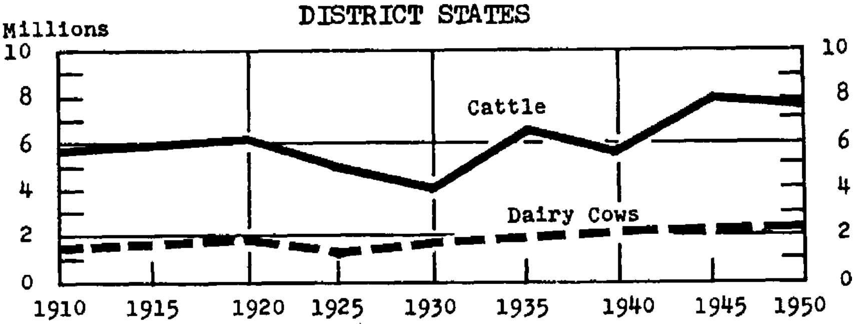
Since 1910 cotton yields in District states have been increasing, which has offset the downward trend in acres harvested. Between the census years 1910 and 1950, the number of acres harvested dropped from 14 million to 8 million, whereas the average yield for the six states rose from 165 pounds of lint cotton to 262 (Figure 9). Excluding years of exceptionally large or small crops, cotton production has averaged about 4.5 million bales.

Part of the falling-off in cotton acreage has resulted from a conversion of cropland into permanent or temporary pasture, but importance is also attached to factors involved in production that are taking some of the profitableness out of cotton growing. Aside from labor shortages, rising farm wage rates have added to the expense of turning out this labor-consuming crop. Mechanization has been slow because the small size of the typical farm unit limits the efficient use of cultivating and harvesting machinery. This condition has recently given rise to another problem for cotton growers in District states—the necessity of competing with rapidly developing cotton enterprises in Arizona, New Mexico, and California, where machinery can be used efficiently from planting to picking on large, flatland farms.

A favorable increase in cotton yields, however, is evidence that farmers in District states have managed the degree of efficiency needed to maintain their production. They have reserved their best land for cotton, and have preserved the the fertility of this land by fertilizing adequately and by rotating cotton with legumes. Boll weevil damage has been held down with insecticides.

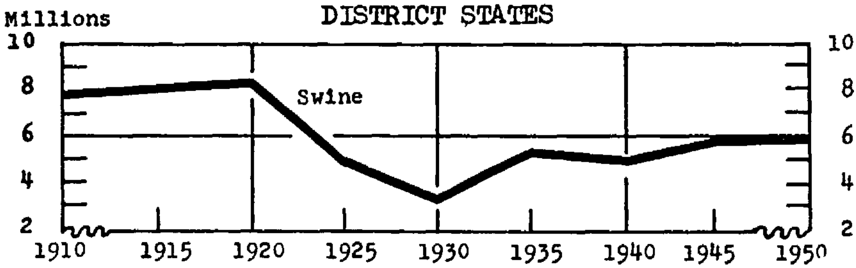
Peanut acreage and production were on the rise in District states from 1910 throughout the war years, but both declined after the war. Sparked by a wartime demand for oil-bearing

Figure 6
CATTLE AND DAIRY COWS ON FARMS
DISTRICT STATES



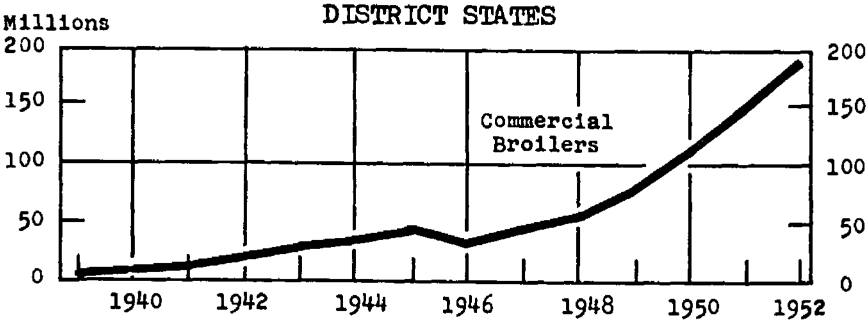
Cattle and dairy cow numbers have been rising since 1910, but the increase in dairy cows has been much less pronounced than that in cattle.

Figure 7
SWINE ON FARMS
DISTRICT STATES



After falling sharply between 1920 and 1930, hog inventories have since shown a gradual rise.

Figure 8
COMMERCIAL BROILERS PRODUCED
DISTRICT STATES

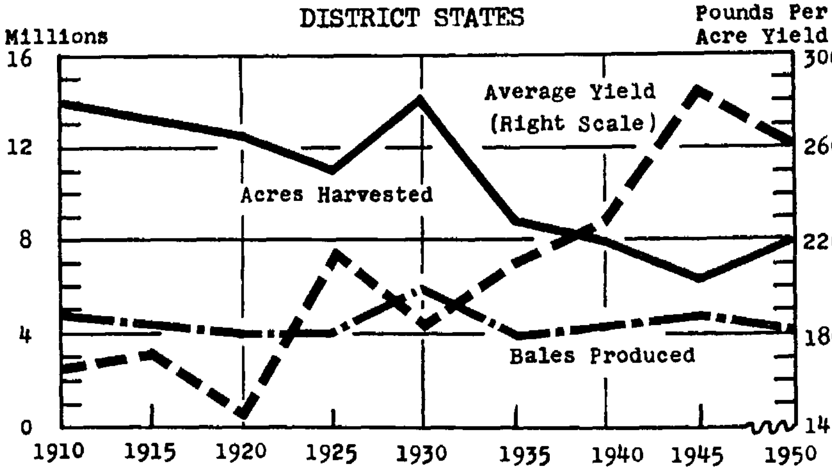


During the postwar years, commercial broiler production has expanded phenomenally.

Figure 9

COTTON: ACRES HARVESTED, PRODUCTION, AND AVERAGE YIELD

DISTRICT STATES

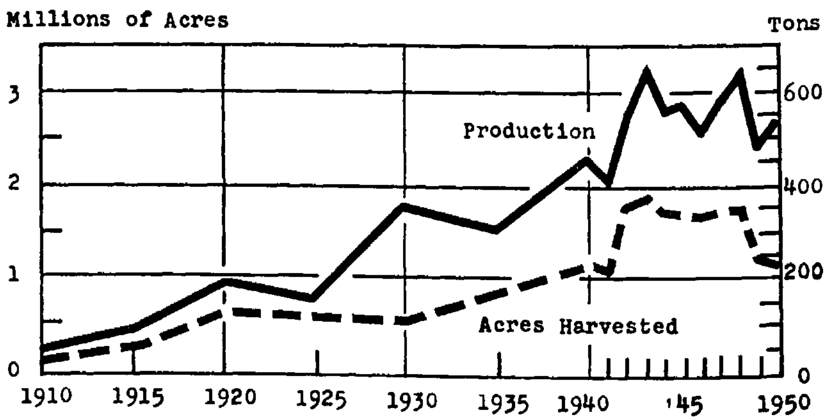


In the face of declining cotton acreage, improved yields have tended to stabalize production.

Figure 10

PEANUTS: ACRES HARVESTED AND PRODUCTION

DISTRICT STATES



Production of peanuts for war use led to a peak in acreage harvested. Since the war acreage allotments have restricted plantings.

crops, production of picked and threshed peanuts rose in the six states from 289,000 tons harvested from 1.1 million acres in 1939 to a peak of 654,000 tons harvested from 1.8 million acres in 1943 (Figure 10). Both production and acreage then remained at a high level until 1948, when a noticeable downward trend began.

Peanuts were used more in food products during the war than as a source of oil for industrial purposes. The demand for peanuts for food and the success peanuts achieve in competing with other sources of oil, therefore, will probably have a lot to do with determining their future as a cash crop.

Of the leading cash crops, tobacco is under the strictest Government programs of acreage allotments and of marketing quotas, which are aimed at keeping production closely in line with demand (Figure 11). Since the imposition of these controls in the 1930's, tobacco production in District states has accompanied the steady growth in tobacco consumption. Exceptions have been a decline in the early 1940's, reflecting the effects of the war which disrupted marketing of tobacco abroad, and another drop between 1947 and 1950, that coincides with a dollar shortage in foreign nations that ordinarily use large quantities of cigarette tobacco.

The over-all agricultural pattern presented here is one that may apply most generally to the three entire states and that portion of three other states which make up the Sixth Federal Reserve District. A general discussion of this sort obscures the contributions that selected crops make to the farm economy of the individual states. Such crops are often leading cash crops in some states and production and prices received for them in any year are reflected throughout the state's agriculture. Some examples are citrus fruits in Florida, rice and sugarcane in Louisiana, and small grains in Tennessee.

FEED AND HAY CROPS

In District states corn is important as a feed crop rather than a cash crop. Although more cropland is planted to corn than to any other crop, this acreage has been declining since the mid-1930's (Figure 12). Much of the land on which corn was once grown for mule feed now supports meat animals or is being planted to cash crops.

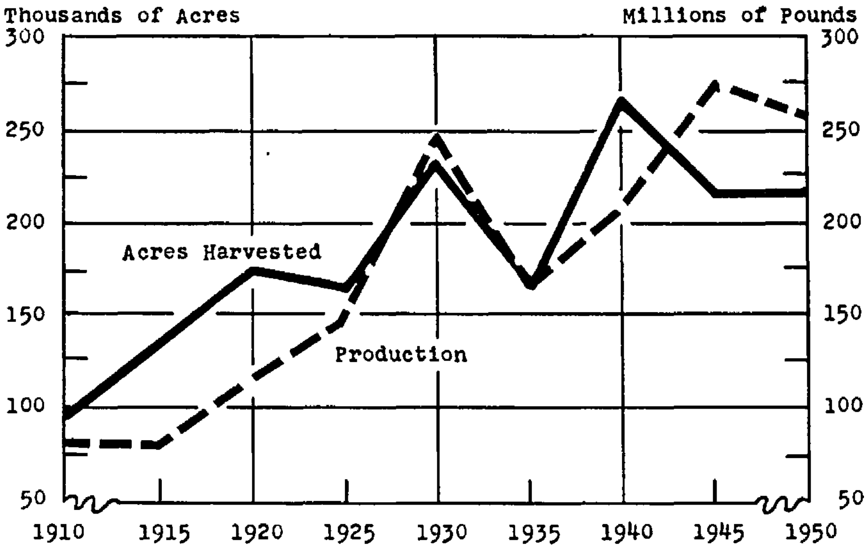
Despite this reduction in corn acreage, there has been no appreciable falling-off in production because the average six-state yield has risen about five bushels per acre since 1944. Corn output, therefore, has probably helped support the rise in hog numbers concentrated in Alabama, Georgia, and Tennessee.

Because a field of small grain can be grazed as well as harvested for feed, a marked growth in small grain acreage and production since 1930 has accompanied the increase in livestock numbers (Figure 13). Of the small grain feed crops, oats lead by a wide margin in acreage and production. Barley and rye are relatively insignificant. Wheat production in the District is centered in Tennessee, where it is the most important small grain grown and where it is primarily a cash crop rather than a feed crop.

Hay has been of major importance in the development of the feeding program that has supported the growth of livestock enterprises in District states. The most rapid expansion in acreage and production of hay took place between 1930 and 1940 (Figure 14). A decline in hay acreage and a slight drop in production during the war years probably came about because the demand for such crops as cotton and peanuts sparked an extension of cash crop acreage. After 1945, production turned upward sharply, although acreage continued to go down. This was possible largely because of a shift to higher

Figure 11

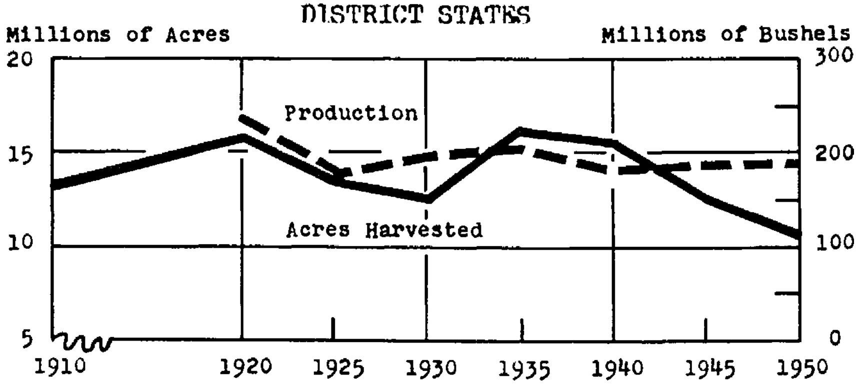
TOBACCO: ACRES HARVESTED AND PRODUCTION
DISTRICT STATES



The peak in tobacco production was reached in 1945; whereas the peak in acres harvested had occurred in 1940.

Figure 12

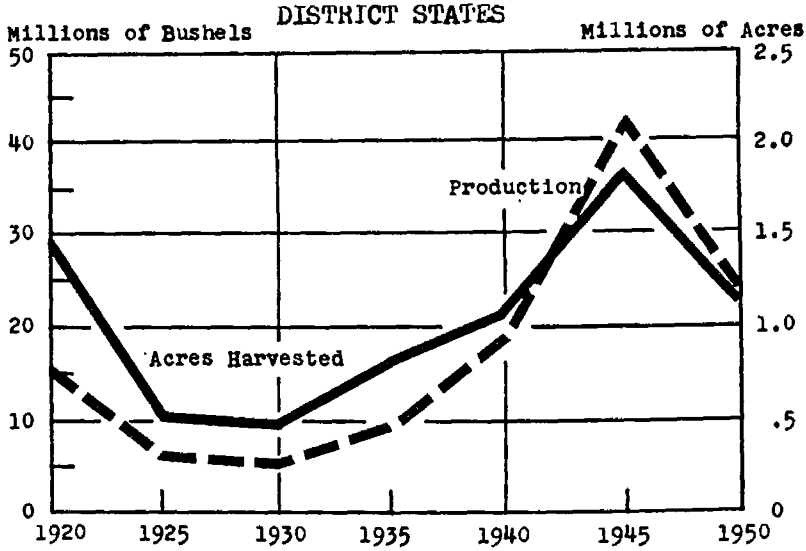
CORN: ACRES HARVESTED AND PRODUCTION
DISTRICT STATES



Corn acreage has been declining since 1935, but because of higher yields there has been no appreciable change in production.

Figure 13

SMALL GRAINS: ACRES HARVESTED AND PRODUCTION
DISTRICT STATES



Small grain and hay production has tended to increase. These crops are the foundation of the feed program which has made possible the recent expansion in livestock.

Figure 14

HAY: ACRES CUT AND PRODUCTION
DISTRICT STATES

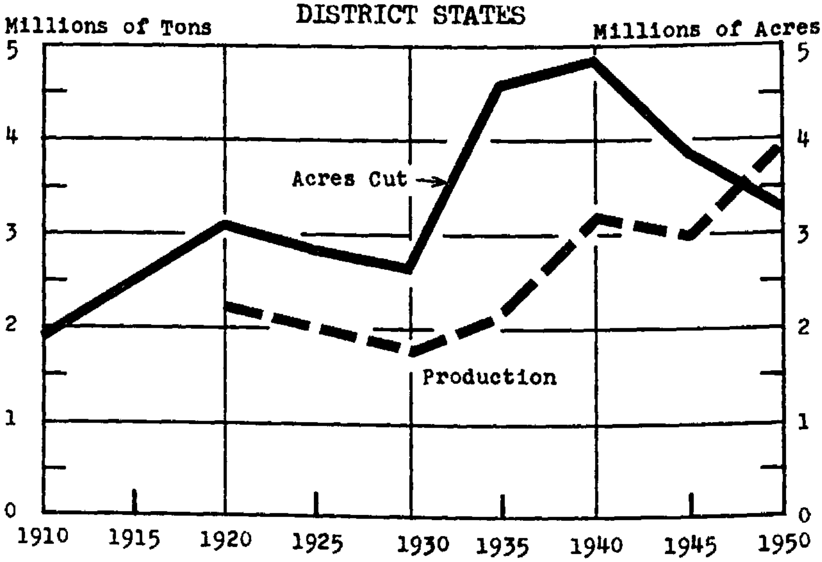
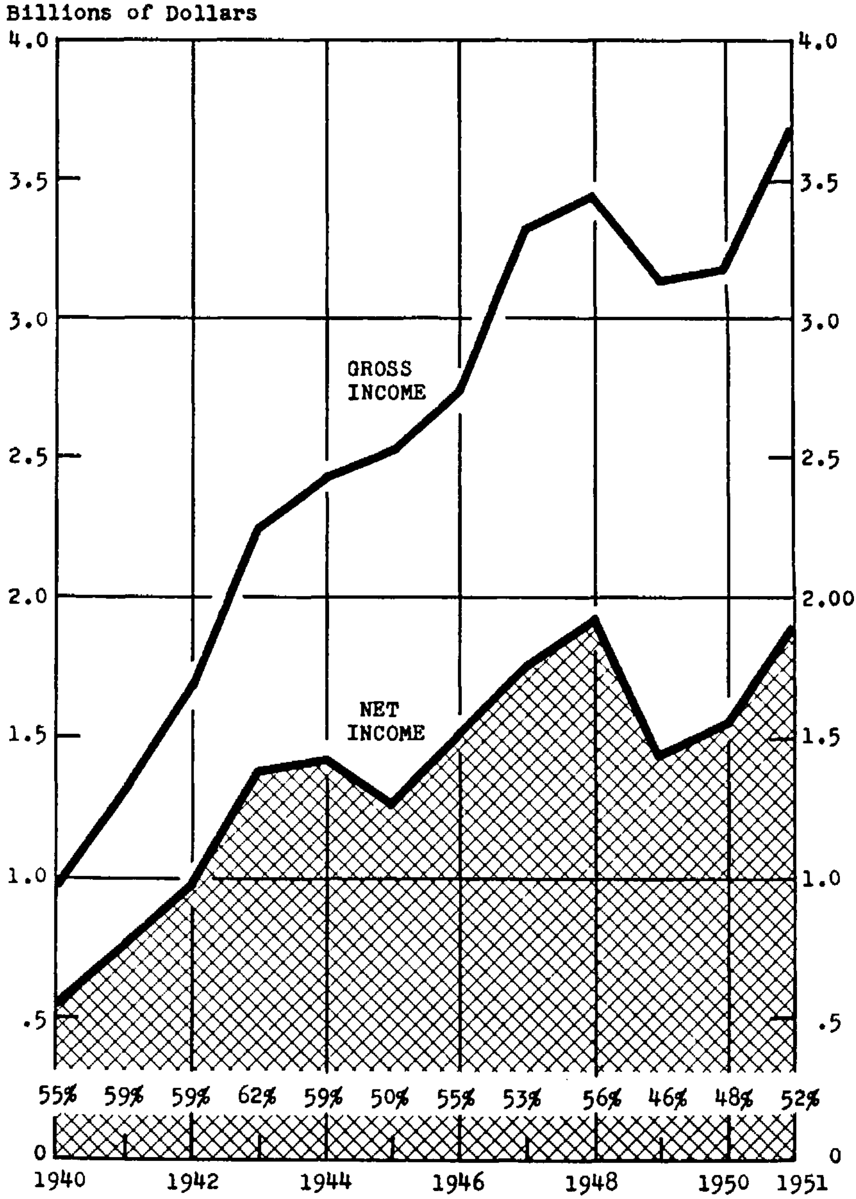


Figure 15

FARM INCOME
DISTRICT STATES



Farmers received a high net income during the war years but after 1946 rising costs reduced net as a percentage of gross.

yielding legume hays, and an increasing use of these hays in crop rotation programs.

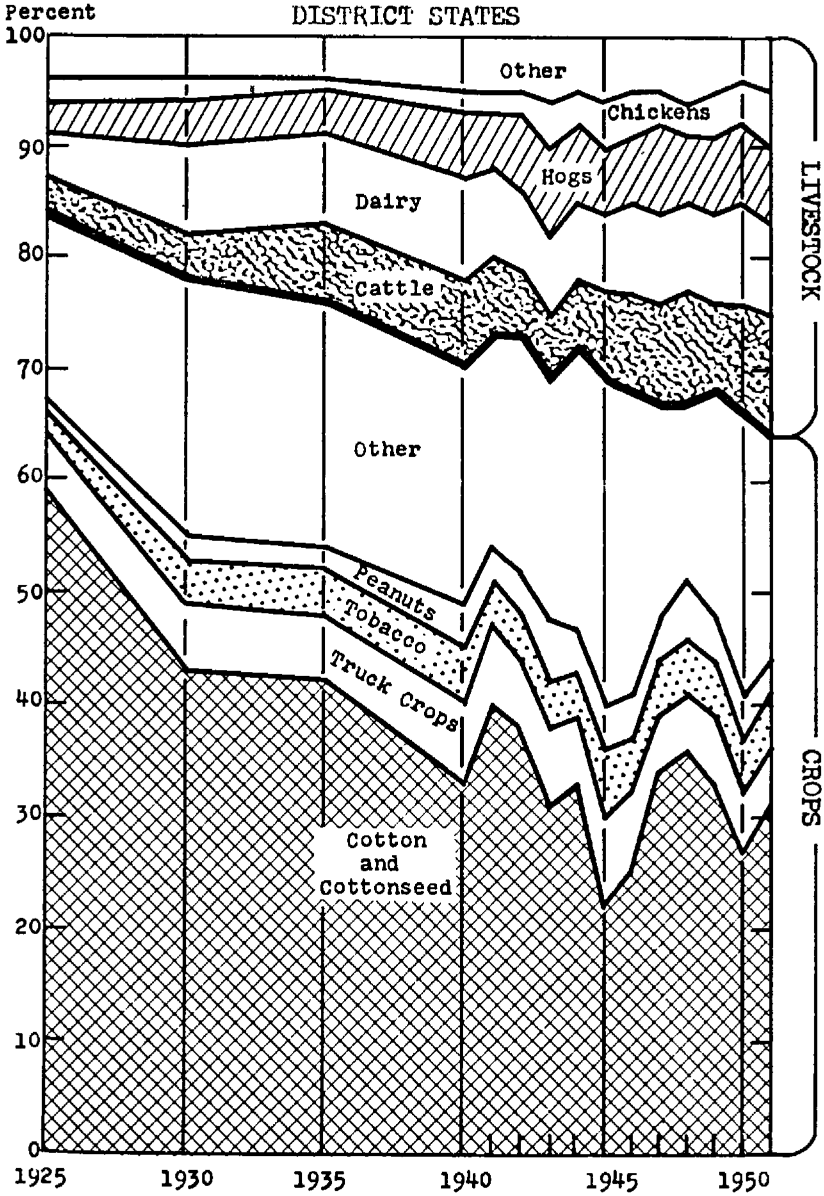
FARM INCOME SHIFTS

Farmers in District states saw their gross income rise from about one billion dollars in 1940 to around 3.6 billion by 1951 (Figure 15). This increased income, of course, resulted largely from the trend of higher prices for farm products that has been in evidence since 1940. As far as farmers in the six states are concerned, the share of this gross income that they have realized as net income has depended mainly upon the prevailing demand for their cash crops. When the wartime demand for cotton and peanuts caused prices received to climb faster than production expenses, farmers enjoyed a period of high net income. Their 1941-44 average was around 60 percent of gross. Since 1945 a falling-off in demand for these cash crops and rising costs of production have resulted in a reduced net income. Net income for 1945-49 averaged around 52 percent of gross.

That farmers in District states have shared in a national growth in farm income does not reveal how the relative importance of farm products as a source of this income has changed. Farmers in the section got 84 percent of their 1925 cash receipts from the sale of crops, and 16 percent from livestock (Figure 16). Of total receipts that year, cotton and cottonseed brought 59 percent; peanuts, truck crops, and tobacco, only 8 percent. On the livestock side, cattle and hogs each sold for 3 percent of total receipts, dairy products for 4 percent, and chickens for 2 percent.

By 1951 the pattern of income sources for farmers in the six states had changed considerably. Crops brought 64 percent of cash receipts, and livestock and livestock products brought 36 percent. Only 31 percent of the total was obtained through sale of cotton and cottonseed. Peanuts, truck crops,

Figure 16
SOURCES OF FARM INCOME
DISTRICT STATES



Income from livestock and livestock products is increasing, whereas that from cotton and cottonseed is declining.

and tobacco accounted for 13 percent. Cattle sales contributed 11 percent; dairy products, 8 percent; chickens, 5 percent; and hogs, 7 percent.

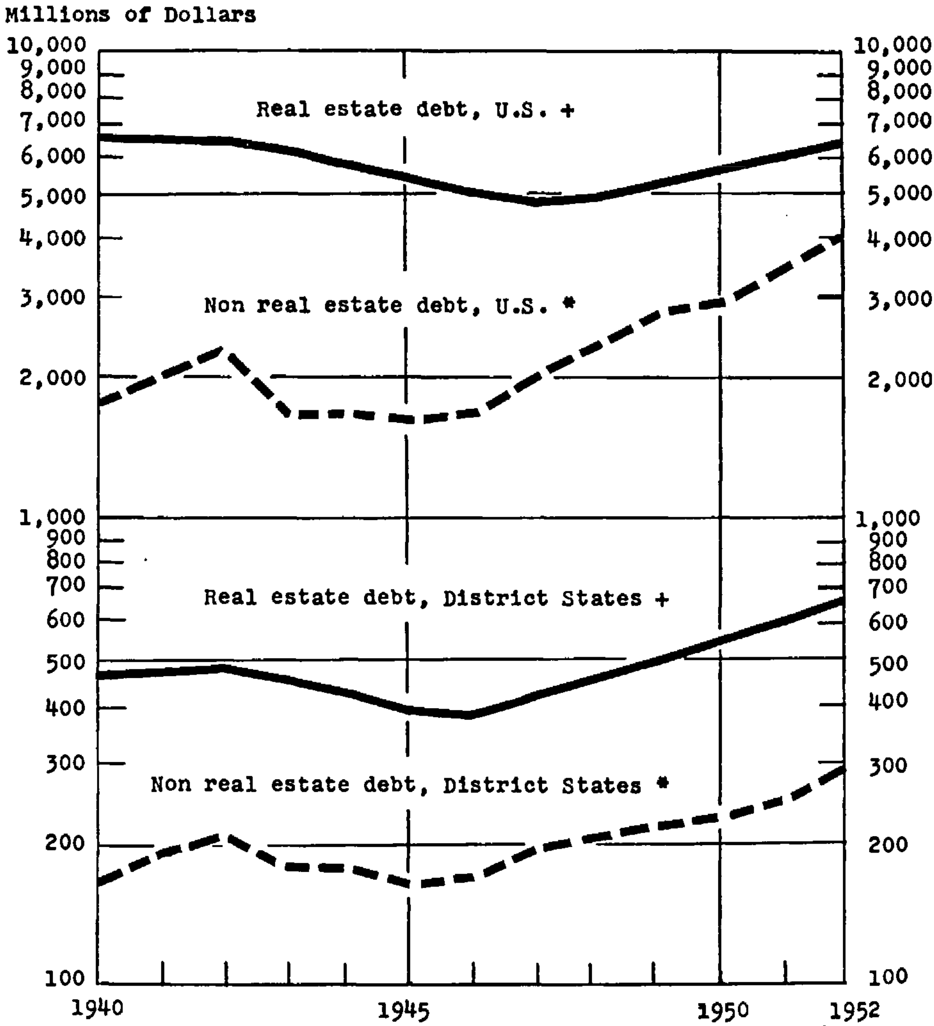
FARM DEBT

During the war when the brisk demand for cash crops grown in District states kept prices received rising faster than operating expenses, farmers were able to reduce their total debt. Between 1942 and 1946, the farm real estate debt was reduced from 465 million dollars to 379 million; non-real estate debt, excluding Commodity Credit Corporation loans, dropped from 207 million dollars to 169 million[3] (Figure 17).

Farm mortgage debt in each of the six District states followed this general pattern of decline during the war years and of sharp increase in the postwar period (Figure 18). The most pronounced rise in farm mortgage debt after 1946 occurred in Florida, with Georgia and Mississippi next in importance. On January 1, 1946, Florida farm mortgage debt stood at 26 million dollars. By January 1, 1952, the debt had reached 96.5 million dollars.

In the non-real estate sector, the debt picture in District states has also been one of wartime reductions and postwar increases, with the exception of Mississippi (Figure 19). Non-real estate loans to Mississippi farmers rose from around 23 million dollars in 1940 to an average of 45 million for 1943-47. Loans outstanding January 1, 1948, showed a decline, but January 1 reports show loans have been rising in Mississippi since 1948. The sharpest wartime reduction in non-real estate loans took place in Tennessee—from 56 million dollars in 1940 to 21.8 million in 1943. The subsequent increase in non-real estate loans to farmers in Tennessee was also more pronounced than in other District states. By January 1, 1952, non-real estate debt in Tennessee, totaling

Figure 17
TOTAL FARM DEBT: U.S. AND DISTRICT STATES



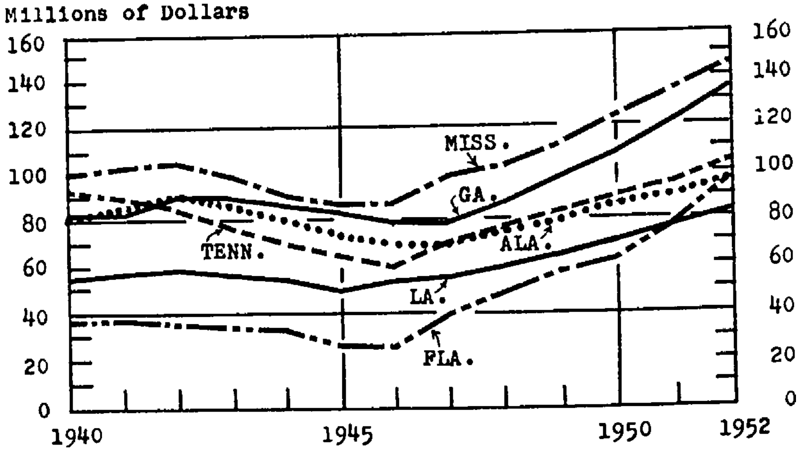
Long-term debt is increasing at about the same rate as for the nation as a whole. Short-term debt is increasing at a slower rate than for the nation.

* Includes loans at all commercial banks, production credit associations, Federal intermediate credit banks, and FHA production and subsistence loans, disaster loans, and emergency crop and feed loans.

+ Includes debt outstanding held by Federal Land Banks, Federal farm mortgage corporations, FHA, life insurance companies, commercial banks, individuals, and others.

Figure 18

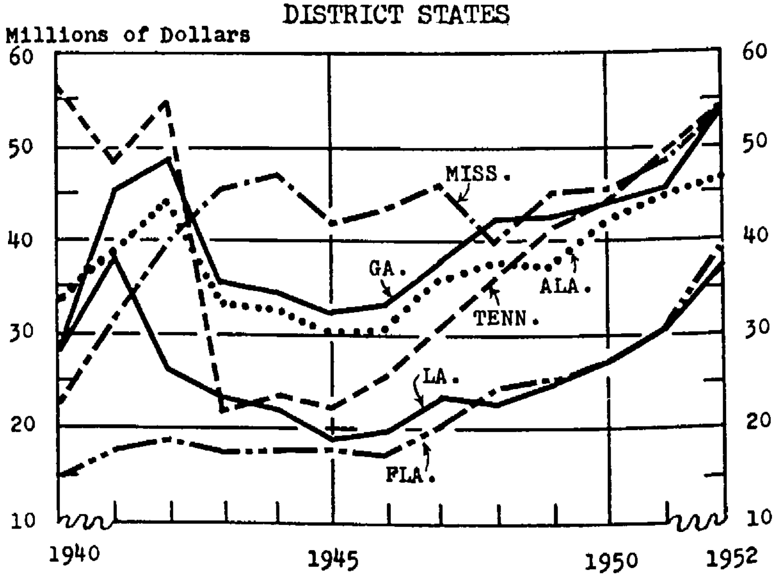
REAL ESTATE FARM LOANS, OUTSTANDING JAN. 1
DISTRICT STATES



Since 1946, farm real estate loans by all agencies have risen sharply.

Figure 19

NON REAL ESTATE FARM LOANS, OUTSTANDING JAN. 1
DISTRICT STATES



Total non real estate loans have been rising since 1943.

54 million dollars, was the highest among District states.

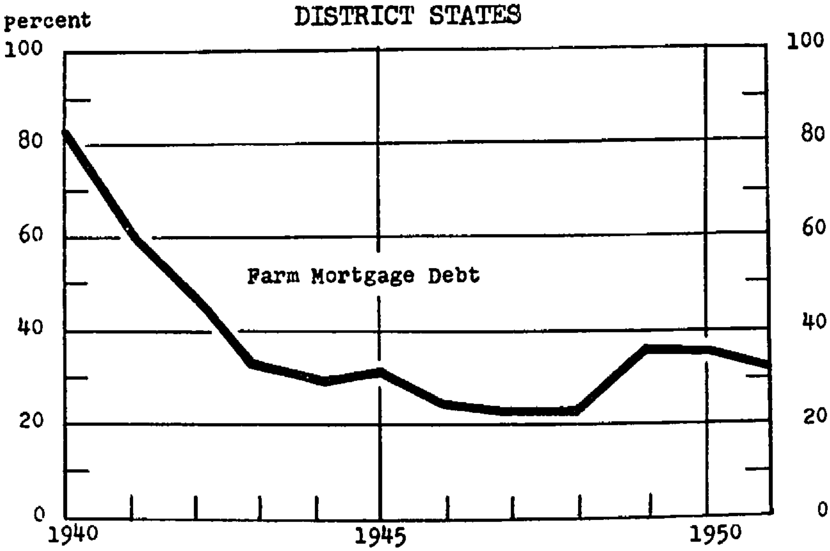
The farm mortgage debt in District states totaled 661 million dollars on January 1, 1952, and the non-real estate debt reached 283 million. On the real estate side, the rising postwar debt probably has financed the increase in the average size of the farm unit, the bringing of new land into the farming system, and the development of a cattle enterprise on many farms. Recent increases in the value of farm land would also have the effect of increasing the mortgage debt by making it necessary for operators to incur larger loans in order to buy additional land. On the non-real estate side, factors operating to expand the debt have been the rise in the quantities and costs of production materials and the expense of a postwar shift from traditional cash crops to other enterprises, an important example of which is livestock.

Despite the postwar rise in total farm debt, farmers in the six states appear to be in a far better financial position than they were before World War II. In 1940 their mortgage debt was 83 percent of their net income, out of which this debt is paid (Figure 20). Their 1946-51 mortgage debt (reported on January 1 in these years), however, averaged only 29 percent of their net income for this period. Non-real estate debt in District states in 1940 was about 27 percent of total cash receipts, from which the debt is paid (Figure 21). The 1946-52 debt averaged only about 8 percent of cash receipts.

Since 1940 there have also been some changes in the importance of the sources from which farmers borrowed. The over-all pattern of real estate borrowing shows growing activity in commercial and private financing; and, with the exception of Farmers Home Administration loans, a decline in Government financing. In the postwar years, the financing of the non-real estate debt by commercial and private agents

Figure 20

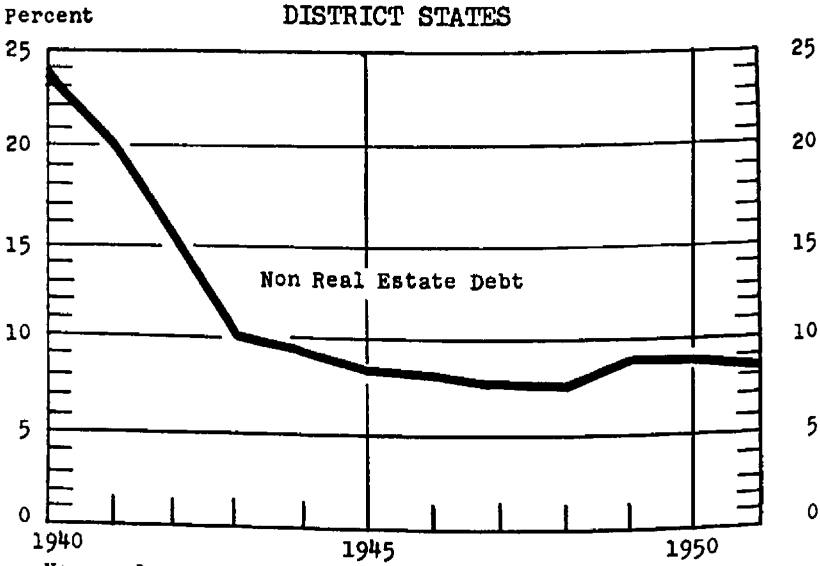
FARM MORTGAGE DEBT AS PERCENT OF NET FARM INCOME
DISTRICT STATES



Since 1940, farm mortgage debt has become a much smaller portion of net farm income.

Figure 21

FARM NON REAL ESTATE DEBT AS PERCENT OF CASH RECEIPTS
DISTRICT STATES



Non real estate debt was a smaller proportion of cash receipts after 1943.

has expanded rapidly; whereas, Government financing gained mostly during the war and has since stabilized at a high level.

SUMMARY

Mechanized farming for more efficient production, increased use of fertilizer and improved seeds for higher yields, and a conversion from row-crops to livestock are significant trends in District agriculture. Their development was hastened by a war and postwar demand for farm products on the home front, as well as abroad. Barring another period of wartime conditions, these trends may therefore be expected to lose some of their force in the coming years. Whether District state farmers will continue to push a diversification of their farm systems, particularly in giving more attention to livestock, will depend largely upon future demand for their cash crops, which are still the mainstay of farming in the six states.

The intensification of production efforts during recent years by District state farmers has contributed to a greater need for capital in the farm production pattern. The financing of fertilizer, machinery, or the initial acquisition of livestock for breeding will have to come out of retained net farm incomes or be carried on with borrowings. Possible falling prices for farm products may retard diversification of enterprises unless output is upped enough and costs are cut enough to maintain incomes at a level that will facilitate the repayment of debts. So far, District state farmers seem to have kept their short-term debt low in relation to long-term debt, and have been favored with an over-all debt which is low in relation to their receipts and income.

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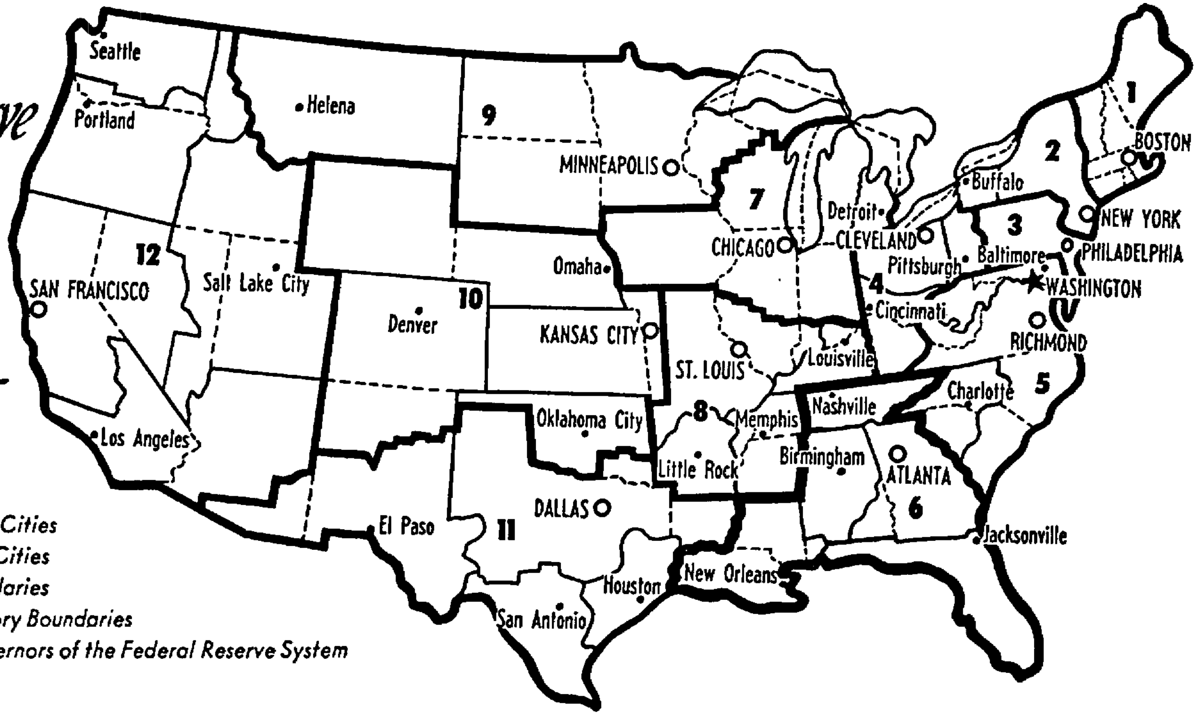
Federal Reserve Map of the United States



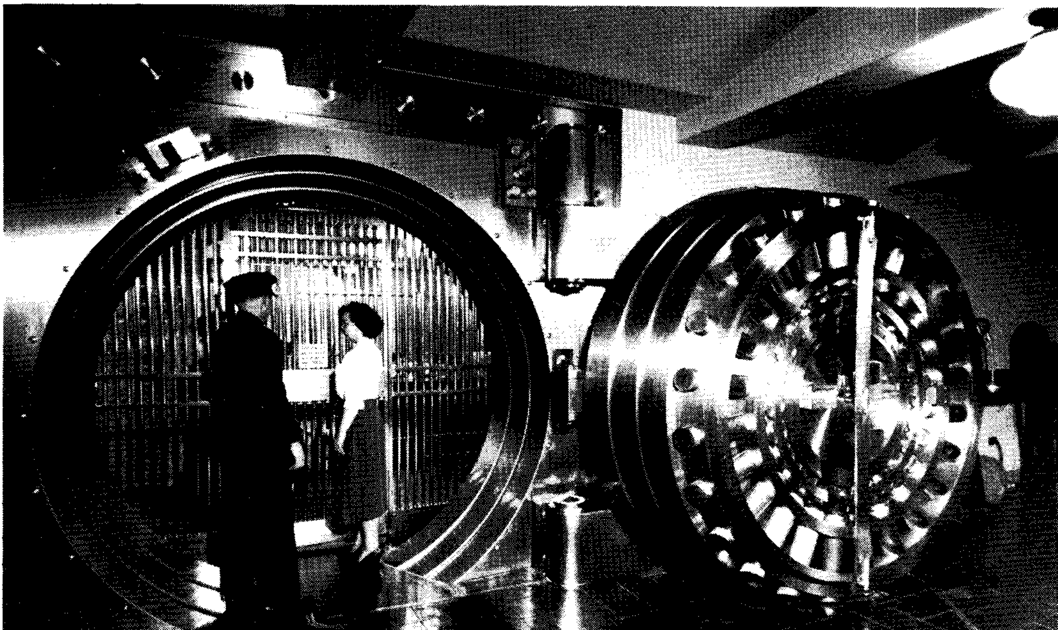
- ○ Reserve Bank Cities
- • Branch Bank Cities
- ▬ District Boundaries
- — Branch Territory Boundaries
- ★ Board of Governors of the Federal Reserve System

Thirty-sixth Annual Report

FEDERAL RESERVE BANK OF ATLANTA

1950

Nineteen Hundred and Fifty



Entrance to Main Vault

FEDERAL RESERVE BANK OF ATLANTA

1950

Thirty-sixth Annual Report for the Year Ended

December 31, 1950

Federal Reserve Bank of Atlanta

February 15, 1951

To the Member Banks of the
Sixth Federal Reserve District:

In the following pages I present a review of the operations of the Federal Reserve Bank of Atlanta for the year 1950. A major part of this report deals with specific departmental activities. These activities are carried on for the benefit of the Government and the public in general and of banking and the business community in particular. In truth, the Bank is a service institution and again I urge, as I have in the past, that bankers of the District visit our offices in the interest of becoming better acquainted with our work and of strengthening those personal relationships which mean so much in maintaining mutual confidence and understanding.

It is indeed gratifying that our relations with the banks of the Sixth Federal Reserve District were maintained during the year on the same basis of friendly co-operation that has been characteristic of the past. Jointly, we share in the vast responsibility of maintaining a sound and adaptable financial mechanism for the benefit of the public in its monetary dealings. In the year 1951, this responsibility will be greatly enhanced because of the national defense effort. I am sure that in our joint relationships we shall discharge our trust with continued integrity and efficiency.

Sincerely yours,

W. S. McLarin, Jr.,
President

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REVIEW OF BANKING DEVELOPMENTS

Measured by their ability to meet the demands of business borrowers, by growth in assets, and by earnings, the member banks of the Sixth District operated with complete success during the year. As a group, their total assets grew from $6.1 billion to $6.7 billion, reaching an all-time high. Although holdings of securities declined by about $50 million, total loans and discounts increased by approximately $390 million. Reflecting the growth in loans was a rise in total deposits from $5.7 billion to $6.2 billion.

Earnings of the member banks as a whole were substantial. Current operating earnings amounted to $162 million, compared with $146 million in 1949, a gain of 11 percent. Interest on United States Government obligations provided $38.7 million, or 23.9 percent of the total. Interest and discount on loans amounted to $83.3 million, or 51.4 percent of the total. Net current operating earnings were $61.7 million, compared with $54 million for 1949. Net profits after all charges, including taxes on net income, amounted to $37 million, against $34 million for 1949.

Increases over the preceding year were made in dividend payments. For the year 1950, such payments amounted to $12.8 million, against $11.7 million for 1949.

Business Background

These gains in banking resources indicated that business activity was in an expansionary phase. When goods are moving briskly from producer to consumer, the demand for bank loans increases to facilitate the growing volume of exchanges. On a rising price level, businessmen purchase for inventory with confidence and enlarge and improve their plants. Consumers are stimulated to practice anticipatory buying and to save at a decreasing rate. All of these factors were present during the year, but they gained in force following the outbreak of the Korean War at midyear.

During the first half of the year, only a moderate expansion of business activity took place. This expansion was evidenced by almost uninterrupted month-to-month gains in industrial production, in generally rising employment after allowing for seasonal changes, and in rising income. The distribution of National Service Life Insurance refunds, largely in the first quarter, provided a strong stimulus to business and served in large measure to avoid a decline such as had appeared in the early part of each of the other postwar years.

With the decision by the United States Government to repel the North Korean forces that crossed into South Korean territory on June 25, 1950, the expansionary factors that were already in evidence in the economy were given added strength. There is no particular mystery about what took place. An avalanche of consumer and business spending that brought sales to abnormal levels had been released. Fearing that the Korean conflict marked the beginning of another major war, consumers went on a buying spree that embraced houses, automobiles, tires, electric appliances, and many other items. Panic buying occurred even for articles of wearing apparel and food. Business investment also expanded sharply.

Another buying wave was set in motion when the Chinese Communist armies swept into North Korea in late November. In spite of all-time highs in the output of automobiles, electric appliances, and textiles, consumer demand remained unsatiated. In response to this sustained demand, business planned an even greater investment in additional productive capacity for 1951 than had been committed in 1950.

Price inflation following the outbreak of the Korean War had assumed major proportions as the year ended. The index of 28 basic commodities was 50 percent higher than it was in March, wholesale prices were 16 percent higher, and consumer prices, 6 percent higher.

The upward pressure on prices was strongly supported by an expansion of credit. Consumer instalment credit increased $493 million in July, $409 million in August, and $322 million in September. Following the imposition of consumer credit restrictions in late September, these extraordinary gains were checked, and in November consumer instalment credit dropped by $74 million to an estimated total of $13.3 billion. As testimony to the effectiveness of the credit controls, this decline was the first November decrease experienced since 1943.

But in the meantime bank-credit expansion had gone on unchecked. At the end of the year, loans at all commercial banks stood at an estimated $52.7 billion, a gain of $10 billion for the 12 months. Most of this gain, $8 billion, came in the second half of the year. Obviously, if total bank loans had in some way been prevented from growing beyond the midyear level, the country would have been spared a large part of the ensuing inflation.

The most striking feature in this inflationary situation was that it came about without additional Federal spending and deficit financing. Treasury budget expenditures for the second half of 1950 were $20 billion against $22 billion for the like period of

1949, and the budgetary deficit was $1 billion against $4 billion. The gross public debt at the end of the year was $256.7 billion against $257.2 billion a year earlier.

Here then is the dominant note for 1951: at a time when personal-consumption and business-investment expenditures are at record levels, government spending for defense is to be stepped up sharply. A potent expansionary lift to an already overexpanded economy is thus indicated.

At the end of 1950, the country was producing at near-capacity rates. The index of industrial production in December was at 216 percent of the prewar average compared with 195 percent reached at the top of the 1948 expansion. It is obvious, therefore, that increased defense production in 1951 must be at the expense of production for personal and business needs, insofar as total output cannot be enlarged.

The responsibility of the banking system in the new national defense program that will get under way in 1951 is thus particularly grave. The commercial banks are endowed with the extraordinary power of being able to expand or contract the money supply. Through the fractional reserve mechanism, the banks can lend more money than they actually have on hand, and, when they make loans, additional purchasing power is made available to the borrower.

Additional Federal spending, as it becomes translated into additional consumer purchasing power, will increase borrowing capacity and will at the same time result in the quickening of production and consumption. Under these circumstances, demands for business and consumer loans will continue to expand. The banks will be in a position to sift these demands for the purpose of channeling bank credit into the defense effort and away from nondefense purposes. Such channeling will remain the paramount responsibility of bankers so long as the defense effort lasts.

During 1951, the banks in the District will operate in an economic setting whose broad outlines will be determined by the expanding program of national defense. Implicit in the program is a high level of business activity, accompanied by severe disturbances and dislocations not present in the preceding postwar years.

Some initial dislocation will be involved in the conversion of production facilities to defense needs. In many key industries, the transition will involve no great disturbances. Steel, nonferrous metals, lumber, textiles, chemicals, rubber products, petroleum products, and tobacco manufactures will simply be diverted, to whatever extent is necessary, from civilian to Government use. Severe dislocations, however, are assuredly in store for the automobile, housing, and electric appliance industries, among others. There are certain to be sharp reductions in allotments for a long list of manufactured civilian goods. New home building will be another casualty, with new starts dropping sharply under those of 1950.

Severe readjustments are also in store for retail distribution. Business will certainly not be as usual in a growing number of lines as the year unfolds. Every ton of steel diverted to war and defense production will mean that some manufacturer of civilian items will be denied needed materials, and this derangement will reduce the flow of goods to distributive channels and compel many retailers to accept declining sales volumes. Automobile distributors and appliance dealers will be major casualties as the flow of new units drops off in response to reduced production schedules. Home building supply dealers will be another major casualty. On the other hand, department, drug, and jewelry stores, and eating, drinking, and amusement establishments, among others, should experience a sharpened demand. The primary retailing problem for 1951 will be one of finding supplies. The survival of many retailers will depend on their success in such quests.

Business will also be compelled to cope with a growing number of Government controls. The controls that have already been established are disturbing enough, but they constitute only a beginning. A part of the control program will consist of sharply higher tax burdens both on individuals and business.

The quest for manpower will be intensified, and the manpower pinch is likely to become severe. Nonagricultural employment reached 54,075,000 in December, a record total. Unemployment was estimated at 2,229,000, or 3.6 percent of the total labor force. It is anticipated that stepped-up draft calls will practically eliminate unemployment, except that of a temporary or transitional nature occasioned by the shifting of production for civilian uses to production on defense orders. More intensified use of available manpower will be necessary. A longer work week in industry, reduction in absenteeism and turnover, avoidance of the hoarding of labor, and direction of workers to essential occupations are phases of such an intensified program.

In spite of rigid controls and manpower shortages, business as a whole should experience extraordinary levels of activity in 1951. Except for some inevitable failures in the ranks of nondefense and nonessential industries, boom conditions will characterize the economy. The banks will share in this pattern of business expansion and may anticipate a further growth in resources and deposits.

Changes in Membership in the Sixth District

The District had a net gain of two members during the year 1950, compared with a net gain of five in 1949. On December 31, 1950, membership in the Sixth District totaled 353 banks, consisting of 283 national banks and 70 state banks. This is the largest number of member banks the System has had in the Sixth District since 1931 when there was a total of 390. The smallest number of such banks, since the System's establishment, was in 1934, when there were 309.

The increase in membership came through the admission of two state banks and the organization of one national bank. The new member banks are identified as follows:

Date of Admission	*Name of Bank*	*Location*	*Deposits December 31, 1950*
February 27	Peoples National Bank of Miami Shores	Miami Shores, Florida	$8,530,050.22
July 17	Monroe County Bank	Monroeville, Alabama	2,112,779.55
December 11	Merchants Trust & Savings Bank	Kenner, Louisiana	177,854.89

The only loss in membership came through the merger of the Citizens Bank & Trust Company with the Savannah Bank & Trust Company on February 25, under the title of the Savannah Bank & Trust Company of Savannah, Savannah, Georgia.

The Childersburg State Bank, Childersburg, Alabama, a state bank member, converted into the First National Bank of Childersburg, Childersburg, Alabama, on January 3, 1950.

The American National Bank of Nashville, Nashville, Tennessee, changed its name to the First American National Bank of Nashville, Nashville, Tennessee, effective February 1, 1950.

The Palmer National Bank and Trust Company of Sarasota, Florida, changed its title to Palmer First National Bank and Trust Company of Sarasota, Sarasota, Florida, on December 1, 1950.

Growth in Par Banking

During 1950, the number of par banks continued the growth that has been characteristic of the past several years. On December 30, 1950, there were 1,198 banks in the Sixth District, of which 595 were on the Par List. The number included 283 national banks, 70 state bank members, and 242 nonmember state banks. There was a gain of seven in the total number of banks in the District and a gain of nineteen in the number on the Par List.

Nonmember state banks added to the Par List in 1950 were the following:

FLORIDA

Hastings Exchange Bank	Hastings
Bank of Hollywood	Hollywood
Madeira Beach Bank	Madeira Beach
Okeechobee County Bank	Okeechobee
The Punta Gorda State Bank	Punta Gorda
Citizens Bank in Sarasota	Sarasota

GEORGIA

Albany Savings Bank	Albany
Albany Trust & Banking Company	Albany
The Bank of Albany	Albany
Citizens and Southern Bank of Dublin	Dublin
The Citizens & Southern Bank of LaGrange	LaGrange
LaGrange Banking Company	LaGrange
St. Simons State Bank	St. Simons Island
Citizens and Southern Bank of Thomaston	Thomaston
Farmers and Merchants Bank	Washington
Bank of Waynesboro	Waynesboro

TENNESSEE

Union County Bank	Maynardville
Citizens Bank & Trust Company	Wartburg
Bank of Commerce	Woodbury

Banks that are on the Par List remit at par for checks drawn on them when received from the Federal Reserve Bank.

Sixth Federal Reserve District

REVIEW OF BANK OPERATIONS

Since the outbreak of the Korean War on June 25, 1950, the Bank's operating responsibilities have been considerably expanded. Pursuant to the Defense Production Act of 1950, approved September 8, the Board of Governors of the Federal Reserve System was authorized to act as fiscal agent of the United States in the making of guaranteed loans to finance contractors operating on Government defense contracts and to exercise consumer credit and real estate construction credit controls. In carrying out these new responsibilities, the Board reinstituted its Regulations W and V, referring to consumer credit controls and guaranteed defense loans, respectively, and issued an entirely new regulation, Regulation X, to establish restrictions on real estate construction credit. The Board, in turn, called upon the twelve Federal Reserve Banks to set up the necessary operating departments to administer these regulations.

In response to the Board's directives, the Bank made appropriate operating arrangements. Two additional operating departments were established to administer the consumer credit and real estate construction credit controls. Provision was also made to handle the V-Loan Program within the existing Discount Department. A review of the operations involved in these additional responsibilities, as well as an account of the Bank's regular activities, is presented in the following sections.

V-Loan Program

The new V-Loan Program, authorized by the Defense Production Act of 1950 and the President's Executive Order No. 10,161 of September 9, 1950, is substantially the same as that in effect during the Second World War. The twelve Federal Reserve Banks are designated in the Order as fiscal agents of the United States. As such, they are charged with facilitating the guarantee by Government departments of loans made by banks and other lending institutions to individuals and private corporations for the purpose of financing contracts and other operations related to the national defense program. The departments authorized to extend such guarantees are the Army, the Navy, the Air Force, the Commerce, Interior, and Agriculture Departments, and the General Services Administration.

Upon consultation with the guaranteeing agencies, the Board of Governors revised its Regulation V, effective September 27, 1950, to establish the forms and procedures to be observed in the operation of the program. Except for minor changes, both the forms and procedures prescribed are identical with those used in the wartime program.

A guaranteed loan may not bear an interest rate in excess of 5 percent. Such a loan originates with the holder of a defense contract. His initial step is to apply for the loan at his local bank or another financial institution. If approved by the local financing institution, an application for a guarantee of the loan by the appropriate agency is then filed with a Reserve Bank or Branch.

The Bank's share in the program is essentially that of agent or facilitator. It makes a credit investigation of the contractor and endeavors to provide maximum protection to the guaranteeing agency, but with due regard to the urgency of placing contracts for the defense effort.

Following the issuance of Regulation V, the Bank handled a large number of inquiries from banks and contractors concerning the V-Loan program and a considerable number of applications and other forms were distributed. Because of the necessary delays in awarding defense production contracts, the volume of applications filed with the Bank for guarantee was relatively small at the end of the year. From the time the regulation was first issued, September 27, 1950, to the end of the year, the Bank handled nine loan applications, aggregating $3,299,927. Of these applications, two had been approved, aggregating $900,000, and the remainder were still under consideration, but no application had been declined or denied.

Consumer Credit

The new Regulation W, the Board of Governors' consumer credit control measure, became effective on September 18, 1950. It applies to extensions of credit granted in connection with or arising from instalment sales of listed articles and instalment loans. It fixes minimum down payments and maximum loan values and prescribes terms of repayment and maximum maturities. The listed articles are divided into four groups, namely, automobiles, household appliances, furniture, and residential repairs, alterations, or improvements.

Because of unabated upward pressures on prices, the Board of Governors issued an amendment to the regulation, effective October 16, 1950. The amendment increased the down payments on appliances from 15 percent to 25 percent and on furniture from 10 percent to 15 percent. It also reduced the maximum maturity on automobiles, appliances, and furniture credits to fifteen months, but left the maximum maturity on home-improvement credits unchanged at thirty months.

All businesses subject to the regulation are required to file registration statements with the Federal Reserve Bank or Branch in the District in which their main office is located. In the Sixth Federal Reserve District, registration certificates had been issued at the close of the year to 11,500 businesses that had filed statements of registration. In the meantime the department had established an active enforcement program and field compliance checks had been made of more than 10 percent of the registrants.

Real Estate Credit

Regulation X of the Board of Governors establishes restrictions on the granting of residential real estate credits. The regulation became effective October 12, 1950, and in general was applicable to credit extensions in connection with one and two family residences started since August 3, 1950, and to major improvements on residences, both old and new, where the cost exceeds $2,500. The regulation makes some provision for exempt credits in hardship cases, disaster areas, and in cases where commitments for credit were outstanding as of October 12. Effective November 14, the regulation was amended to provide that its prohibitions shall not apply to any real estate construction credit extended prior to May 1, 1951, with respect to new construction begun prior to October 12, 1950.

Under the regulation, individuals and firms engaged in the business of extending real estate credit, either as principal or agent, are subject to its provisions and are designated as "Registrants." The registrants are principally banks, savings and loan associations, insurance companies, mortgage loan companies, and mortgage loan brokers.

Real estate credit departments have been set up at the head office and at the branches for administering Regulation X. Investigators have been appointed who will operate out of the respective offices, making field investigations to check for compliance with the terms of the regulation. Such investigations will eventually be made of all registrants in the District.

Commodity Credit Corporation

Under a continuing agreement entered into with the Commodity Credit Corporation, the Bank and its Branches served as fiscal agent and custodian for the Commodity Credit Corporation during 1950. As fiscal agent, the Bank receives and disburses funds for the Production and Marketing Administration's New Orleans Cotton Office, and the Atlanta Area Fiscal Office, and the GFA (Georgia-Florida-Alabama) Peanut Association at Camilla, Georgia. As custodian for the Corporation, the Bank holds in its vault and services Form A and Form G cotton-loan notes and related collateral comprised of warehouse receipts.

The 1949-50 cotton-loan program of the Corporation was completed early in the fall. Of the 394,435 bales of the 1949 crop placed in the Government loan, 380,365 bales were redeemed by note repayments during 1950. These transactions related only to cotton stored at warehouses in Alabama, Georgia, South Carolina, North Carolina, Virginia, and Florida. The rest of the cotton-producing states are served by other Federal Reserve Banks or Branches, as well as by the PMA Commodity Office at New Orleans. The Bank prepared and forwarded to member and nonmember collecting banks a total of 29,597 collection letters, containing cotton producers' notes, called for repayment, amounting to $56,575,380.29.

Because of the current high market price, only 1,534 bales of the 1950 crop, grown in the states served by this Bank, were placed in the Government loan by the end of the year. Most of the bales pledged were of the long-staple variety. All restrictive acreage allotments for the 1951 cotton crop have been removed, and, in an effort to replenish the country's short stockpile, producers have been urged to grow 16 million bales in 1951.

In addition to cotton-loan transactions, the department received and disbursed funds under the PMA general commodities programs. During 1950, the department paid 10,713 sight drafts (PMA-277), totaling $7,950,423.03. These drafts were drawn by authorized representatives of the PMA in connection with the Irish potato, sweet potato, corn, wheat, barley, oats, soybean, cottonseed and farm-storage facilities programs, and were handled in substantially the same manner as transit cash items.

Peanuts were the chief Government price-support commodity handled by this Bank during the year. As fiscal agent of the Corporation, the Bank received deposits and made disbursements under the 1950 peanut loan and purchase programs from the GFA Peanut Association at Camilla, Georgia, and for five commercial banks which had entered into fiscal agency or lending agency agreements with the Corporation. Under these programs, the department disbursed in excess of $43 million.

Reconstruction Finance Corporation

Effective June 30, 1950, the function of acting as Custodian for the Reconstruction Finance Corporation was discontinued at the Federal Reserve Bank of Atlanta. This service was discontinued by mutual agreement and at the request of the Corporation. The notes, mortgages, securities, and supporting documents formerly held by this Bank as custodian have been delivered to the Atlanta Loan Agency of the R.F.C. or other offices, pursuant to instructions.

The Corporation continues to clear checks through the Federal Reserve Bank of Atlanta, and the proceeds of such checks are credited to the account of the Treasurer of the United States in the same manner that deposits are accepted for other governmental agencies. It also continues to use the private wire system of the Federal Reserve Banks. A number of the Corporation's files are still held by this office, pending receipt of an agreement, in satisfactory form, releasing the Federal Reserve Bank from liability in connection with such files.

Bank and Public Relations

Bank and public relations activities, as in previous years, were directed primarily to promoting efficiency in the Bank's service functions and to a better understanding of them. Operating as it does within statutory limitations and prescribed responsibilities, there is no occasion for the Bank to undertake a program of new business solicitation and service advertising as is necessary with most business enterprises.

The bank-visitation program occupies the most important place in the bank and public relations activities. The number of such visits totaled 1,118 for the year, of which 546 were to member banks and 572 to nonmember banks. Such visitations are more than simply courtesy calls; an effort is made to check on the efficiency, promptness, and completeness of the Federal Reserve Bank's services to the banking community.

In order to maintain close touch with banking developments of the District, the Bank takes an active interest in all meetings where bank problems are discussed. Representatives of the Bank and Branches attended all the principal banker gatherings in the District, totaling 38 for the year, including the annual conventions of the State Bankers Associations and the American Bankers Association. Representatives were also present at 211 other meetings where banking matters pertaining to the economy of the District were discussed. Fifty-five speeches and informal talks on various subjects were made by members of the Bank's staff during the year.

In its public relations, the Bank served as host for a number of important meetings. One such meeting was held for the purpose of promoting the sale of United States Savings Bonds. Another was the joint conference of supervisors and trust men from the Sixth Federal Reserve District. There was a conference of reserve city banks, held for the purpose of discussing mutual problems, and several meetings were held for the discussion of problems involved in the administration of Regulations X and W. As a part of this program, members of the staff conducted a large number of tours, at the head office and branches, of visiting groups who were interested in seeing the various functional services of the institution in actual operation.

The Bank continued its operations survey service, which was established in 1949. Cost analyses and surveys were made for 19 member banks and one nonmember bank during the year. This service is available only upon application and is designed to supplement, and not to take the place of, any similar service that may be available in correspondent banking relationships.

Bank Examination

At least one examination was made of all state member banks in the District, including their trust departments. Although such examinations are conducted primarily in the public interest, care is taken to ensure that the institutions examined shall also be benefited. The facts developed by examinations are used as a basis upon which constructive action may be taken by the supervisory authorities and the management of the banks. Reports are prepared and presented in such a manner that they will be helpful to the directors and executive management of the banks examined, as well as to the Federal Reserve Bank and the Board of Governors in the discharge of their responsibilities.

During 1950, the demand for new banks and additional branches of established institutions continued on about the same basis as in the preceding year. In each case where an application for membership in the Federal Reserve System was received from a state bank in process of organization, or when a request for a recommendation was received from the Comptroller of the Currency in connection with an application to organize a national bank, a representative of the Bank made a field investigation to develop information on which the Bank might base its decision on the matter. These investigations were made with the close co-operation of the other supervisory agencies. In passing on an application, care is always exercised not to create an overbanked condition in any locality and to see that the proposed bank has adequate capital, capable management, and a favorable earnings prospect.

Check Clearing and Collection

Regulation J of the Board of Governors of the Federal Reserve System and operating circulars and time schedules of this Bank prescribe the terms and conditions upon which cash items will be received and handled for collection. Accepted as cash items are checks drawn on banks or banking institutions collectible at par, Government checks, and such other items as are specifically approved.

Scheduled for adoption on January 12, 1951, was a two-day deferred credit schedule. The new schedule provides for a maximum period of deferment of credit of two business days from date of receipt for cash items received from member banks for collection and two business days from date of dispatch for cash items routed direct by member banks to other Federal Reserve Banks and Branches. Also scheduled for adoption on January 12, 1951, was the absorption by the Bank of the cost of telegrams transmitted over the Federal Reserve leased wires relative to the nonpayment, tracing, or other pertinent information on the handling of cash items.

In order to promote earlier presentment of checks and other cash items, the Bank continued to encourage the use of the uniform check routing symbol. A survey made toward the end of the year revealed that 78 percent of all par checks in circulation in the Sixth District bore the uniform routing symbol in the proper

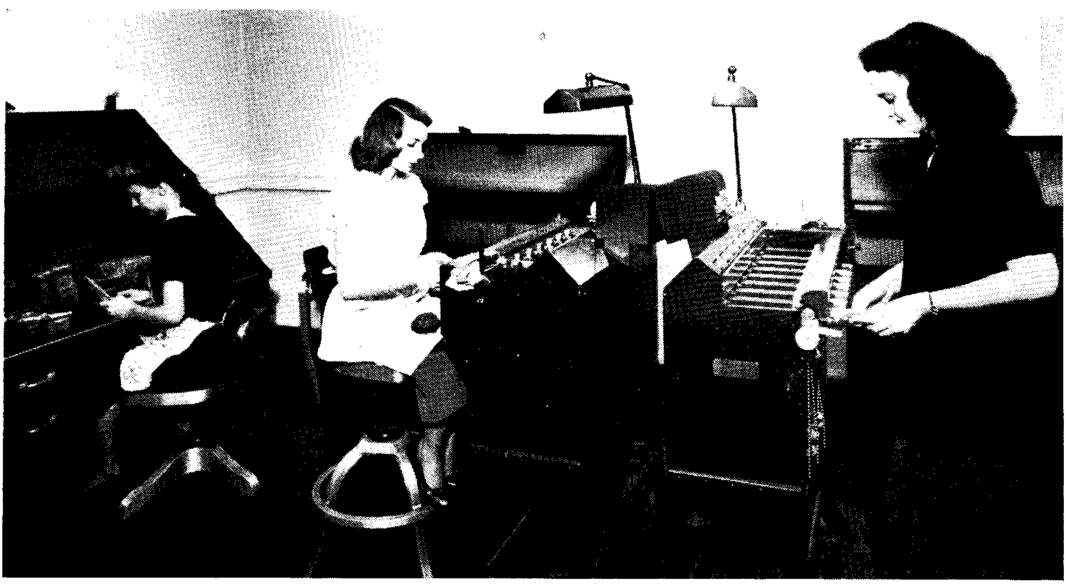
Listing Checks on Proof Machines

location. A similar survey made in 1949, in comparison, indicated that 74 percent of such checks bore the symbol.

Check clearing and collection activity of the Bank reached another all-time high. The number of checks handled by the Bank at its head office and branches during 1950 was 142,691,000. The value of the checks handled was $59 billion.

Currency and Coin

Dollar volume of currency and coin receipts and payments increased substantially over 1949. Receipts from banks amounted to $1,520 million, an increase of $63.9 million. Payments to banks amounted to $1,264 million, an increase of $106 million. During the year, 271.9 million pieces



Training in Sorting and Counting of Currency of currency and 312.4 million pieces of coin were received and counted, representing increases in the number of pieces handled over the previous year of 10.8 million in currency and 15.6 million in coin.

The head office and branches received from the Federal Reserve Agent during 1950 a total of $435 million in Federal Reserve notes, an increase of $27 million over the previous year, and the largest amount received since 1945. Net circulation of the Bank's Federal Reserve notes outstanding at the close of 1950 was $1,276 million. This amount outstanding represented a decline of $15 million in comparison with the close of 1949, but it is the smallest decrease that has occurred since the end of 1945, when our circulation was at its highest peak. From $1,291 million at the end of 1949, net circulation declined by August 31 to about $1,242 million, and increased by December 31 to $1,276 million.

In October of this year, arrangements were made with an armored car service for transporting Army payroll funds each month to Fort Benning, near Columbus, Georgia, where such funds are delivered to representatives of the three participating banks. This arrangement is a convenience to the Columbus banks, and the cost of this service is approximately a third less than registered mail costs.

Discount and Credit

During 1950, the Bank made 259 advances, accommodating 39 member banks to the extent of $430 million. Of that amount $426 million was secured by United States Government obligations, $4 million by eligible paper, and $377,000 by collateral not eligible for discount or purchase.

The high point of member bank borrowings was reached on November 27, 1950, when $25 million was outstanding. At the end of the year, only one member bank was indebted to this Bank, in the amount of $25,000, compared with one at the end of 1949, in the amount of $30,000. As in 1949, no advances were made during the year to nonmember banks. In most instances, advances made during the year were for short periods and were for the purpose of covering temporary reserve deficiencies of the member banks.

There were increases of 27.6 percent and 62.1 percent in the number and amount, respectively, of notes discounted during 1950, over the preceding year. The discount rate on member bank borrowings under Sections 13 and 13a of the Federal Reserve Act was increased from 1½ percent to 1¾ percent by this Bank on August 24, 1950.

Fiscal Agency and Securities

Because of the tremendous increase in the Federal debt as the result of war financing, the issuance, redemption, and refunding of the various obligations has become one of the largest financial activities in the country. The Federal Reserve Bank of Atlanta, through its Fiscal Agency and Securities Department, plays a very important part in this service function.

No cash offering of unrestricted securities, except weekly bills, was made by the Treasury Department during the year. Maturing securities included eight issues of certificates of indebtedness, one issue of Treasury notes, and one issue of Treasury bonds. In addition, the Treasury exercised the call privilege on three issues of bonds. On each of these issues, a refunding privilege was offered, which involved nine note issues and one issue of certificates of indebtedness. In the Sixth District, there were 5,703 subscriptions received in these operations, totaling over $742 million.

Beginning January 1, 1950, facilities for issuing Treasury bills were in operation at each of the branch offices as well as at the head office. During the year, 2,457 tenders were received, from which there was allotted over $543 million. Issues of Treasury savings notes amounted to over $47 million, and redemptions were in excess of $48 million.

The department also handled a considerable volume of issues, reissues, and redemptions of United States Savings Bonds. Issues of savings bonds of all series amounted to 1,921,307 pieces, with a maturity value of $292 million. Compared with 1949, there was an approximate increase of 3 percent in maturity value, and a 10 percent decrease in the number of pieces. Approximately 60 percent of the amount issued, or $174 million, was by issuing agents. At the end of the year, there were 1,326 such agents.

Savings bonds can be reissued only by the Federal Reserve Banks or the Treasury Department. A reissue involves an exchange of a new bond for one that is already outstanding. During

Punching Cards in Savings Bonds Redemption the year, the head office and branches processed 12,383 such transactions, involving 186,216 pieces and a maturity value of $40 million.

Redemptions of savings bonds were in particularly large volume. Series A-E redemptions amounted to $329 million and numbered 4,187,828 pieces. Compared with 1949, there was a slight decrease in the number of pieces redeemed, but there was an increase of 33 percent in face value. At the end of the year, there were 1,317 paying agents. Redemptions of Series F and G savings bonds amounted to 55,527 pieces, with a face value of $56 million.

As a service to the public, the Federal Reserve Banks are authorized to hold savings bonds in custody for individuals. During 1950, this Bank handled the deposit or withdrawal of 69,749 pieces, having a maturity value of $10 million. On December 31, 1950, the Bank held 244,000 pieces with a maturity value of

Sorting Government Card Checks

$29 million, a slight increase in maturity value above the holdings at the end of 1949.

Other volume operations included the processing of coupons; the handling of exchanges, transfers, and redemptions of Treasury issues; serving as custodian of securities deposited by member banks and governmental agencies; and performing open-market operations for member banks. Although diminishing in volume because certain short-term securities are now offered without coupons, the processing of coupons, forwarded for payment or clipped directly from United States obligations held in custody, requires much time and attention to detail. Such coupons paid during the year amounted to approximately $27 million and numbered 481,000 pieces. In its capacity as fiscal agent of the Treasury, the Bank processed for exchange or transfer Treasury issues in the number of 56,583 and handled the redemption of 80,201 such pieces. In its capacity as custodian, the Bank held at the end of the year $2,925 million in face value of securities for the account of member banks and governmental agencies. The Bank's open-market operations were confined to making purchases, sales, and clearings of United States Government securities in behalf of member banks. Such transactions during the year numbered 7,356, representing $1,823 million in maturity value.

The change announced by the Treasury Department effective January 1, 1950, for the reporting and depositing of Federal taxes was put into operation. Receipts for the employers who deposit taxes are in the form of a punch card that is processed on tabulating machines. The tabulating operation is done in the Atlanta office only. Collection of taxes for the calendar year 1950 was in excess of $319 million. Banks which are qualified under Treasury Department Circulars 92 and 848 may accept tax payments from employers and make payment to the Bank by credit in the Treasury Tax and Loan Account. In 1950, depositary banks handled 197,581 receipts received from employers. The procedure is continuously being refined to effect a maximum of efficiency for the employer, the Treasury Department, and the Bank.

On December 31, 1950, there were 848 banks qualified as Treasury Tax and Loan depositaries in the amount of $1,437 million and holding balances in the amount of $92 million. The number of entries in the Treasury Tax and Loan Accounts was 122,076 in 1950, an increase of 84 percent over those of 1949. The increase was principally because of the acceptance by depositaries of deposits of Federal taxes.

Personnel

Personnel procedures and policies were changed during the year to meet conditions brought about by the expansion of the armed forces and the enactment of new Federal legislation. Between the time the war broke out in Korea and the end of the year, twenty-one employees left the Bank and branches to enter military service. Accordingly, the Bank revived its wartime policy with respect to the rights of employees entering such service. Under this policy, employees, other than those on a temporary employment basis, are accorded special treatment. Whether they enter upon duty with the armed services under the Selective Service Act of 1949 or voluntarily enlist, they are allowed re-employment rights following the end of their military service. Moreover, upon re-employment they may be restored to active membership in the Bank's retirement system, with no loss of service for the period of military leave. In addition, they will be reimbursed for premiums paid on National Service Life Insurance policies not in excess of $5,000 in coverage. Finally, if they have had at least one year of employment with the Bank, they are paid one month's unearned salary upon entering military service.

In response to the national defense effort, there was a general tightening of the employment situation, a tightening particularly noticeable as the year drew to a close. The rate of turnover increased in the second half of the year, making necessary an active employee-recruiting effort.

Amendment on August 28, 1950, of the Social Security Act extended the benefits of the social security program to employees of the Federal Reserve Banks, beginning January 1, 1951. Accordingly, effective November 30, 1950, changes were made in the retirement system of the Federal Reserve Banks to integrate the retirement costs and benefits with those of the new coverage.

The enactment of new Federal minimum wage legislation, effective January 25, 1950, caused minor upward salary adjustments in the unskilled classification group. All salary grades were later adjusted upward on the basis of the regular annual salary survey made by the Personnel Department in September 1950.

The Bank continued active encouragement of study at advanced banking schools by its officers and employees. Twelve staff members, six of whom received their graduate diplomas, were sent to the summer session of the Graduate School of Banking at Rutgers University. Two other staff members were sent to the new Banking School of the South at Louisiana State University which held its first session for graduate banking students in June. The new school is scheduled to graduate its first students at the close of the 1952 summer session.

Research

For the past three years this Bank has had an active program that includes agricultural relations. This program was begun in recognition of the important role played by farming in the economy of the Sixth Federal Reserve District and of the desirability of assisting member banks in helping farmers to make needed changes in their farming methods. Activating the program is one of the many functions performed by the Research Department.

The agricultural relations program is conducted in close co-operation with the agricultural committees of the State Bankers Associations. One phase of such co-operation is represented by banker-farmer meetings which are sponsored by the State Bankers Associations, the State Agricultural Colleges, and the Bank. During the year, three such meetings were held in Florida, two in Alabama, three in Mississippi, five in Tennessee, and three in Louisiana. Most of these meetings were held on farms where the results of improved pastures, proper forestry practices, and sound bank credit could be demonstrated. The Bank also assisted in planning and conducting a number of farm credit schools, in co-operation with the Georgia and Florida Bankers Associations.

Much of the department's work is for use within the Bank and within the System. In addition to carrying on this work and publishing the Bank's *Monthly Review* and the *Bankers Farm Bulletin,* the Department met numerous requests for economic data by commercial banks, colleges, trade organizations, Federal and state agencies, civic clubs, and individuals.

Appointments, Elections, and Official Staff Changes

Frank H. Neely, Chairman of the Board of Rich's, Inc., Atlanta, Georgia, was appointed by the Board of Governors of the Federal Reserve System a Class C director of the Federal Reserve Bank of Atlanta for an additional term of three years, beginning January 1, 1951. Mr. Neely was redesignated by the Board of Governors as Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of Atlanta for the year 1951. Rufus C. Harris, President of The Tulane University of Louisiana, New Orleans, Louisiana, was reappointed by the Board of Governors as Deputy Chairman of the Board of Directors for the year 1951.

At elections held in October, Roland L. Adams, President, Bank of York, York, Alabama, was chosen by member banks in Group 3 as a Class A director, and Alfred Bird Freeman, Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd., New Orleans, Louisiana, was re-elected by member banks in Group 1 as a Class B Director. Each of these directors was elected for a term of three years, beginning January 1, 1951.

Appointed by the Board of Governors of the Federal Reserve System, each for a term of three years beginning January 1, 1951, were the following branch directors: Birmingham Branch, John M. Gallalee, President, University of Alabama, Tuscaloosa, Alabama; Jacksonville Branch, Marshall F. Howell, Vice President, Bond-Howell Lumber Company, Jacksonville, Florida; Nashville Branch, C. E. Brehm, President, University of Tennessee, Knoxville, Tennessee; New Orleans Branch, H. G. Chalkley, Jr., President, Sweet Lake Land & Oil Company, Inc., Lake Charles, Louisiana.

The Board of Directors of the Federal Reserve Bank of Atlanta also appointed four branch directors. These appointments, each for a three-year term, beginning January 1, 1951, were as follows: Birmingham Branch, T. J. Cottingham, President, State National Bank of Decatur, Decatur, Alabama; Jacksonville Branch, Clement B. Chinn, President, The First National Bank of Miami, Miami, Florida; Nashville Branch, G. C. Graves, President, The First National Bank of Athens, Athens, Tennessee; New Orleans Branch, William C. Carter, President, Gulf National Bank of Gulfport, Gulfport, Mississippi.

As a member of the Federal Advisory Council, representing the Sixth Federal Reserve District, for a term of one year beginning January 1, 1951, the Board of Directors of the Federal Reserve Bank of Atlanta appointed Paul M. Davis, Chairman of the Board of Directors of the First American National Bank of Nashville, Nashville, Tennessee.

To serve as members of the Industrial Advisory Committee for the Sixth District, the Board of Directors of the Federal Reserve Bank of Atlanta re-appointed for the year 1951, John E. Sanford, President, Armour Fertilizer Works, Atlanta, Georgia; George Winship, President, Fulton Supply Company, Atlanta, Georgia; W. W. French, Chairman of the Board, Moore-Handley Hardware Company, Inc., Birmingham, Alabama; Luther Randall, President, Randall Brothers, Inc., Atlanta, Georgia; and I. C. Milner, President, Gate City Mills Company, East Point, Georgia. Mr. Sanford is Chairman of the committee, and Mr. Milner is Deputy Chairman.

Three changes were made in the Bank's official staff during the year. R. DeWitt Adams, Acting General Auditor, was appointed General Auditor. L. B. Raisty, Senior Economist, was appointed Assistant Vice President. F. C. Vasterling, Assistant Cashier, New Orleans Branch, retired.

Sixth Federal Reserve District

DIRECTORS AND OFFICERS

The Bank has nine directors, divided into three classes. Class A Directors are elected by the stockholding banks and in practice are officers of member banks. Class B Directors are also elected by member banks but may not be operating bankers. The Board of Governors of the Federal Reserve System appoints the Class C Directors, one of whom is designated as Chairman and another as Deputy Chairman. No Class C Director may be an officer, director, employee, or stockholder of any bank.

For the purpose of electing Class A and Class B Directors, the member banks are divided into three groups, representing large banks, middle-sized banks, and small banks. Each group elects one Class A and one Class B Director.

Each of the four branches has a Board of Directors of seven members. Four of these members are appointed by the parent Board and in practice are operating officers of member banks and serve only one term. The other three directors are appointed from nonbanking fields by the Board of Governors.

Federal Reserve Bank of Atlanta

DIRECTORS

Class A
Elected by Member Banks

	Group	Term Expires December 31
R. Clyde Williams President, The First National Bank of Atlanta Atlanta, Georgia	1	1951
Leslie R. Driver President, The First National Bank in Bristol Bristol, Tennessee	2	1952
Roland L. Adams President, Bank of York York, Alabama	3	1953

Class B
Elected by Member Banks

	Group	Term Expires December 31
J. A. McCrary Vice President and Treasurer, J. B. McCrary Company, Inc. Decatur, Georgia	2	1951
Donald Comer Chairman of the Board, Avondale Mills Birmingham, Alabama	3	1952
Alfred Bird Freeman Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd. New Orleans, Louisiana	1	1953

Class C
Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
Frank H. Neely, *Chairman* Chairman of the Board, Rich's, Inc. Atlanta, Georgia	1953
Rufus C. Harris, *Deputy Chairman* President, The Tulane University of Louisiana New Orleans, Louisiana	1952
Paul E. Reinhold President and Director, Foremost Dairies, Inc. Jacksonville, Florida	1951

OFFICERS

W. S. McLarin, Jr., *President*

L. M. Clark, *First Vice President*

V. K. Bowman
Vice President

S. P. Schuessler
Vice President

E. L. Rauber
Director of Research

J. E. Denmark
Vice President

Harold T. Patterson
General Counsel

R. DeWitt Adams
General Auditor

J. H. Bowden
Assistant Vice President

I. H. Martin
Assistant Vice President

C. R. Camp
Assistant Vice President

Roy E. Milling
Assistant Vice President

F. H. Martin
Assistant Vice President

E. C. Rainey
Assistant Vice President

L. B. Raisty, *Assistant Vice President*

Member Federal Advisory Council

Paul M. Davis
Chairman of the Board
First American National Bank of Nashville
Nashville, Tennessee

Industrial Advisory Committee

John E. Sanford, *Chairman*
President
Armour Fertilizer Works
Atlanta, Georgia

W. W. French
Chairman of the Board
Moore-Handley Hardware Co., Inc.
Birmingham, Alabama

Luther Randall
President
Randall Brothers, Inc.
Atlanta, Georgia

I. C. Milner
President
Gate City Mills Company
East Point, Georgia

George Winship
President
Fulton Supply Company
Atlanta, Georgia

Birmingham Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
THAD HOLT, *Chairman* . . . . President and Treasurer, Voice of Alabama, Inc. (Radio Station WAPI) Birmingham, Alabama	1952
WM. HOWARD SMITH . . . . President, McQueen-Smith Farms Prattville, Alabama	1951
JOHN M. GALLALEE . . . . President, University of Alabama Tuscaloosa, Alabama	1953

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

D. C. WADSWORTH . . . . President, The American National Bank of Gadsden Gadsden, Alabama	1951
J. B. BARNETT . . . . President, The First National Bank of Monroeville Monroeville, Alabama	1952
A. M. SHOOK . . . . President, Security-Commercial Bank Birmingham, Alabama	1952
T. J. COTTINGHAM . . . . President, State National Bank of Decatur Decatur, Alabama	1953

OFFICERS

P. L. T. BEAVERS, *Vice President and Manager*

Melvin McSten...

H. C. FRAZER	H. J. URQUHART	~~L. W. STARR~~
Assistant Manager	*Cashier*	*~~Assistant Cash~~ier*

Jacksonville Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
J. HILLIS MILLER, *Chairman* President, University of Florida Gainesville, Florida	1951
HOWARD PHILLIPS Vice President and General Manager, Dr. P. Phillips Company Orlando, Florida	1952
MARSHALL F. HOWELL Vice President, Bond-Howell Lumber Company Jacksonville, Florida	1953

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

J. D. CAMP President, Broward National Bank of Fort Lauderdale Fort Lauderdale, Florida	1951
J. E. BRYAN President, Union Trust Company St. Petersburg, Florida	1952
N. RAY CARROLL President, The First National Bank of Kissimmee Kissimmee, Florida	1952
CLEMENT B. CHINN President, The First National Bank of Miami Miami, Florida	1953

OFFICERS

T. A. LANFORD, *Vice President and Manager*

T. C. CLARK	J. WYLY SNYDER	C. MASON FORD
~~*Cashier*~~	~~*Assistant*~~ *Cashier*	*Assistant Cashier*

Manager

Nashville Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
H. C. MEACHAM, *Chairman* . . . . Agriculture and Livestock Franklin, Tennessee	1951
W. BRATTEN EVANS . . . . President, Tennessee Enamel Manufacturing Company Nashville, Tennessee.	1952
C. E. BREHM . . . . President, University of Tennessee Knoxville, Tennessee	1953

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

PARKES ARMISTEAD . . . . President, First American National Bank of Nashville Nashville, Tennessee	1951
T. L. CATHEY . . . . President, Peoples and Union Bank Lewisburg, Tennessee	1952
THOMAS D. BRABSON . . . . President, The First National Bank of Greeneville Greeneville, Tennessee	1952
G. C. GRAVES . . . . President, The First National Bank of Athens Athens, Tennessee	1953

OFFICERS

JOEL B. FORT, JR., *Vice President and Manager*

E. R. HARRISON
Cashier

ROBERT E. MOODY, JR.
~~*Assistant Cashier*~~ Manager

L. W. Starr,
Ass't Cashier

New Orleans Branch

DIRECTORS

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
E. O. BATSON, *Chairman* President, Batson-McGehee Company, Inc. Millard, Mississippi	1952
JOHN J. SHAFFER, JR. Agriculture and Farm Machinery Ellendale, Louisiana	1951
H. G. CHALKLEY, JR. President, Sweet Lake Land and Oil Company, Inc. Lake Charles, Louisiana	1953

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

JAMES C. BOLTON President, Rapides Bank & Trust Company in Alexandria Alexandria, Louisiana	1951
PERCY H. SITGES President, Louisiana Bank & Trust Company New Orleans, Louisiana	1952
ELBERT E. MOORE President, Louisiana National Bank of Baton Rouge Baton Rouge, Louisiana	1952
WILLIAM C. CARTER President, Gulf National Bank of Gulfport Gulfport, Mississippi	1953

OFFICERS

E. P. PARIS, *Vice President and Manager*

M. L. SHAW *Assistant Manager*	W. H. SEWELL *Cashier*	L. Y. CHAPMAN *Assistant Cashier*

Sixth Federal Reserve District

FINANCIAL AND VOLUME REPORTS

Reserve Position of Member Banks

SEMIMONTHLY PERIOD ENDED DECEMBER 31, 1950

State	*Required Reserves*	*Actual Reserves*	*Excess Reserves*	*Percent of Actual Reserves to Required Reserves*
ALABAMA	$107,800,000	$120,900,000	$13,100,000	112.2
FLORIDA	148,500,000	161,700,000	13,200,000	108.9
GEORGIA	151,700,000	159,600,000	7,900,000	105.2
LOUISIANA	135,700,000	153,500,000	17,800,000	113.1
MISSISSIPPI	21,500,000	24,100,000	2,600,000	112.1
TENNESSEE	98,600,000	109,500,000	10,900,000	111.1
DISTRICT	$663,800,000	$729,300,000	$65,500,000	109.9

Currency and Coin Operations Main Bank and Branches

NUMBER OF PIECES RECEIVED AND COUNTED FOR 1950 AND 1949, BY MONTHS

Month	Currency 1950	Currency 1949	Coin 1950	Coin 1949
	Currency	*(In Thousands)*		*Coin*
Month	*1950*	*1949*	*1950*	*1949*
January	22,181	24,368	30,861	24,703
February	21,465	24,025	24,641	28,478
March	25,493	24,030	25,230	25,953
April	21,495	23,000	21,899	24,801
May	23,980	21,688	28,351	25,067
June	21,535	20,401	26,265	25,798
July	20,638	19,116	24,287	21,113
August	23,518	21,555	29,265	25,945
September	22,412	20,856	27,619	24,363
October	22,842	20,426	24,562	23,564
November	23,292	20,379	26,289	22,966
December	23,108	21,279	23,169	24,088
Total	271,959	261,123	312,438	296,839

RECEIPTS FROM BANKS AND PAYMENTS TO BANKS FOR 1950 AND 1949, BY MONTHS

	Receipts	*(In Thousands)*		*Payments*
Month	*1950*	*1949*	*1950*	*1949*
January	$ 135,915	$ 146,309	$ 79,263	$ 67,946
February	120,748	123,622	103,368	85,021
March	146,378	144,890	119,626	108,498
April	119,937	120,843	91,124	94,459
May	124,848	110,574	96,959	93,832
June	117,774	112,620	96,093	90,621
July	119,700	107,674	96,072	97,142
August	126,646	114,510	105,749	94,404
September	114,736	110,038	113,437	98,211
October	121,670	108,202	118,112	103,466
November	126,689	115,211	112,076	100,245
December	144,905	141,529	132,160	124,421
Total	$1,519,946	$1,456,022	$1,264,039	$1,158,266

STATEMENT OF CONDITION

ASSETS	December 31, 1950	December 31, 1949
Gold Certificates	$ 890,799,772.39	$ 995,700,383.92
Redemption Fund for Federal Reserve Notes	39,540,790.00	39,850,752.57
Total Gold Certificate Reserves	$ 930,340,562.39	$1,035,551,136.49
Other Cash	18,763,112.38	21,131,989.40
Total Cash	$ 949,103,674.77	$1,056,683,125.89
Discounts and Advances . .	25,000.00	2,879,500.00
Industrial Loans	6,596.90	0
U. S. Government Securities—System Account	1,110,085,000.00	1,012,460,000.00
Total Loans and Securities .	$1,110,116,596.90	$1,015,339,500.00
Federal Reserve Notes of Other Banks	20,312,250.00	18,865,250.00
Uncollected Cash Items . . .	277,132,397.83	211,620,743.98
Bank Premises (Net) . . .	1,720,100.56	1,523,303.62
Other Assets	6,328,745.61	5,500,352.59
TOTAL ASSETS	$2,364,713,765.67	$2,309,532,276.08
LIABILITIES		
Federal Reserve Notes in Actual Circulation	$1,276,091,240.00	$1,290,998,620.00
Deposits:		
Member Bank Reserve Accounts	740,421,957.53	685,366,469.27
U. S. Treasurer—General Account	38,559,111.47	50,492,636.50
Foreign	37,283,400.00	31,184,600.00
Other Deposits	42,761,729.66	31,948,301.66
Total Deposits	$ 859,026,198.66	$ 798,992,007.43
Deferred Availability Cash Items	191,070,072.32	182,688,791.71
Other Liabilities	200,073.95	455,043.24
TOTAL LIABILITIES.	$2,326,387,584.93	$2,273,134,462.38
CAPITAL ACCOUNTS		
Capital Paid In	$ 8,954,450.00	$ 8,239,800.00
Surplus (Section 7)	22,368,597.95	21,193,500.54
Surplus (Section 13b) . . .	762,425.68	762,425.68
Reserves for Contingencies . .	6,240,707.11	6,202,087.48
Total Capital Accounts . .	$ 38,326,180.74	$ 36,397,813.70
TOTAL LIABILITIES AND CAPITAL ACCOUNTS . .	$2,364,713,765.67	$2,309,532,276.08

EARNINGS AND EXPENSES

	1950	1949
Current Earnings:		
Discounts and Advances . . .	$ 78,261.81	$ 110,508.60
Industrial Loans	128.93	0
Industrial Loan Commitments . .	0	713.55
U.S. Government Securities—System Account	14,611,876.32	16,734,213.52
All Other	22,222.89	34,512.89
Total Current Earnings . .	$14,712,489.95	$16,879,948.56
Current Expenses	4,342,755.89	4,093,924.20
Current Net Earnings . . .	$10,369,734.06	$12,786,024.36
Net Addition to Current Net Earnings	1,942,583.76	1,534,179.68
Total	$12,312,317.82	$14,320,204.04
Other Deductions:		
Transferred to Reserve for Contingencies	$ 40,434.18	$ 2,178,867.89
Paid to U. S. Treasury (Interest on Outstanding Federal Reserve Notes)	10,575,575.12	10,490,251.54
Total	$10,616,009.30	$12,669,119.43
Net Earnings after Reserves and Payment to U.S. Treasury.	$ 1,696,308.52	$ 1,651,084.61
Distribution of Net Earnings:		
Dividends Paid	$ 521,211.11	$ 485,447.66
Transferred to Surplus (Section 7)	1,175,097.41	1,165,636.95
	$ 1,696,308.52	$ 1,651,084.61
Surplus (Section 7):		
Surplus January 1	$21,193,500.54	$20,027,863.59
Transferred to Surplus—As Above	1,175,097.41	1,165,636.95
Surplus December 31	$22,368,597.95	$21,193,500.54

MEMBER BANK COMPARATIVE STATEMENT

[*Amounts in thousands of dollars*]

ASSETS	*December 30 1950*	*December 31 1949*
Loans and investments	$4,753,841	$4,412,170
Loans (including overdrafts)	1,999,595	1,610,669
U. S. Government obligations, direct and guaranteed	2,286,834	2,371,942
Obligations of States and political subdivisions	386,448	344,351
Other bonds, notes and debentures	70,778	75,476
Corporate stocks (including Federal Reserve Bank stock)	10,186	9,732
Reserves, cash, and bank balances	1,811,039	1,622,125
Bank premises owned and furniture and fixtures	59,406	55,405
Other real estate owned	1,448	1,612
Investments and other assets indirectly representing bank premises and other real estate	1,722	889
Customers' liability on acceptances	6,947	8,654
Other assets	19,914	17,236
Total assets	$6,654,317	$6,118,091
LIABILITIES		
Demand deposits	$5,105,298	$4,601,939
Individuals, partnerships, and corporations	3,544,179	3,179,581
U. S. Government	94,136	83,086
States and political subdivisions	624,650	598,594
Banks in U. S. and foreign countries	781,084	689,979
Certified and officers' checks, cash letters of credit and travelers' checks, etc.	61,249	50,699
Time deposits	1,111,802	1,109,613
Total deposits	6,217,100	5,711,552
Bills payable, rediscounts, and other liabilities for borrowed money	175	30
Acceptances outstanding	8,634	11,869
Other liabilities	37,773	31,259
Total liabilities	$6,263,682	$5,754,710
CAPITAL ACCOUNTS		
Capital	$ 122,753	$ 115,713
Surplus	182,903	164,230
Undivided profits	60,893	59,249
Other capital accounts	24,086	24,189
Total capital accounts	$ 390,635	$ 363,381
Total liabilities and capital accounts	$6,654,317	$6,118,091

Changes in Membership 1943-1950

	1943	1944	1945	1946	1947	1948	1949	1950
Membership, beginning of year	318	316	317	325	333	340	346	351
Additions during year:								
Organization of National banks	0	4	0	0	3	2	0	1
Conversion of State banks to National banks*. . . .	1	3	4	6	1	2	3	1
Admission of State banks .	3	3	7	5	6	4	5	2
Resumption following suspension	0	0	0	0	0	0	0	0
Total additions . . .	4	10	11	11	10	8	8	4
Losses during year:								
Mergers between National banks	0	0	0	0	1	0	1	0
Mergers between State banks	0	0	0	0	0	0	0	1
Suspension or insolvency . .	0	0	0	0	0	0	0	0
Withdrawal of State banks*.	2	8	1	3	1	1	2	1
Voluntary liquidation . . .	0	1	2	0	1	1	0	0
Conversion of member to nonmember banks** . .	4	0	0	0	0	0	0	0
Total losses	6	9	3	3	3	2	3	2
Net change during year . . .	−2	+1	+8	+8	+7	+6	+5	+2
Membership end of year . .	316	317	325	333	340	346	351	353
National banks	260	266	268	274	276	279	281	283
State banks	56	51	57	59	64	67	70	70

*Includes conversion of State member banks to National banks.

**Includes conversion of National banks to nonmember banks, and absorption of members by nonmembers.

SIXTH FEDERAL RESERVE DISTRICT

Thirty-seventh Annual Report

FEDERAL RESERVE BANK OF ATLANTA

Nineteen Hundred and Fifty-One

1951

THE FEDERAL

1951

RESERVE BANK OF ATLANTA

Thirty-seventh Annual Report

for the Year Ended December 31, 1951

March 14, 1952

To the Member Banks of the
Sixth Federal Reserve District:

Herein is presented the Thirty-seventh Annual Report of the Federal Reserve Bank of Atlanta. It includes comments on outstanding changes during the year in the Bank's financial condition, a brief review of Sixth District member bank developments, and an account of the Bank's principal activities and services.

Sincerely yours,

MALCOLM BRYAN,
President

Table of Contents


FEDERAL RESERVE BANK OF ATLANTA

REVIEW OF BANKING DEVELOPMENTS

Banking activity in the Sixth District was conducted in 1951 on the basis of a business background characterized by relative stability. Industrial output fluctuated from month to month within an unusually narrow range, a range that closely approximated optimum levels. Production for defense purposes took an increasing share of the nation's effort, but even so production for civilian uses was ample, or more than ample, to meet consumer demand. Unemployment generally was reduced to a minimum and, despite a substantial increase in the armed forces of the country, employment for the country as a whole averaged about one million higher than in 1950. Associated with greatly accelerated defense spending was a considerable rise in personal income. Although upward pressure on the price structure was potentially very strong, price changes, as a whole, proved to be moderate for the year.

A return to more normal buying and saving habits on the part of consumers was an essential element in reducing pressure on prices. After a strong buying upsurge in the first quarter of the year, consumers became more willing to hold a larger proportion

◄ *Entrance to Head Office, Atlanta, Georgia* of their income in cash claims. Contributing to this change was an easing of war fears and the demonstrated availability of civilian goods.

Business investment spending was also reduced in certain categories, primarily through the withdrawal of basic materials and supplies from nondefense uses. By the fourth quarter of 1951, such spending was substantially less than it had been during the first half of the year.

Another key factor in the reduction of inflationary pressure was the Federal tax program. Higher taxes served to absorb an important part of increased business and consumer incomes and enabled the defense program to proceed essentially on a pay-as-you-go basis.

Probably the most important factor in the abatement of inflation was restrictive monetary action applied by the Federal Reserve System. In the latter part of 1950, the rates charged by the Federal Reserve Banks on borrowings were increased, and member bank reserve requirements were raised in the early part of 1951. Both measures affected the supply, availability, and cost of loanable funds. Then, on March 4, 1951, the Treasury-Federal Reserve accord was announced, whereby a far-reaching modification in procedures for supporting the price of marketable Government securities was brought about. The accord was almost immediately accompanied by a reduction in the availability of funds for credit expansion. Reinforcing the restrictive effect of these monetary actions was a more cautious lending policy on the part of commercial banks, inspired partly by voluntary credit restraint committees organized throughout the country.

Whatever may have been the contributing factors, the inflation problem that appeared in such aggravated form at the beginning of the year seemed to be under control by the end of the year. The impact of the changed situation was notable in the District in the changes that took place in the financial condition of the Federal Reserve Bank of Atlanta and in that of the member banks. Resources of the Federal Reserve Bank increased only moderately. Although deposits of member banks increased substantially during the year, aggregate loan volume at the end of the year was almost identical with that at the beginning of the year.

Bank Financial Changes

By the end of 1951, the resources of the Federal Reserve Bank of Atlanta amounted to $2.5 billion, representing a 12-month gain of $175 million. After paying dividends of $567,001 to its member banks and paying interest of $13,524,304 on its outstanding Federal Reserve notes to the United States Treasury, the Bank had a net addition of $1,502,799 to surplus for the year. These distributions were made out of net earnings, which totaled $15,642,107.

Gold-certificate reserves amounted to $973,357,440, an increase of $43,016,878 for the year. The Bank must hold claims to gold certificates equal to 25 percent of both deposits and Federal Reserve note liabilities. The actual ratio of gold certificate reserves to combined deposits and Federal Reserve note liabilities at the end of 1951 was 41.8 percent. Calculated separately, the deposit ratio was 43.6 percent, and the Federal Reserve note ratio was 40.5 percent.

Participation in the System Open Market Account amounted to $1,273,684,000, an increase of $163,599,000 over such participation a year earlier.

Liability on Federal Reserve notes in actual circulation was $1,382,154,565, an amount $106,063,325 greater than that of a year earlier. These notes are fully secured by gold certificates and Government securities. The increase in the amount of this Bank's notes outstanding reflected the high level of business activity experienced in the Sixth Federal Reserve District, since requirements for pocket, till, and vault cash generally rise with an expanding volume of business.

Deposit liabilities amounted to $947,769,209, a rise of $88,743,010 for the year. Member-bank reserve accounts, amounting to $915,857,708, represented the major part of the Bank's deposit liabilities.

Capital accounts amounted to $40,633,683, a rise of $2,307,502 for the year. Of this amount, capital paid in amounted to $9,711,150.

Net changes in the Capital Paid-in Account represented an increase of $756,700 for the year, compared with $714,650 for the year 1950. Additions to, or subtractions from, the account are strictly a matter of statute. When member banks increase their capital stock and surplus, they are required to subscribe for an additional amount of capital stock equal to 6 percent of the increase. Only one half of the subscription, however, must be paid in, the other half is subject to call. Owing to this requirement, the member banks of the Sixth Federal Reserve District subscribed to $1,502,900 of capital stock at $100 per share, of which one half, or $751,450, was actually paid in. These subscriptions were made pursuant to an approximate increase of $25,000,000 in capital and surplus of the member banks. A further increase in the Capital Paid-in Account amounting to $17,250 was made as the result of the admission of three banks to membership. Two decreases in the account were recorded, one representing a return of $1,500 paid-in capital to a member bank because it had reduced its capital and surplus in the amount of $50,000, and the other representing a reduction of $10,500 following the withdrawal of a bank from membership.

Surplus (Section 7) increased $1,502,799 during the year, bringing the total to $23,871,397 at year's end. This item represents the accumulated net earnings of the Federal Reserve Bank after all dividend claims have been fully met.

Surplus (Section 13b), at $762,426, represents a dormant account. No changes in the account balance have been made since

1944. This surplus fund originated from advances by the Treasury to the Federal Reserve Banks with respect to loans and discounts for industrial purposes.

Reserves for contingencies were increased by $48,003, bringing the total of such reserves to $6,288,711. Of this total, $690,711 is earmarked for registered mail losses, inasmuch as under a System-wide loss-sharing arrangement the Federal Reserve Banks handle shipments of coin and currency by registered mail on a self-insured basis.

Current earnings for 1951 amounted to $21,111,140, compared with $14,712,490 for 1950. All but $150,000 of the 1951 earnings were from United States Government securities held by the System Account.

Current expenses for the year amounted to $5,384,700, some $1 million higher than for 1950. Higher operating costs were characteristic of the year. The increase in expenses was primarily because of an expanded volume of operations, particularly in original cost of currency and increased shipping charges. Salary payments to employees were also substantially higher, but the increased salary costs reflected in part the net addition of 137 people to the working force.

Expenses of the Bank are directly related to service activities. Salary scales are adjusted to those prevailing among the banking institutions in the cities where the Bank maintains offices. All expenses are under strict budgetary control. Accounts are under constant audit review, not only by the Bank's staff of auditors but also by examiners directly representing the Board of Governors. These measures prevent waste, extravagance, and unauthorized expenditures.

Of net earnings amounting to $15,642,107, there was paid to the United States Treasury the sum of $13,524,304, representing interest on outstanding Federal Reserve notes not collateraled by gold certificates.

Member Bank Financial Changes

The member banks of the Sixth District experienced a further growth in resources and deposits in 1951. In the aggregate, their resources amounted to $7.3 billion at the end of the year, representing a 12-month gain of $600 million. Their holdings of securities increased by $280 million, but their loans and discounts barely changed in amount. Their deposits in the aggregate rose by $570 million, bringing the year-end total to $6.8 billion.

Earnings of the member banks for the year were higher than for the preceding year. Current operating earnings for 1951 amounted to $179 million, against $162 million for 1950, a gain of 11 percent. Interest on United States Government obligations provided $39.0 million, or 21.8 percent of current operating earnings. Interest and discount on loans contributed $95.8 million or 53.5 percent of the total.

Operating expenses amounted to $110 million in 1951, compared with $100 million in 1950. Gains in income more than offset increases in expenses, however, so that net current operating earnings for 1951, amounting to $68.2 million, exceeded such earnings for 1950 by $14.2 million. Primarily because of larger transfers to valuation reserves and higher income taxes, net profits after all charges were slightly smaller for 1951 than for the preceding year, $35.2 million against $37 million.

Changes in Membership

On December 31, 1951, there were 355 member banks in the Sixth District, a net gain of two members for the year. Of these banks, 286 were national banks and 69 were state banks.

The changes in membership reflected the admission of three banks and the withdrawal of one. The banks admitted to membership are identified in the following list:

Date of Admission	*Name of Bank*	*Location*	*Deposits December 31, 1951*
March 1	The First National Bank of Gatlinburg	Gatlinburg, Tennessee	$ 784,000
March 27	North Dade National Bank of North Miami	North Miami, Florida	2,765,000
June 30	Sullivan County Bank converted to Kingsport National Bank	Kingsport, Tennessee	4,135,000

The Sarasota State Bank, Sarasota, Florida, withdrew from membership on December 13, 1951.

On January 2, 1951, the Louisiana Savings Bank and Trust Company, New Orleans, Louisiana, a state bank member, changed its name to the Louisiana Bank and Trust Company.

The Peachtree Trust Company, Atlanta, Georgia, changed its name to the Peachtree Bank and Trust Company, Atlanta, Georgia, on March 1, 1951. On November 1, 1951, the bank again changed its name, this time to The Citizens and Southern Buckhead Bank, Atlanta, Georgia.

Nonmember Par-clearing Banks

Nonmember state banks added to the Par List in 1951 were the following:

FLORIDA

The Citizens Bank of Bunnell	Bunnell
Hialeah-Miami Springs Bank	Hialeah

South Dade Farmers Bank	Homestead
Bank of Lake Alfred	Lake Alfred
Commercial Bank of Miami	Miami
Bank of Mulberry	Mulberry
Colonial State Bank	Orlando
First Bank & Trust Company	Pensacola
The Riviera Beach Bank	Riviera Beach
The Peninsula State Bank	Tampa
West Pensacola Bank	West Pensacola

GEORGIA

The Citizens and Southern Emory Bank	Atlanta
Bank of Upson	Thomaston
The Citizens Bank of Toccoa	Toccoa
The Commercial Bank at Valdosta	Valdosta
The Bank of Barrow	Winder

LOUISIANA

Guaranty Bank & Trust Company	Gretna

TENNESSEE

Ridgedale Bank and Trust Company	Chattanooga

At the close of 1951, there were 1,216 banks in the Sixth District, of which 615 were on the Par List and 601 were not. Of the 615 banks on the Par List, 260 were nonmember state banks. The year 1951 was the first since the organization of the Bank in which the number of par-clearing banks in the Sixth District exceeded the number of nonpar-clearing banks.

There is little formality required with respect to the addition of a nonmember state bank to the Par List. The only requirement is that the bank agree to remit at par for checks drawn on it when received from the Federal Reserve Bank.

Appointments, Elections, and Staff Changes

Frank H. Neely, Chairman of the Board of Rich's, Inc., Atlanta, Georgia, was redesignated by the Board of Governors as Federal Reserve Agent and Chairman of the Board of Directors of the Federal Reserve Bank of Atlanta for the year 1952. Rufus C. Harris, President of The Tulane University of Louisiana, New Orleans, Louisiana, was reappointed by the Board of Governors as Deputy Chairman of the Board of Directors for the year 1952. Paul E. Reinhold, President and Director, Foremost Dairies, Inc., Jacksonville, Florida, was appointed by the Board of Governors of the Federal Reserve System a Class C Director of the Federal Reserve Bank of Atlanta for an additional term of three years, beginning January 1, 1952.

At elections held in November, W. C. Bowman, Chairman of the Board, The First National Bank of Montgomery, Montgomery, Alabama, was chosen by member banks in Group 1 as a Class A Director, and J. A. McCrary, Decatur, Georgia, Vice President and Treasurer, J. B. McCrary Company, Inc., Atlanta, Georgia, was re-elected by member banks in Group 2 as a Class B Director. Each of these directors was elected for a term of three years, beginning January 1, 1952.

The Board of Governors of the Federal Reserve System appointed the following branch directors, each for a term of three years beginning January 1, 1952: Birmingham Branch, Edwin C. Bottcher, Cotton and Dairy Farmer, Cullman, Alabama; Jacksonville Branch, J. Hillis Miller, President, University of Florida, Gainesville, Florida; Nashville Branch, H. C. Meacham, Agriculture and Livestock, Franklin, Tennessee; New Orleans Branch, Joel L. Fletcher, Jr., President, Southwestern Louisiana Institute, Lafayette, Louisiana.

The Board of Directors of the Federal Reserve Bank of Atlanta also appointed four branch directors, each for a term of three years beginning January 1, 1952: Birmingham Branch, A. J. Goodwin, Jr., Vice President, The Anniston National Bank, Anniston, Alabama; Jacksonville Branch, G. W. Reese, President, The Citizens and Peoples National Bank of Pensacola, Pensacola, Florida; Nashville Branch, Sam M. Fleming, President, Third National Bank in Nashville, Nashville, Tennessee; New Orleans Branch, G. M. McWilliams, President, Citizens Bank of Hattiesburg, Hattiesburg, Mississippi.

As a member of the Federal Advisory Council, representing the Sixth Federal Reserve District, for a term of one year beginning January 1, 1952, the Board of Directors of the Federal Reserve Bank of Atlanta reappointed Paul M. Davis, Chairman of the Board of Directors of the First American National Bank of Nashville, Nashville, Tennessee.

To serve as members of the Industrial Advisory Committee for the Sixth District, the Board of Directors of the Federal Reserve Bank of Atlanta reappointed, for the year 1952, John E. Sanford, President, Armour Fertilizer Works, Atlanta, Georgia; George Winship, President, Fulton Supply Company, Atlanta, Georgia; Luther Randall, President, Randall Brothers, Inc., Atlanta, Georgia; and I. C. Milner, President, Gate City Mills Company, East Point, Georgia. Shannon M. Gamble, Executive Vice President, Standard-Coosa-Thatcher Company, Chattanooga, Tennessee, was appointed for the year 1952.

There were several changes in the Bank's official staff during 1951. William S. McLarin, Jr., retired as President, effective March 1. He was succeeded by Malcolm Bryan, effective April 1. Mr. Bryan returned to this Bank from his position as Vice Chairman of the Board, Trust Company of Georgia, a post he had held since October 1946, after having served as First Vice President of this Bank from May 1941 to October 1946. At its December meeting, the Board of Directors approved the appointments, effective January 1, 1952, of Harold T. Patterson, General Counsel, as Vice President and General Counsel, and of J. E. McCorvey as Assistant Vice President.

At the Birmingham Branch, Melvin McIlwain was appointed Assistant Cashier. At the Jacksonville Branch, T. C. Clark was appointed Assistant Manager and J. Wyly Snyder, Cashier. At the Nashville Branch, R. E. Moody, Jr., was appointed Vice President and Manager to succeed Joel B. Fort, Jr., who died suddenly on October 17, 1951; E. R. Harrison and E. C. Rainey were appointed Assistant Managers; and Leo W. Starr was appointed Cashier.

REVIEW OF BANK OPERATIONS

In behalf of the Board of Governors of the Federal Reserve System, the Bank continued administrative responsibilities for certain activities associated with the national defense effort. By Act of Congress, approved July 31, 1951, the Defense Production Act of 1950, scheduled for expiration on July 31, 1951, was amended and extended to July 1, 1952. Under authority conferred by this Act, the Board of Governors of the Federal Reserve System exercises control over consumer credit, regulates real estate credit, and services the guarantee of defense production loans. The Bank's responsibility for these activities involved the continuance of the appropriate operating departments established in the preceding year. Reflecting District economic expansion and the impact of the nation's accelerating defense program, certain of the more usual operating activities of the Bank were sharply increased in volume.

UPPER: *Compiling Statistics in Research Department*

LOWER: *Processing Post Office Money Orders*

Real Estate Credit

Regulation X as originally issued, effective October 12, 1950, restricted and regulated credit on new residential construction. Effective January 12, 1951, the regulation was broadened to include restrictions on credit in connection with both new residential properties and new multi-unit (commonly known as apartment house) residential properties. Again, on February 15, 1951, the scope of the regulation was further extended to include nonresidential properties.

In its definition of nonresidential properties, the regulation exempted a number of structures from credit restrictions. Schools, hospitals, and churches were excluded. So, too, were structures exclusively used or designed for use by a public utility, or by any Government or political subdivision. Structures of which more than 80 percent of the floor space is used for manufacturing purposes were likewise excluded.

Effective September 1, 1951, the regulation was amended to bring it into conformity with the provisions of the Defense Housing and Community Facilities and Services Act of 1951. The principal effect of the amendment was to lower down-payment requirements on conventional and on FHA-insured and VA-guaranteed loans for residences costing $12,000 or less, and to increase the permissible maturity on such loans to 25 years. Down-payment requirements on loans for residences costing between $12,000 and $15,000 were lowered by as much as 5 percent, and the entire schedule up to $24,500 was lowered slightly. The amendment also provided for certain suspensions of credit extensions in critical defense housing areas, and for exemption of certain essential nonresidential defense construction.

Through December 31, 1951, lenders under the regulation filed 3,507 registration statements with the Bank. These Registrants included 1,145 banks, 254 savings and loan associations, 89 insurance companies, and 2,019 other firms, corporations, and individuals.

For the purpose of achieving compliance with the regulation, the Bank conducts examinations of Registrant lending activities. Such investigations numbered 696 for the year. The Bank does not make such examinations of the lending operations of commercial banks and savings and loan associations. These lenders, by mutual agreement, are examined for compliance with Regulation X by other supervisory authorities.

Consumer Credit

In accordance with the revision and extension of the Defense Production Act, the Board of Governors on July 31, 1951, amended the terms of Regulation W—Consumer Credit. Maximum maturities on installment credit for automobiles, major household appliances, and household furniture were extended to 18 months from the earlier limitation of 15 months. The maturity term for home-repair-and-improvement installment credit was extended from 30 to 36 months. Longer maturities were also permitted for consumer installment loans.

Down-payment requirements were modified. For household appliances, radios, and television sets, down payments were reduced from 25 percent to 15 percent. Another major revision permitted down payments on all listed articles to be made in cash, trade-in, or combination of cash and trade-in.

Registration is required of all businesses subject to the regulation. At the end of the year, there were 14,543 Sixth District firms registered. Pursuant to its authority and responsibility, the Bank makes examinations of credit extensions on the part of Registrants. From the reinstatement of the regulation in September 1950 to the close of 1951, compliance checks had been made of 57 percent of the firms registered.

Bank Examination

Little change took place in the activities of the Bank Examination Department. Each state member bank in the District was examined at least once during 1951 and one of the three holding companies, which have been issued general permits by the Board of Governors to vote the stock of their subsidiary member banks, was examined. Several field investigations were made in connection with proposed state and national banks and in connection with applications of national banks for permission to exercise trust powers.

All examinations are made in close co-operation with the state banking authorities in the states composing the Sixth Federal Reserve District. In this way there is a minimum of duplication of effort. As a usual practice, joint examinations are made with the state authorities in Florida, Louisiana, Mississippi, and Tennessee. Independent examinations are made in Alabama and Georgia.

Whether examinations are made jointly or independently is generally determined by state law, manpower requirements of the examinations, and policies and wishes of the various state banking departments. Close working relations are also maintained with the office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation so that all supervisory matters may be handled efficiently and without conflict or friction.

Research

Carrying out the programs initiated or fostered by the Board of Directors in the field of agriculture continued to be of great importance in 1951. By means of these programs, carried out co-operatively with State Bankers Associations, State Colleges of Agriculture, and the Extension Service, commercial bankers are able to learn firsthand the problems involved in the extension of farm credit, and are, therefore, better able to serve the credit needs of agriculture understandingly. These programs are also valuable to this Bank because they serve to improve relations with commercial banks and with the fundamental institutions serving this important segment of the economy of the Sixth District.

Farm meetings sponsored jointly by the State Bankers Associations, the State Colleges of Agriculture, and the Branches of the Bank were held in all District states except Georgia—four in Mississippi in April, three in Louisiana in May, nine in Alabama in June and July, five in Tennessee in August, and three in Florida in September. In Georgia, two farm credit short courses were held in February—one at Tifton, and one at Athens.

As usual, members of the professional staff of the Department represented the Bank at sundry meetings of bankers, businessmen, and agriculturists. They also filled numerous speaking engagements, in addition to answering frequent requests from the public for information on a wide variety of subjects.

Two publications of the Department, the *Monthly Review* and the *Bankers Farm Bulletin,* continued to command attention and respect, not only in this District, but throughout the nation. An extensive study of farm credit, appearing in three installments in the April, May, and June issues of the *Monthly Review,* attracted much attention and was reprinted in pamphlet form to satisfy the demand for it.

Fiscal Agency and Securities

The Bank acts as Fiscal Agent of the Treasury Department in the Sixth District in the issuing and servicing of the various obligations of the United States. During the year, the Treasury exercised the call privilege on three issues of bonds having interest rates of 2¼ percent, 2¾ percent, and 3 percent, respectively. Short-term 1⅞ percent Certificates of Indebtedness were offered in exchange for each matured or called issue. In the Sixth District, there were 4,235 subscriptions covering these operations, amounting to $612 million.

The Treasury Department offered a 2¾ percent Treasury Bond, Investment Series B 1975-80, dated April 1, 1951, to holders of the 2½ percent Treasury Bonds of June and December 1967-72 who wished to exchange. Pursuant to this offering, the Bank handled 636 exchanges totaling $116 million.

Other than the weekly Treasury Bill offerings and two offerings of bills designated Tax Anticipation Series in the amount of $1,250 million each, no cash offering of nonrestricted securities was made during the year. The total applied for on each Tax Anticipation Series was over $3,300 million. The total amount of bills of all series issued in the Sixth District during 1951 was approximately $971 million, allotted from 5,660 tenders received.

Servicing of Treasury issues processed for exchange or transfer amounted to over $1,402 million and involved the processing of 42,148 pieces. Redemption of coupon and registered Treasury issues amounted to $1,565 million, numbering 97,194 pieces. In number of pieces, this volume represented approximately a 21 percent increase over that of 1950 and a 54 percent increase over that of 1949.

On May 14, 1951, the Treasury Department announced the termination of sale of Treasury Savings Notes, Series D, and the sale of a new issue of Treasury Savings Notes, Series A, beginning May 15. Treasury Savings Notes issued in the District were in excess of $86 million, involving the inscribing of 5,491 pieces.

Issues, reissues, and redemptions of United States Savings Bonds are also serviced by the Department. It serviced issues of Savings Bonds of all series, amounting to 2,121,202 pieces with a maturity value of $201 million. Compared with that of 1950, this operation represented an approximate increase of 10 percent in the number of pieces, but a decrease of 30 percent in maturity value. Approximately 74 percent of the amount issued, or $148 million, was handled by issuing agents of which at the end of the year there were 1,378.

Reissues can be made only by a Federal Reserve Bank or the Treasury Department. In 1951, the Bank processed 170,970 reissues, with a maturity value of $40 million.

Redemptions of Series E Savings Bonds serviced by the Department amounted to $307 million, numbering 3,975,034 pieces. Compared with that of 1950, this volume reflected a decrease of 5 percent in the number of pieces and a decrease of 7 percent in maturity value. At the end of the year, there were 1,352 paying agents in the District. Series F and G redemptions amounted to 50,206 pieces, with a maturity value of $59 million, or an increase of $3 million over the redemptions of 1950.

Savings bonds are held by the Bank in custody for individuals. On December 31, 1951, such holdings numbered 235,962 bonds, having a maturity value of $27 million.

Coupons paid, representing coupons forwarded for payment and clipped from direct United States Government obligations held in safekeeping, amounted to $31 million and numbered in excess of 489,000 pieces.

Treasury Tax and Loan Accounts are serviced for the Treasury Department by the Bank. On December 31, 1951, there were 867 banks qualified as depositaries of public moneys under the provisions of Treasury Department Circular No. 92, the qualifications exceeding $1,389 million and having balances of over $97 million. There were 129,652 entries in the accounts during 1951, an increase of approximately 6 percent.

Reporting and depositing of Withheld Federal Taxes are handled by the Bank. Effective July 1, the Treasury Department included taxes withheld under the provisions of the Railroad Retirement Act. During 1951, the amount of taxes so handled was in excess of $463 million, representing an increase of 45 percent over the amount serviced in 1950. At the end of the year, there were 730 banks qualified to accept tax payments.

An important service performed for member banks by the Bank was the purchase and sale, including the clearance, of United States Government securities in the open market. This service was performed without charge to the member banks, except for the small fee the Treasury Department charges for transferring securities by wire. During 1951, there were 7,579 transactions handled in the Sixth District, representing $1,328 million in maturity value.

The Bank also acts as custodian of securities for member banks and as custodian of securities deposited for municipal and governmental purposes. On December 31, 1951, the Bank held $1,271 million of these securities.

Commodity Credit Corporation

Under a continuing agreement the bank serves as fiscal agent and custodian for the Commodity Credit Corporation. Funds are received for the Corporation's account from note repayments and collections forwarded by the various PMA Commodity Offices. Funds are paid out by the issuance of United States Treasury checks in accordance with schedules of disbursements prepared by the PMA Commodity Offices, in payment of sight drafts drawn on the Corporation by authorized agents, and in payment of public vouchers prepared by the Bank. Cotton loan notes and related collateral, consisting of negotiable warehouse receipts, are serviced by the Bank and held in its vault.

The 1950 cotton loan program, reflecting in part the application of acreage controls, was one of the smallest in recent years. Only 2,107 bales, produced in the states served by the Bank, were pledged under the Government loan.

Offerings under the 1951 cotton loan program were in greatly expanded volume. At the end of the year, 403,817 bales from the states served by the Bank had been pledged under the loan, and 108,034 bales had been redeemed.

Under the general commodities programs, which covered wheat, corn, oats, soybeans, cottonseed, sweet potatoes, and farm-storage facilities, the Atlanta office paid 23,120 sight drafts (PMA-377) totaling $13 million. Disbursements under the 1951 peanut loan and purchase programs amounted to $33 million.

The New Orleans Branch during the year issued 6,889 checks on the Treasurer of the United States amounting to $81,357,783. The checks were issued against schedules of disbursement furnished by the New Orleans PMA Commodity Office.

On March 5, 1951, the Production and Marketing Administration of the Department of Agriculture began drawing checks on the New Orleans Branch in payment of equities due cotton producers in settlement of the 1948 Cotton Producers' Pool. Approximately 1,200,000 checks, having a value in excess of $66,000,000, were issued for this purpose.

The Jacksonville Branch, under the 1950 and 1951 peanut programs, paid sight drafts amounting to $4,888,569, and received deposits of $6,611,708.

Check Clearing and Collection

Check clearing and collection activities were in sharply larger volume. The number of checks and Post Office money orders cleared during 1951 was 156,403,000 and 13,905,000, respectively. The number of checks cleared in 1950, which marked the previous high in volume, was 142,446,000, postal money orders not having been handled during that period.

An important responsibility in the handling of the new Post Office money orders, beginning July 1, 1951, was assumed by the

Federal Reserve Banks' check collection system. A new 24-compartment transit proof machine, with a punching device added, was developed by a manufacturer to function these items. As the money orders are fed into the machine, the operator punches amounts into the money orders. They are then almost simultaneously listed, endorsed, and sorted into designated machine pockets according to paying Regional Accounting Post Offices.

A continued growth in the percentage of par checks in circulation bearing the uniform routing symbol was revealed. The survey made toward the end of 1950 revealed that 78 percent of all checks in circulation in the Sixth District bore the uniform routing symbol in the proper location, which is in the upper right-hand corner of the check. A similar survey made in December 1951, in comparison, indicated that 82 percent of such checks bore the routing symbol.

Currency and Coin

Currency and coin handled during the year was in the largest volume on record. Receipts from banks totaled $1,712 million, compared with receipts of $1,520 million for 1950, an increase of $192 million. Payments to banks of $1,489 million compared with payments of $1,264 million for 1950, an increase of $225 million. The number of pieces of currency received and counted totaled 295 million and the number of coins received and counted totaled 350 million, reflecting increases over 1950 of 23 million pieces of currency and 38 million pieces of coin.

During the last half of the year, the Bank was faced with a coin shortage, particularly of pennies, resulting from heavy demands of commercial banks for coin supplies and the inability of the Treasury to produce coins in sufficient volume to meet the increased demands. To insure an equitable distribution of the coins available, it was necessary to resort to a temporary rationing of the supply. By the close of the year, however, the supply situation had materially eased.

Bank and Public Relations

Bank and public relations activities were concerned with the development of closer relationships with bankers of the region and with efforts to comply with requests from various public organizations and groups for information and services that arise in connection with the Bank's operations. No program is maintained for the purpose of enlarging the Bank's responsibilities or directing public opinion or legislation.

The Bank is much interested in improving its service functions for commercial bankers of the region. Its activities in this regard are closely identified with the operating and service functions of the Bank itself and have no other significance or purpose.

During 1951, representatives of the Bank and its Branches met and talked with officers of every commercial bank in the District. With the exception of a few small banks and small savings banks, every bank in the District was visited one or more times. These calls numbered 1,364 for the year, 630 of which were to member banks and 734 to nonmember banks.

Representatives of the Bank attended all of the 140 principal bankers meetings in the District. In addition to these meetings, the Bank was represented at the State Bankers Conventions in each of the six states of the District, at the National Convention of the American Bankers Association, and the National Convention of the Financial Public Relations Association. During the year, Bank representatives also attended 103 other meetings where banking matters pertaining to the economy of the District were discussed.

Public relations activities, as such, were conducted largely in response to specific public requests for assistance and information. That is to say, there was no planned program involving the promotion of meetings or the issuance of printed material designed to enhance the Bank in public favor. As in the case of other institutions, Bank representatives are frequently called upon to make public addresses on financial and economic affairs. In response to such requests, representatives of the Bank made 62 public speeches during the year to an aggregate audience of 13,000 people.

Inasmuch as the Bank and its Branches in large measure represent the financial heart of their region and conduct many important and intricate operations, they are frequently called upon by interested groups to conduct tours of their facilities. Requests for such tours are welcomed, particularly as they come mostly from groups of school children. Approximately 1,000 individuals were conducted on such tours through the Bank and Branches in 1951.

In response to numerous requests from school, civic, and banking groups, the Bank has made available for public showing three sound films explaining the operations, purposes, and functions of the Federal Reserve System. One of the films, *The Federal Reserve System,* was produced by Encyclopaedia Britannica Films Inc., the Board's staff assisting in the technical review of the script. The Bank has five prints available for showing. The second film, *The Federal Reserve Bank and You,* was produced by the Federal Reserve Bank of Minneapolis but is applicable to all Federal Reserve Banks. The Bank also has five prints of this film. A third film, *A Day at the Federal Reserve Bank of Cleveland,* was also produced by an individual Federal Reserve Bank and is equally applicable to all Federal Reserve Banks. The Bank has one print of this film available for public showing. During the year, 178 separate groups viewed one or more of these films.

Discount and Credit

Discounts and advances totaled $300,000 at the end of 1951. During the year, the Bank made 381 advances accommodating 47 member banks to the extent of $1,040,119,000. Of that amount, $1,005,469,000 was secured by United States Government obligations; $30,985,000 by eligible paper; $665,000 by collateral not eligible for discount or purchase; and $3,000,000 represented commercial paper rediscounted.

Member bank borrowings reached their high point on January 30, 1951, when $43,862,000 was outstanding. As in 1950, no advances were made during the year to nonmember banks. In most instances, advances made during the year were for short periods and were for the purpose of covering temporary reserve deficiencies of the member banks.

The number and amount of notes discounted during 1951 increased 47.1 and 142 percent, respectively, compared with 1950.

Industrial advances totaled $583,885, an increase of $577,288. One direct loan in the amount of $30,000 was advanced during 1951. The Bank also participated to the extent of 50 percent with one member bank in a revolving-credit loan of $1,800,000. Ninety percent of this loan is guaranteed by the Department of the Army under the terms of Regulation V. Advances made during the year on the loan aggregated $2,065,766.24, half of which was advanced by the member bank servicing the loan, and half by this Bank.

Re-established in 1950, the V-Loan Program was continued throughout 1951. Additional vigor was given the program when on May 15, 1951, Public Law 30—82nd Congress was enacted, removing uncertainties about the rights of financing institutions to take assignments of Government contracts as security for loans to defense contractors. These uncertainties had proved to be a hindrance to the program.

Voluntary Credit Restraint

The Voluntary Credit Restraint Program was promulgated under the powers given the President by the Defense Production Act of 1950 and delegated by the President to the Board of Governors of the Federal Reserve System. The program was implemented by the appointment by the Board of Governors of a national Voluntary Credit Restraint Committee, by the acceptance by lenders of a set of broad principles for credit restraint, and by the establishment of various regional committees. On the national committee are representatives of major types of financing institutions. Each regional committee is composed of representatives of some major category of finance, i.e., insurance, commercial banking, etc., operates in a territory which is usually co-extensive with a Federal Reserve District, and may be consulted on matters pertaining to the program.

Two subcommittees have been established in the Atlanta Federal Reserve District, namely, the Sixth District Commercial Banking Voluntary Credit Restraint Committee and the Sixth District Savings and Loan Voluntary Credit Restraint Committee.

Members of the Sixth District Commercial Banking Committee are: John A. Sibley, (Chairman) Chairman of the Board, Trust Company of Georgia, Atlanta, Georgia; J. Finley McRae, (Vice Chairman) President, The Merchants National Bank of Mobile, Mobile, Alabama; James G. Hall, Executive Vice President, The First National Bank of Birmingham, Birmingham, Alabama; V. H. Northcutt, President, The First National Bank of Tampa, Tampa, Florida; Herman Jones, Jr., Executive Vice President, The First National Bank of Atlanta, Atlanta, Georgia; Dale Graham, President, The National Bank of Commerce in New Orleans, New Orleans, Louisiana; Dawson B. Harris, President, Hamilton National Bank of Chattanooga, Chattanooga, Tennessee; and V. K. Bowman, Vice President, Federal Reserve Bank of Atlanta, Atlanta, Georgia. Dowdell Brown, Jr., Assistant to the General Counsel, Federal Reserve Bank of Atlanta, serves the Committee as Secretary.

Members of the Sixth District Savings and Loan Committee are: J. D. McLamb, (Chairman) President, First Federal Savings & Loan Association, Savannah, Georgia; F. B. Yeilding, Jr., President, Jefferson Federal Savings & Loan Association, Birmingham, Alabama; Irving H. Schonberg, President, Union Savings & Loan Association, New Orleans, Louisiana; C. L. Clements, President, Chase Federal Savings & Loan Association, Miami Beach, Florida; and V. K. Bowman, Vice President, Federal Reserve Bank of Atlanta, Atlanta, Georgia. Dowdell Brown, Jr., is also Secretary for this Committee.

Fundamentally, the objective of the Voluntary Credit Restraint Program is to assure adequate financing for defense and defense-related activities and to curtail credit for nonessential or deferrable purposes on a voluntary basis at the source. Broadly speaking the program is concerned with all extensions of credit not otherwise controlled by law or by a regulation or ruling of a governmental agency or administrative body, and such as are guaranteed, or insured, or authorized as to purpose by the Federal Government or an agency thereof. The core of the program is the Statement of Principles, wherein credits of various kinds are classified according to whether they may be regarded as essential or are of a kind which might be postponed in the national interest. Voluntary co-operation of financing institutions is sought on the basis that they will screen applications for credit in the light of this Statement of Principles and will reject those applications, which, if made, would be inflationary and would not further the defense effort. The primary function of the two committees in the Sixth District is to assist financing institutions in their efforts to extend credit on a basis consistent with the purposes of the Voluntary Credit Restraint Program. To this end, the respective subcommittee renders assistance to financing institutions within its jurisdiction by receiving from such institutions requests for advice as to the propriety of certain proposed credit transactions under the program, and by expressing advisory opinions in regard to them.

From time to time the national committee has issued bulletins and other informative material dealing directly with the program and with the question of whether credit transactions of particular kinds should be made within the purview of the program. The Sixth Federal District committees have aided financing institutions by promptly distributing this material.

Financing institutions in the District have accepted the program favorably, and it has received the endorsement of the State Bankers Associations of all the Sixth District states and of the clearing house associations in the larger cities.

Personnel

An active employee-recruiting program was conducted by the Personnel Department throughout the year. The Bank, including the Branches, employed 393 additional workers, but there were 256 terminations. On January 1, 1952, there were 1,098 officers and employees on the payroll, compared with 961 at the beginning of 1951.

During the year, a new group life insurance coverage was provided for the employees. The new protection is on a System basis and replaces the individual group life insurance which a majority of the Federal Reserve Banks had acquired for their employees.

As in the past, the Bank encouraged study at advanced banking schools by its key office members. Four of the staff members received their graduate diplomas from the Graduate School of Banking at Rutgers University. Two staff members enrolled in the banking School of the South at Louisiana State University in 1951 in addition to the two who had enrolled for the 1950 session.

A formal employee and executive training and development program was instituted during the year. In addition to placing emphasis upon improved techniques for employee selection, the program provided for planned in-service training of key staff members as well as new employees.

The training program involved assignment of certain staff members to the branch offices or to specific departments for the express purpose of acquainting them with new responsibilities and procedures, the institution of a rotation plan whereby key staff members would exchange duties for certain periods, and assignment of two staff members to member banks for brief training in commercial bank practices.

Two formal instruction courses in Federal Reserve policies, procedures, and functions were also established. One of the courses was designed for staff members at the supervisory level and provided a reasonably comprehensive survey of the responsibilities of the Federal Reserve System. The other course was designed for new employees for the purpose of acquainting them with Bank operations.

DIRECTORS AND OFFICERS

Directors of the Bank are nine in number, divided into three classes of three each, designated as classes A, B, and C. Class A and Class B Directors are elected by the member banks. Class C Directors, one of whom is designated Chairman and another as Deputy Chairman, are appointed by the Board of Governors of the Federal Reserve System.

Each of the four branches has a Board of Directors of seven members. Four of these members are appointed by the Federal Reserve Bank and three by the Board of Governors.

The directors of the Federal Reserve Bank appoint all officers. Appointments of the President and the First Vice President, for terms of five years, are subject to the approval of the Board of Governors.

◀ UPPER: *Sorting and Counting Silver Coins*

◀ LOWER: *Preparing Currency for Shipment to Banks*

Directors

CLASS A

Elected by Member Banks

	Group	Term Expires December 31
LESLIE R. DRIVER President, The First National Bank in Bristol Bristol, Tennessee	2	1952
ROLAND L. ADAMS President, Bank of York York, Alabama	3	1953
W. C. BOWMAN Chairman of the Board, The First National Bank of Montgomery Montgomery, Alabama	1	1954

CLASS B

Elected by Member Banks

	Group	Term Expires December 31
DONALD COMER Chairman of the Board, Avondale Mills Birmingham, Alabama	3	1952
A. B. FREEMAN Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd. New Orleans, Louisiana	1	1953
J. A. MCCRARY Vice President and Treasurer, J. B. McCrary Company, Inc. Atlanta, Georgia	2	1954

CLASS C

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
FRANK H. NEELY, *Chairman* Chairman of the Board, Rich's, Inc. Atlanta, Georgia	1953
RUFUS C. HARRIS, *Deputy Chairman* President, The Tulane University of Louisiana New Orleans, Louisiana	1952
PAUL E. REINHOLD President, Foremost Dairies, Inc. Jacksonville, Florida	1954

Officers

MALCOLM BRYAN, *President*

LEWIS M. CLARK, *First Vice President*

V. K. BOWMAN
Vice President

J. E. DENMARK
Vice President

S. P. SCHUESSLER
Vice President

HAROLD T. PATTERSON
Vice President and General Counsel

E. L. RAUBER
Director of Research

R. DEWITT ADAMS
General Auditor

J. H. BOWDEN
Assistant Vice President

C. R. CAMP
Assistant Vice President

J. E. MCCORVEY
Assistant Vice President

F. H. MARTIN
Assistant Vice President

I. H. MARTIN
Assistant Vice President

ROY E. MILLING
Assistant Vice President

L. B. RAISTY
Assistant Vice President

Member Federal Advisory Council

PAUL M. DAVIS
Chairman of the Board
First American National Bank of Nashville
Nashville, Tennessee

Industrial Advisory Committee

SHANNON M. GAMBLE
Executive Vice President
Standard-Coosa-Thatcher Company
Chattanooga, Tennessee

I. C. MILNER
President
Gate City Mills Company
East Point, Georgia

LUTHER RANDALL
President
Randall Brothers, Inc.
Atlanta, Georgia

JOHN E. SANFORD
President
Armour Fertilizer Works
Atlanta, Georgia

GEORGE WINSHIP
President
Fulton Supply Company
Atlanta, Georgia

Birmingham Branch

Directors

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
JOHN M. GALLALEE, *Chairman* President, University of Alabama Tuscaloosa, Alabama	1953
THAD HOLT President and Treasurer, Voice of Alabama, Inc. (Radio Station WAPI) Birmingham, Alabama	1952
EDWIN C. BOTTCHER Cotton and Dairy Farmer Cullman, Alabama	1954

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

J. B. BARNETT President, Monroe County Bank Monroeville, Alabama	1952
A. M. SHOOK President, Security Commercial Bank Birmingham, Alabama	1952
T. J. COTTINGHAM President, State National Bank of Decatur Decatur, Alabama	1953
A. J. GOODWIN, JR. Vice President, The Anniston National Bank Anniston, Alabama	1954

Officers

P. L. T. BEAVERS, *Vice President and Manager*

H. C. FRAZER, *Assistant Manager*

H. J. URQUHART, *Cashier*

MELVIN MCILWAIN, *Assistant Cashier*

Jacksonville Branch

Directors

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
HOWARD PHILLIPS, *Chairman* Vice President and General Manager, Dr. P. Phillips Company Orlando, Florida	1952
MARSHALL F. HOWELL Vice President, Bond-Howell Lumber Company Jacksonville, Florida	1953
J. HILLIS MILLER President, University of Florida Gainesville, Florida	1954

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

J. E. BRYAN President, Union Trust Company St. Petersburg, Florida	1952
N. RAY CARROLL President, The First National Bank of Kissimmee Kissimmee, Florida	1952
CLEMENT B. CHINN President, The First National Bank of Miami Miami, Florida	1953
G. W. REESE President, The Citizens and Peoples National Bank of Pensacola Pensacola, Florida	1954

Officers

T. A. LANFORD, *Vice President and Manager*

T. C. CLARK, *Assistant Manager*

J. WYLY SNYDER, *Cashier*

C. MASON FORD, *Assistant Cashier*

Nashville Branch

Directors

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
H. C. MEACHAM, *Chairman* Agriculture and Livestock Franklin, Tennessee	1954
C. E. BREHM President, University of Tennessee Knoxville, Tennessee	1953
W. BRATTEN EVANS President, Tennessee Enamel Manufacturing Company Nashville, Tennessee	1952

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

T. L. CATHEY President, Peoples and Union Bank Lewisburg, Tennessee	1952
THOMAS D. BRABSON President, The First National Bank of Greeneville Greeneville, Tennessee	1952
G. C. GRAVES President, The First National Bank of Athens Athens, Tennessee	1953
SAM M. FLEMING President, Third National Bank in Nashville Nashville, Tennessee	1954

Officers

R. E. MOODY, JR., *Vice President and Manager*

E. R. HARRISON, *Assistant Manager*

E. C. RAINEY, *Assistant Manager*

LEO W. STARR, *Cashier*

New Orleans Branch

Directors

Appointed by the Board of Governors of the Federal Reserve System

	Term Expires December 31
H. G. CHALKLEY, JR., *Chairman* President, Sweet Lake Land and Oil Company, Inc. Lake Charles, Louisiana	1953
E. O. BATSON President, Batson-McGehee Company, Inc. Millard, Mississippi	1952
JOEL L. FLETCHER, JR. President, Southwestern Louisiana Institute Lafayette, Louisiana	1954

Appointed by Board of Directors, Federal Reserve Bank of Atlanta

PERCY H. SITGES President, Louisiana Bank and Trust Company New Orleans, Louisiana	1952
ELBERT E. MOORE President, Louisiana National Bank of Baton Rouge Baton Rouge, Louisiana	1952
WILLIAM C. CARTER President, Gulf National Bank of Gulfport Gulfport, Mississippi	1953
G. M. MCWILLIAMS President, Citizens Bank of Hattiesburg Hattiesburg, Mississippi	1954

Officers

E. P. PARIS, *Vice President and Manager*

M. L. SHAW, *Assistant Manager*

W. H. SEWELL, *Cashier*

L. Y. CHAPMAN, *Assistant Cashier*

FINANCIAL and VOLUME REPORTS

Reserve Position of Member Banks

SEMIMONTHLY PERIOD ENDED DECEMBER 31, 1951

State	*Required Reserves*	*Actual Reserves*	*Excess Reserves*	*Percent of Actual Reserves to Required Reserves*
ALABAMA	$132,800,000	$142,600,000	$ 9,800,000	107.4
FLORIDA	186,600,000	197,600,000	11,000,000	105.9
GEORGIA	193,800,000	204,100,000	10,300,000	105.3
LOUISIANA	165,200,000	183,900,000	18,700,000	111.3
MISSISSIPPI	27,000,000	29,800,000	2,800,000	110.4
TENNESSEE	125,800,000	137,100,000	11,300,000	109.0
DISTRICT	$831,200,000	$895,100,000	$63,900,000	107.7

Currency and Coin Operations Main Bank and Branches

NUMBER OF PIECES RECEIVED AND COUNTED FOR 1951 AND 1950, BY MONTHS

	Currency	*(In Thousands)*	*Coin*	
Month	*1951*	*1950*	*1951*	*1950*
January	25,417	22,181	35,139	30,861
February	20,993	21,465	30,712	24,641
March	24,449	25,493	32,341	25,230
April	25,309	21,495	26,768	21,899
May	28,258	23,980	30,186	28,351
June	23,393	21,535	28,973	26,265
July	23,808	20,638	34,524	24,287
August	26,300	23,518	33,138	29,265
September	24,085	22,412	22,676	27,619
October	24,837	22,842	24,743	24,562
November	24,457	23,292	23,825	26,289
December	23,751	23,108	27,331	23,169
TOTAL	295,057	271,959	350,356	312,438

RECEIPTS FROM BANKS AND PAYMENTS TO BANKS FOR 1951 AND 1950, BY MONTHS

	Receipts	*(In Thousands)*	*Payments*	
Month	*1951*	*1950*	*1951*	*1950*
January	$ 170,107	$ 135,915	$ 94,647	$ 79,263
February	136,809	120,748	105,409	103,368
March	167,278	146,378	122,790	119,626
April	127,700	119,937	112,338	91,124
May	136,784	124,848	124,211	96,959
June	125,905	117,774	121,117	96,093
July	134,704	119,700	117,302	96,072
August	143,646	126,646	148,117	105,749
September	127,128	114,736	121,196	113,437
October	142,144	121,670	142,433	118,112
November	145,220	126,689	123,312	112,076
December	154,882	144,905	155,932	132,160
TOTAL	$1,712,307	$1,519,946	$1,488,804	$1,264,039

STATEMENT OF CONDITION

ASSETS	*December 31, 1951*	*December 31, 1950*
Gold Certificates	$ 923,549,785.10	$ 890,799,772.39
Redemption Fund for Federal Reserve Notes	49,807,655.00	39,540,790.00
Total Gold Certificate Reserves	$ 973,357,440.10	$ 930,340,562.39
Other Cash	26,578,804.50	18,763,112.38
Total Cash	$ 999,936,244.60	$ 949,103,674.77
Discounts and Advances . . .	300,000.00	25,000.00
Industrial Loans	583,884.83	6,596.90
U. S. Government Securities—System Account	1,273,684,000.00	1,110,085,000.00
Total Loans and Securities .	$1,274,567,884.83	$1,110,116,596.90
Federal Reserve Notes of Other Banks	21,262,000.00	20,312,250.00
Uncollected Cash Items . . .	234,021,420.13	277,132,397.83
Bank Premises (Net)	2,882,290.00	1,720,100.56
Other Assets	7,313,701.39	6,328,745.61
TOTAL ASSETS	$2,539,983,540.95	$2,364,713,765.67
LIABILITIES		
Federal Reserve Notes in Actual Circulation	$1,382,154,565.00	$1,276,091,240.00
Deposits:		
Member Bank Reserve Accounts	915,857,708.27	740,421,957.53
U. S. Treasurer—General Account	4,030,392.51	38,559,111.47
Foreign	21,861,000.00	37,283,400.00
Other Deposits	6,020,107.75	42,761,729.66
Total Deposits	$ 947,769,208.53	$ 859,026,198.66
Deferred Availability Cash Items	168,835,435.70	191,070,072.32
Other Liabilities	590,648.75	200,073.95
TOTAL LIABILITIES	$2,499,349,857.98	$2,326,387,584.93
CAPITAL ACCOUNTS		
Capital Paid In	$ 9,711,150.00	$ 8,954,450.00
Surplus (Section 7)	23,871,396.70	22,368,597.95
Surplus (Section 13b) . . .	762,425.68	762,425.68
Reserves for Contingencies . .	6,288,710.59	6,240,707.11
TOTAL CAPITAL ACCOUNTS .	$ 40,633,682.97	$ 38,326,180.74
TOTAL LIABILITIES AND CAPITAL ACCOUNTS . .	$2,539,983,540.95	$2,364,713,765.67

EARNINGS AND EXPENSES

Current Earnings:	*1951*	*1950*
Discounts and Advances	$ 130,934.62	$ 78,261.81
Industrial Loans	9,280.57	128.93
U. S. Government Securities—System Account	20,959,997.02	14,611,876.32
All Other	10,927.39	22,222.89
Total Current Earnings	$21,111,139.60	$14,712,489.95
Current Expenses	5,384,699.83	4,342,755.89
Current Net Earnings	$15,726,439.77	$10,369,734.06
Net Addition to Current Net Earnings	0	1,942,583.76
Net Deductions from Current Net Earnings	84,332.82	0
Total	$15,642,106.95	$12,312,317.82
Other Deductions:		
Transferred to Reserve for Contingencies	$ 48,003.48	$ 40,434.18
Paid to U. S. Treasury (Interest on Outstanding Federal Reserve Notes)	13,524,303.61	10,575,575.12
Total	$13,572,307.09	$10,616,009.30
Net Earnings after Reserves and Payment to U. S. Treasury	$ 2,069,799.86	$ 1,696,308.52
Distribution of Net Earnings:		
Dividends Paid	$ 567,001.11	$ 521,211.11
Transferred to Surplus (Section 7)	1,502,798.75	1,175,097.41
	$ 2,069,799.86	$ 1,696,308.52
Surplus (Section 7):		
Surplus January 1	$22,368,597.95	$21,193,500.54
Transferred to Surplus—As Above	1,502,798.75	1,175,097.41
Surplus December 31	$23,871,396.70	$22,368,597.95

MEMBER BANK COMPARATIVE STATEMENT

[Amounts in thousands of dollars]

ASSETS	*December 31 1951*	*December 30 1950*
Loans and investments	$5,043,251	$4,754,000
Loans (including overdrafts)	$2,004,495	$1,999,788
U. S. Government obligations, direct and guaranteed	2,526,334	2,286,801
Obligations of States and political subdivisions	422,426	386,446
Other bonds, notes and debentures	79,122	70,779
Corporate stocks (including Federal Reserve Bank stock)	10,874	10,186
Reserves, cash, and bank balances	2,126,768	1,811,038
Bank premises owned and furniture and fixtures	68,541	59,485
Other real estate owned	2,014	1,762
Investments and other assets indirectly representing bank premises and other real estate	1,605	1,392
Customers' liability on acceptances	7,195	6,945
Other assets	18,896	19,609
Total Assets	$7,268,270	$6,654,231
LIABILITIES		
Demand deposits	$5,634,892	$5,102,701
Individuals, partnerships, and corporations	$3,869,324	$3,544,023
U. S. Government	106,904	93,348
States and political subdivisions	703,599	624,019
Banks in U. S. and foreign countries	882,949	780,095
Certified and officers' checks, cash letters of credit and travelers' checks, etc.	72,116	61,216
Time deposits	1,155,016	1,114,368
Total deposits	$6,789,908	$6,217,069
Bills payable, rediscounts, and other liabilities for borrowed money	440	25
Acceptances outstanding	11,902	8,631
Other liabilities	45,819	37,952
Total liabilities	$6,848,069	$6,263,677
CAPITAL ACCOUNTS		
Capital	$ 130,900	$ 122,755
Surplus	198,013	182,902
Undivided profits	66,444	60,879
Other capital accounts	24,844	24,018
Total capital accounts	$ 420,201	$ 390,554
Total liabilities and capital accounts	$7,268,270	$6,654,231

CHANGES IN MEMBERSHIP 1944-1951

	1944	*1945*	*1946*	*1947*	*1948*	*1949*	*1950*	*1951*
Membership, beginning of year	316	317	325	333	340	346	351	353
Additions during year:								
Organization of National banks	4	0	0	3	2	0	1	2
Conversion of State banks to National banks* . . .	3	4	6	1	2	3	1	1
Admission of State banks .	3	7	5	6	4	5	2	0
Resumption following suspension	0	0	0	0	0	0	0	0
Total additions . . .	10	11	11	10	8	8	4	3
Losses during year:								
Mergers between National banks	0	0	0	1	0	1	0	0
Mergers between State banks	0	0	0	0	0	0	1	0
Suspension or insolvency .	0	0	0	0	0	0	0	0
Withdrawal of State banks*.	8	1	3	1	1	2	1	1
Voluntary liquidation . . .	1	2	0	1	1	0	0	0
Conversion of member to nonmember banks** . .	0	0	0	0	0	0	0	0
Total losses	9	3	3	3	2	3	2	1
Net change during year . . .	+1	+8	+8	+7	+6	+5	+2	+2
Membership end of year . .	317	325	333	340	346	351	353	355
National banks	266	268	274	276	279	281	283	286
State banks	51	57	59	64	67	70	70	69

*Includes conversion of State member banks to National banks.

**Includes conversion of National banks to nonmember banks, and absorption of members by nonmembers.

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BANK LENDING TO FARMERS IN THE SIXTH DISTRICT

Borrowing During 1950

Current Livestock Lending Policies

Community Capital Accumulation and Farm Financing

Reprinted from April, May, and June, 1951, issues of the *Monthly Review*

FEDERAL RESERVE BANK OF ATLANTA

Borrowing During 1950

Since the end of World War II, many farmers in the Sixth District have changed their way of farming rather rapidly. Outstanding among these changes are a greater dependence upon livestock and feed crops and less reliance on the traditional row crops. Some few farmers have completely substituted one type of farming for another. For example, a number of farmers whose cash sales formerly consisted entirely of cotton are now selling only fluid milk. Most of them, however, have merely added livestock and decreased their acreage of cash crops, but some have converted idle land or wasteland to improved pasture and added livestock with little or no decrease in cash crop acreages.

From a farm management standpoint, the increase in size of business is the most common characteristic of these changes. From a financial standpoint, the most common features are the increases in invested capital and in the amount needed for operating expenses.

The recent shift toward livestock has coincided with a period of favorable farm product prices and a large increase in farm income. Because of the marked improvement in their financial position, a large proportion of farmers can now meet the requirements for commercial credit. Country banks, therefore, have assumed a position of greater leadership in farm credit at a time when farmers' credit needs were undergoing the most far-reaching change of recent decades.

In order to meet farmers' credit needs more completely, country bankers have revised their lending policies and have participated in a wide variety of farm credit conferences, clinics, and schools. Some of them have established special farm credit departments with a full-time credit man in charge. It is well known that many banks have made great progress in enlarging and increasing their services to farm customers and in fostering a more efficient type of farming in their trade territories.

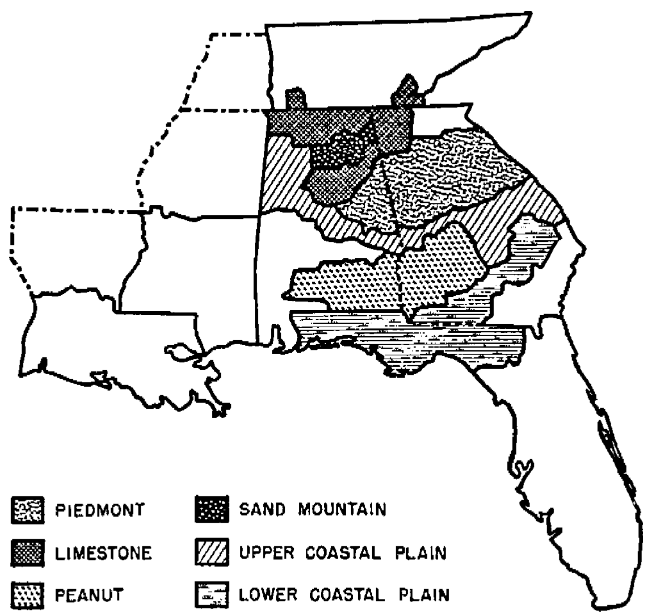
The purpose here is to report some of the results of a recent survey on bank lending to farmers. This survey was designed to yield some quantitative and qualitative information on bank lending with special emphasis on loans made for beginning or expanding livestock programs or for other enterprises used to supplement or replace part of the income received from row crops. It is not, in any sense, a well-rounded summary of the contribution that country banks are making to the progress of agriculture. Although the extension of credit is one of the more important functions of country banks, it is only one of the services that banks render to farmers or to any of their other patrons.

How the Information Was Obtained

Information was obtained from 27 banks throughout the six farming areas shown here. Farmers in these areas, which were chosen because row crops are the main source of income, are now changing to systems that place more emphasis on livestock. The banks contacted ranged in size from about 700 thousand dollars to about 40 million dollars in total deposits. All the banks had either a larger-than-average volume of farm loans or a larger-than-average percentage of their total loans in farm loans.

At each bank the information was obtained by a personal interview with an officer who was thoroughly

FARMING AREAS INCLUDED IN FARM CREDIT SURVEY



familiar with the farm loans made and who knew the essential facts about the borrowers. Information was obtained from bank records wherever such records were applicable. Records on the 1950 borrowings of about 20 or 25 farmers were obtained from each bank. These borrowers were selected at random from those whose income came largely from farming and who got at least half of their income from cash crops such as cotton and peanuts. These two restrictions were intended to eliminate farmers whose off-farm earnings materially affected their financial status and those who had no particular problem in changing from a row-crop system.

In interpreting the results, it should be recognized that a bank's farm borrowers are not necessarily a typical cross-section of the farmers in the bank's territory. According to the farm census, for example, only 8 percent of the farmers in the area sampled had 100 acres of cropland or more, yet 46 percent of the bank loans were made to farmers in this group. This does not mean that the banks confined their lending to large operators. Farmers who had less than 50 acres of cropland accounted for 28 percent of the borrowers. These comparisons do show, however, that as the size of farm declines there is also a decline in the proportion of farmers who can use credit effectively and who can meet the requirements for commercial credit.

How the Money Was Used

Of the 621 farmers whose 1950 borrowing records were studied, 170, or 27 percent, used part of the money to begin or expand livestock or other enterprises besides row crops. Money was borrowed for these purposes mostly by farmers with relatively large farms. Only 11 percent of the farmers with less than 80 acres of cropland borrowed for expansion of livestock, yet 42 percent with 80 acres or more borrowed for this purpose.

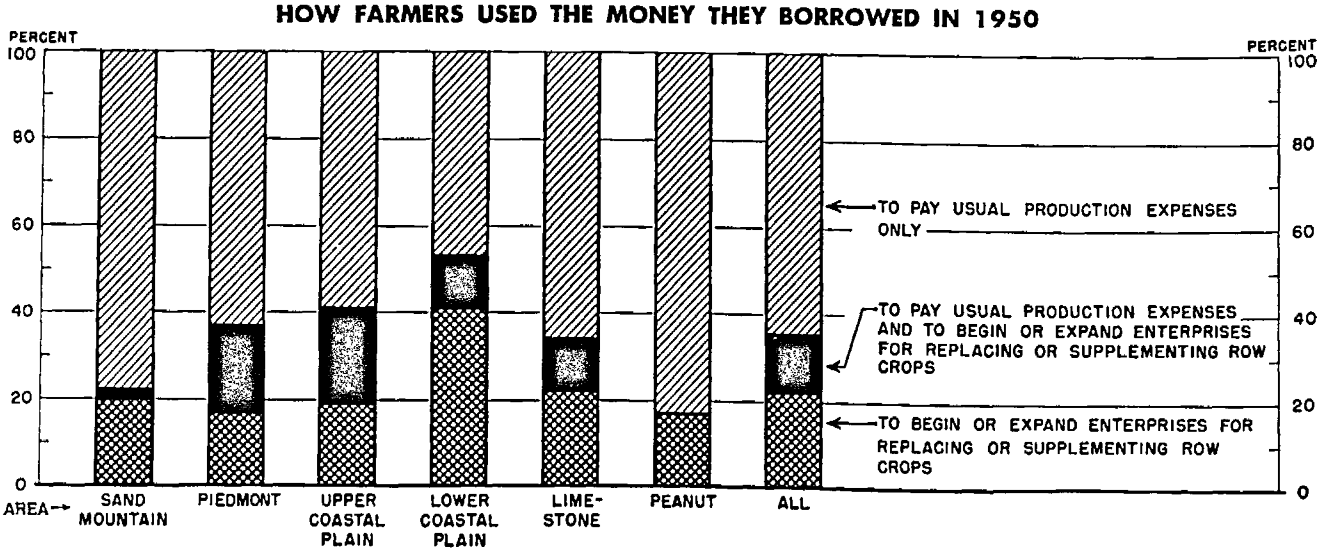
PERCENT OF FARMERS WHO BORROWED TO BEGIN OR EXPAND LIVESTOCK

Area	Farmers With Less Than 80 Acres of Cropland	Farmers with 80 Acres of Cropland or More	All Farmers
Sand Mountain	15	35	21
Piedmont	n.a.	50	31
Upper Coastal Plain	8	36	25
Lower Coastal Plain	n.a.	58	51
Limestone	10	44	26
Peanut	7	13	16
All Areas	11	42	27

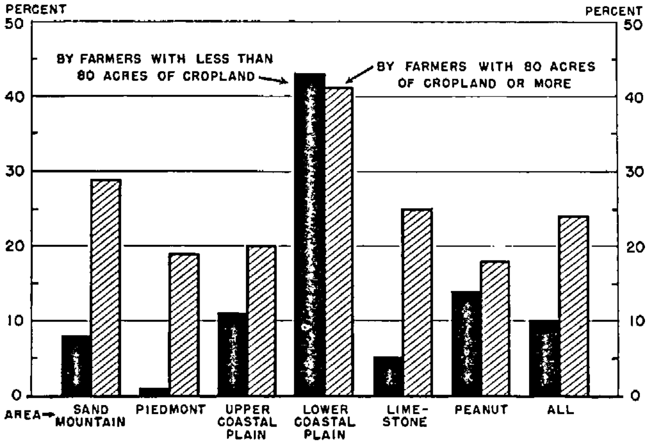
Most of the borrowing to expand livestock enterprises was to buy cattle or to help pay for pasture establishment and improvement. Since hogs are the most suitable livestock enterprise for the Peanut Belt and few farmers needed to borrow to begin or expand a hog enterprise, there was a relatively small proportion of livestock expansion loans made in that area.

Of the total amount of money borrowed, 65 percent was for usual production expenses, 22 percent was for livestock expansion alone, and 13 percent was for a combination of livestock expansion and the usual production expenses. Total borrowings refer to the total face amount of the notes made in 1950. For a particular farmer, total borrowings are usually greater than the maximum of the line of credit. Because livestock expansion loans usually have longer maturities than crop production loans do, total borrowings used as a measure of loan volume likely result in some understatement of the importance of livestock loans.

HOW FARMERS USED THE MONEY THEY BORROWED IN 1950



PERCENT OF TOTAL BORROWINGS USED FOR LIVESTOCK EXPANSION



The proportion of total borrowings used for expansion of livestock differs markedly according to the type of farming area. In the Lower Coastal Plain, 41 percent of the money borrowed was expressly for this purpose, and an additional 12 percent was used for a combination of row crops and livestock expansion. Only 47 percent of the money was borrowed for row crops alone. In the Piedmont area, only 17 percent was used for livestock expansion alone, but an additional 20 percent was used for a combination of purposes that included livestock expansion.

Farmers with less than 80 acres of cropland used 10 percent of their total borrowings for livestock expansion alone and an additional 2 percent for a combination of purposes that included livestock expansion. Farmers with 80 acres of cropland or more, on the other hand, used 24 percent of their borrowings for livestock and an additional 15 percent for a combination of purposes.

Amounts Borrowed

The average amount borrowed for all farms in 1950 was about 2,300 dollars. The individual amounts, of course, were closely related to the size of the farms. Farmers with less than 80 acres of cropland borrowed an average of 832 dollars, whereas those with 80 acres or more borrowed an average of 3,351 dollars. Although the average amount borrowed tends to increase with the size of the farm, measured by cropland acreage, borrowing increases at a slower rate. Farmers with larger acreages are able to pay a larger proportion of their usual operating costs and the costs of livestock expansion out of current income and savings.

AVERAGE AMOUNT BORROWED

Area	For Crop Production	For Expansion of Livestock	For All Purposes
Sand Mountain	$1,321	$1,611	$1,362
Piedmont	1,982	1,568	2,164
Upper Coastal Plain	1,828	2,847	2,249
Lower Coastal Plain	2,388	3,606	3,064
Limestone	1,981	2,651	2,276
Peanut	2,375	2,987	2,463
Total	$2,017	$2,553	$2,297

On farms of comparable size in most areas, there was little difference in the average amounts borrowed for usual production expenses and those for expansion of livestock. Most farmers, of course, are stretching their livestock expansion program out over a number of years with the result that annual investments are small compared to the total cost of the program. Borrowings for usual crop production expenses averaged 2,017 dollars a farm; for livestock expansion alone, 2,553 dollars; and for a combination of both purposes, 4,970 dollars.

AVERAGE AMOUNT BORROWED

Purpose of Loan	By Farmers With Less Than 80 Acres of Cropland	By Farmers With 80 Acres of Cropland or More	By All Farmers
Crop production only	$ 806	$3,275	$2,017
Crop production and livestock expansion	n.a.	5,652	4,970
Livestock expansion only	1,095	2,827	2,553
All purposes	$ 832	$3,351	$2,297

Loans for livestock expansion in relation to those for crop production expenses usually were larger on small farms than on large farms. This difference is partly due to the tendency toward dairy cattle on small farms. To produce Grade A milk commercially, for example, a minimum investment is required for cows, barns, equipment, and pastures. Some of these investments, such as that for a barn, must be made in a lump sum. The farmer who is expanding or beginning a beef-cattle enterprise, on the other hand, can make his investments at almost any annual rate he chooses. Also, there is some indication that larger farmers tend to expand their livestock enterprises on

AVERAGE SIZE OF LOAN

Area and Size of Farm	For Crop Production Only	For Livestock Expansion Only	For All Purposes
Area:			
Sand Mountain	$ 493	$ 773	$ 538
Piedmont	1,018	1,089	1,156
Upper Coastal Plain	953	1,603	1,126
Lower Coastal Plain	1,243	1,399	1,381
Limestone	773	1,686	955
Peanut	1,033	1,867	1,119
Size of Farm:			
Farms with less than 80 acres of cropland	365	634	386
Farms with 80 acres of cropland or more	1,340	1,590	1,455
Total	$ 868	$1,443	$1,025

a more conservative basis, in relation to their total investment, than do small operators.

Differences in the average size of individual loans were greater than differences in total borrowings. For farmers with less than 80 acres of cropland, loans for crop production alone averaged 365 dollars and those for livestock expansion averaged 634 dollars. For farmers with 80 acres of cropland or more, loans for crop production averaged 1,340 dollars and those for livestock expansion averaged 1,590 dollars. The average size of note also was related to the type of farm. Loans for crop production, for example, averaged 493 dollars in Sand Mountain and 1,033 dollars in the Peanut area.

Maturities

The net investment through bank lending during any given period depends partly, of course, upon the maturity of the loans. In this discussion the maturity as shown on the note is used. Many loans are repaid before the maturity date, but the maturity shown on the note is indicative of both the banker's and farmer's attitude and judgment. Of the loans for crop production, only 8 percent were written for one year or longer. Most crop production loans with long maturities were for the purchase of tractors and other machinery. Of the loans for the expansion of livestock, 25 percent had maturities of one year or more. The proportion of loans written for less than six months was about the same for the crop production loans as for livestock expansion.

Demand notes were used more frequently in connection with financing livestock expansion than with crop production. Most of these demand notes involved borrowing by large operators.

PERCENTAGE DISTRIBUTION OF NOTES BY MATURITY

	Crop Production Loans To			Livestock Expansion Loans To		
	Farmers With			Farmers With		
Maturity	Less Than 80 Acres Cropland	80 Acres Cropland or More	All Farmers	Less Than 80 Acres Cropland	80 Acres Cropland or More	All Farmers
Demand	1	1	1	..	4	3
Less than 6 mos.	30	35	32	36	30	31
6 to 12 mos.	62	55	59	53	38	41
12 mos. and over	7	9	8	11	28	25
Total	100	100	100	100	100	100

In most areas, the practice of making livestock expansion loans for a year or longer was more common on loans to large farmers than to small farmers. For farmers with less than 80 acres of cropland, only 11 percent of the livestock expansion loans had maturities of one year or more, while 28 percent of these loans made to farmers with 80 acres of cropland or more had maturities of one year or over.

Renewals

The growth of bank lending for expansion of livestock has been accompanied more and more by a verbal understanding between the farmer and the banker that the loan can be renewed provided progress has been satisfactory. The actual maturities on notes for this purpose, therefore, do not always accurately indicate the length of the loan period.

In the areas studied, only 5 percent of the crop production loans were made with any understanding of a renewal at the stated maturity date. Most of these notes, furthermore, were for the purchase of a tractor and equipment. Of the loans for livestock expansion, on the other hand, 46 percent were made with some understanding about a renewal. Usually the farmer was expected to pay part of the loan at maturity date. The banker then advanced another loan for the remainder of the debt, provided the farmer was progressing satisfactorily with the livestock enterprise.

PERCENT OF LOANS WITH VERBAL UNDERSTANDING FOR RENEWAL

Area and Size of Farm	Crop Production Loans	Livestock Expansion Loans	All Loans
Area:			
Sand Mountain	9	36	14
Piedmont	8	50	17
Upper Coastal Plain	2	56	12
Lower Coastal Plain	4	24	12
Limestone	3	52	10
Peanut	9	71	16
Size of Farm:			
Farmers with less than 80 acres of cropland	6	29	8
Farmers with 80 acres of cropland or more	5	50	16
Total	5	46	13

For crop production loans there were understandings for renewals on 6 percent of the loans made to farmers who had less than 80 acres of cropland, and on 5 percent of those made to farmers who had 80 acres or more. On loans for livestock expansion, however, the renewal understanding was used more often on large than on small farms. There were understandings for renewal on 50 percent of such loans to farmers with 80 acres of cropland or more and on 29 percent of such loans to farmers with less than 80 acres.

Security

Chattels, or some combination of security including chattels, were used to secure most loans. Chattels alone were the security on 69 percent of all the loans made. The security taken on livestock expansion loans differed from that on crop production loans in two important respects. First, a larger proportion of the livestock expansion loans was secured by only a chattel mortgage on livestock, and second, a large proportion of these loans was made on the farmer's signature, Government bonds, life insurance, and other similar security.

Nearly half of the livestock expansion loans to farmers with less than 80 acres of cropland were secured by livestock alone. On farms with 80 acres or more, livestock was the only security on about one-fifth of the livestock expansion loans. A larger proportion of these loans was made without specific collateral on the large farms than on the small farms.

PERCENTAGE DISTRIBUTION OF NOTES BY SECURITY

Security	Livestock Expansion Loans to Farmers With: Less Than 80 Acres Cropland	Livestock Expansion Loans to Farmers With: 80 Acres Cropland or More	All Farmers	All Crop Production Loans
No specific security, no endorsement	9	16	15	11
Endorsement and combination including endorsement	0	4	3	7
Real estate and combination including real estate	2	12	11	8
Livestock alone	43	18	21	3
Chattels and combinations of chattels	36	42	42	68
Stocks, bonds, insurance policies	9	7	7	1
Other	1	1	1	2
Total	100	100	100	100

For all farms and all types of loans, real estate—or any combination of collateral including real estate—was used on only 9 percent of the loans. There were no significant differences in the frequency with which real estate was used between the large farms and the small farms or between the different types of loans. Most of the differences in type of security used were related to the size of farm and financial position of the farmer rather than to the purpose of the loan.

Income of the Farmer

Lending for livestock expansion is affected by the level of farm income as well as by the size of farm. For each of the farm borrowers studied, the banker was asked to estimate whether the farmer's cash income from the farm in 1950 was less than 3,000 dollars or 3,000 dollars or more. The 3,000 dollar figure was chosen because it was felt that few farmers with a smaller cash income could pay production expenses, obtain cash for family living, and have anything left for the retirement of a loan for livestock expansion.

A comparison of the bankers' estimates with other data on farm income seems to indicate that they are quite conservative. This may be due to the fact that the bankers included in their estimate of cash income only those items of income that are ordinarily used to repay debts. Income from such enterprises as poultry flocks, for example, probably is not included. Although these income estimates are subject to some limitations, they do provide a reasonably accurate means of comparing groups of farmers.

Only 8 percent of the loans to farmers with an income of less than 3,000 dollars were for livestock expansion, while to those with an income of more than 3,000 dollars 33 percent were for this purpose. Even in groups of farms that were comparable in size, the purpose of the loans was affected by income.

On farms with less than 80 acres of cropland and with an income of less than 3,000 dollars, only 5 percent of the loans were for livestock expansion; loans for this purpose accounted for 16 percent of the loans on small farms that had more than 3,000 dollars of income. On large farms, 80 acres of cropland or more, 21 percent of the loans to farmers who had incomes of less than 3,000 dollars were for livestock expansion; 35 percent of the loans made to farmers with incomes of more than 3,000 dollars were for this purpose.

The relationship between income and purpose of loan differed markedly from one type of farming area to another. In the Sand Mountain area, loans for livestock expansion were made with the same frequency to the low-income groups as to the high-income groups. In the Peanut area, on the other hand, practically no loans for livestock expansion were made to farmers in the low-income group, while 15 percent of the loans in the high-income group were for this use.

PERCENT OF TOTAL NUMBER OF LOANS MADE FOR LIVESTOCK EXPANSION

Area and Size of Farm	Farmers With Incomes of Less Than $3,000	Farmers With Incomes of $3,000 or More	All Farmers
Area:			
Sand Mountain	15	15	15
Piedmont	16	36	28
Upper Coastal Plain	1	46	31
Lower Coastal Plain	17	58	49
Limestone	6	28	19
Peanut	*	15	10
Size of Farm:			
Farmers with less than 80 acres of cropland	5	16	7
Farmers with 80 acres of cropland or more	21	35	34
Total	8	33	23

*Less than .05 percent.

That bank credit was used less frequently for livestock expansion by low-income farmers does not necessarily indicate an important credit problem on the low-income farms. Most farmers who have low incomes have relatively small farms. Some livestock enterprises—beef cattle, for example—often are not well adapted to a small acreage. The experience of agricultural extension workers and other similar technicians also indicates that, as a rule, farmers with small acreages and low incomes are less interested in livestock expansion and related farm adjustments than are farmers with relatively high incomes.

On low-income farms that are well suited to an expansion of livestock and where the farmer does want to make such an expansion, the mere existence of the low level of income, however, is a problem. The nature of this problem is shown by comparing the most probable income with the most typical amount borrowed for various size groups of farms. The income figures are derived from the bankers' estimates and from secondary sources. Farmers with 20 to 39 acres of cropland had incomes that exceeded borrowings by only 440 dollars. These farmers appeared to be using about all the credit that they could command simply to produce their row crops. Incomes exceeded borrowings by 870 dollars in the 40 to 59 acre group, by 1,660 dollars in the 60 to 79 acre group, by 2,640 dollars in the 80 to 99 acre group, by 3,450 dollars in the 100 to 119 acre group, and by 3,860 dollars in the 120 to 139 acre group.

Borrowings averaged approximately 10 dollars for each acre of cropland for all sizes of farms up to about 80 acres. On farms with more than 80 acres, the amount borrowed per acre tended to decline as the size of farm increased. Income, on the other hand, increased more for each acre added to the farms with less than 80 acres of cropland than for each acre added to farms with more than 80 acres. The average income of the farmers with 80 acres of cropland was approximately 3,000 dollars.

These relationships between size of farm and income and between size of farm and amounts borrowed indicate that farmers with low incomes are using bank credit more intensively than farmers with high incomes. On most of the low-income farms, a large increase in the amount of money borrowed for any purpose, including the expansion of livestock, probably could not be extended on commercially acceptable terms.

Refusals of Loan Applications

For each farmer on which a borrowing record was obtained, the banker was asked whether he had rejected any loan applications for expanding livestock and the reasons for not making the loans. So few rejections were reported that no statistical summary of the results could be made. None of the rejections were related to the purpose of the loan, the size of the farm, the income of the applicant, or the collateral offered.

Although very few loan applications were actually rejected, a large proportion of the bankers reported that they had worked closely with their farm customers in planning livestock expansion programs and in many instances had helped farmers to alter their original plans in order that the bank could help finance their programs. Farmers who planned to buy cattle before establishing pastures, for example, often were persuaded to establish the pastures first.

Current Farm Credit Problems

Since the extension of credit to farmers is a continuous process, a spot survey of the type reported on here can show only part of the results of that process. In spite of this limitation, however, these findings do throw some light on current farm credit problems. One question is whether or not bank credit procedures and bank policies are changing rapidly enough to keep pace with farmers' livestock expansion programs. If the borrowings in 1950 are assumed to be typical of the current trends in lending for livestock expansion, at least 25 to 30 percent of the borrowings each year at the banks surveyed is being used for this purpose. This rate of borrowings appears high considering that most of it represents capital investment.

According to the census figures on income, for example, Alabama farmers who got at least half of their income from field crops got only 10 percent from livestock. With respect to types of farms, these farmers are comparable to those included in this survey. Farmers' borrowings for livestock expansion, therefore, constitute a larger share of their total borrowings than the distribution of income would seem to indicate. These comparisons do not necessarily prove that banks generally are meeting the demands for livestock expansion credit. In the banks surveyed, however, it seems clear that such credit is receiving the attention that its importance justifies.

In many discussions of bank credit for livestock, much stress has been laid on the differences between this type of credit and that for financing row-crop production. Many of these differences are reflected in the findings of this survey. The survey seems to show, however, that these differences are far less important than many people outside the banking business have thought them to be. It is true that the investments usually required for livestock expansion are large in relation to the usual crop production loan. The study shows that the farmer can grow into the livestock program rather than make the entire investment at once, and thereby keep the average size of his livestock loan comparable to the usual crop production loan. This procedure brings most farmers' livestock expansion programs into the range of commercial credit and is also desirable from a farm management standpoint.

Another diffeernce between lending for livestock expansion and crop production that is often cited is the longer maturities required on livestock expansion loans. According to this survey the latter are written for somewhat longer maturities than crop production loans. The differences in maturities, however, are minor. The step-by-step procedure usually followed on these loans reduces the need for long-term loans. In instances where all the loan cannot be conveniently repaid within the stated maturity on the original note, understandings for renewals usually solve the maturity problem. These understandings, which were in effect on almost half of the livestock expansion loans, appear to be highly satisfactory in most respects. They insure that the livestock expansion program gets a thorough, periodic review by the banker and the farmer. They are based, of course, upon mutual confidence and understanding.

Bank lending to farmers was characterized by its flexibility. By adjusting the terms and conditions of the loans, the bankers were able to finance almost any livestock expansion program that was efficient from a farm management standpoint and that was being conducted by a farmer of good character. They were able to do this and apply prudent banking principles.

In order to make the large volume of livestock loans shown by this survey, many bankers had to make some innovations in their handling of loans. Generally those who had a good understanding of the farming business and of the credit problems peculiar to farming could make these innovations rather easily. This is not to imply that there are no problems in connection with appraisal of the farmers' programs, bank records, loan procedures, and the other technical aspects of farm credit. The main point is that these technical problems are not a particularly serious obstacle to advancement of credit for livestock expansion on the part of bankers who have a rather thorough understanding of farm lending.

In interpreting the survey findings, it should be kept in mind that all of the banks contacted had been very active in farm lending for a number of years. Their accumulation of experience in making crop production loans was the foundation upon which they built their loan program for livestock expansion. Most of them have made loans to farmers within a wide range of net worth, management ability, and ambition. Country banks that have confined their farm lending to a few highly selected farmers whose credit requirements could be met in a routine manner and without any particular knowledge of farming on the part of the banker have a different kind of problem. The survey findings in regard to livestock loans are not applicable to banks in the latter group.

Farm Credit in the Future

Present indications are that the need for credit for financing the expansion of livestock as well as for crop production will continue to grow on District farms. As shown here, many country banks have already demonstrated their ability and willingness to meet farmers' credit needs. In these banks the policies of the officers and boards of directors toward farm lending are such that a continued improvement in loan procedures may be expected. Many country banks, on the other hand, are not following a policy with respect to farm lending that is conducive to the fullest agricultural development of their trade territories. How well banks meet farm credit needs in the future will depend partly upon the policies of individual banks or, stated in another way, upon the attitude of the banks' management toward agriculture.

Some banks that have done an excellent job of financing desirable farm adjustments up to the present are finding that their farm customers' needs for credit are growing faster than the resources of the bank. In these localities a form of capital rationing is appearing that may not be consistent with the best interests of farmers or of the entire community, state, or region. In a sense this development seems to reveal an imperfection in the capital market or in the structure of banking as it affects agriculture. The contribution of bank credit to farm prosperity, therefore, may also depend upon the ability of bankers, including those in the larger financial centers, to adapt the structure of banking to the greater need for farm credit that seems likely to develop.

The future of bank lending to farmers will also depend upon the circumstances and attitudes of farmers themselves. Farmers with low incomes and small acreages, for example, probably will be able to use credit only to a limited extent to help finance such adjustments as the expansion of livestock. Innovations in farm credit will solve only a small part of the problems faced by these farmers. All bankers contacted were asked why they did not have more loans to farmers to expand livestock enterprises. Almost invariably the answer was, "The farmers haven't asked for them." Most of these bankers have held meetings, visited farms, and tried in other ways to interest more of their customers in improving their farming systems.

In the last analysis, the initiative for all farm adjustments, including the expansion of livestock, rests with the farmer. The farm customers who had that initiative were obtaining the necessary credit at the banks surveyed.

BROWN R. RAWLINGS

Current Livestock Lending Policies

Since commercial banks are essentially community institutions, agricultural credit policies are influenced considerably by customs and traditions of farm life and rural communities. Credit policies, moreover, not only are the result of changes that take place on the farm and in town, but they shape the direction and rate of the changes themselves.

In the early days of commercial banking, decisions on individual farm loans and those regarding total farm loan volume were somewhat simpler than they are today. There was no question, for example, about a banker being interested in agriculture; there wasn't much of anything else he could be interested in. The few stores around the town square were borrowers, it is true, but their sales and collections were almost solely dependent on the ups and downs of farm income. Agriculture was the economic life of most rural communities.

Farming in most of the District was a comparatively simple operation. Even as late as the 1920's, the pattern was still similar to what it had been for almost a century—cash-crop production with mules and manpower. Neither farming nor farm lending, however, was particularly easy. Prices of commodities were erratic and the high degree of farm specialization increased risks. In most instances the banker took a calculated risk both as to production and price, and that, more than anything else, determined lending policy. If the borrower met that risk, he got his loan; otherwise he didn't.

There is, of course, a definite relationship between production patterns and bank lending policies. When tractors began to replace mules on cotton farms, the financing of them presented many new problems. The banker, for example, had to find reasonable answers to such questions as: On what size cotton farms will tractors be economical? What type and length of loan will best suit the borrower and lender? What is the collateral value of tractors and equipment? Aside from the questions raised in the financing of the tractor, however, were those that arose from changes in the production pattern of cotton. Where tractors replaced mules, croppers were usually replaced by cash-wage hands at harvest, and that change in labor supply materially affected risks and costs.

In the decade of the 1930's, the control programs and the development of new market opportunities caused farmers to start diversifying. Each time a new crop was added to cotton or other cash crop, the lender had to appraise not only cotton production and tractor power, but the entire farm program. As these programs have become increasingly complicated, moreover, with the addition of year-round grazing, livestock, and seed crops, all the problems and combination of problems associated with them have found their way to the banker's desk. Because managerial capacity is much more important to the successful operation of diversified farm programs than it is in the production of a single cash crop, the borrower's managerial ability also had to be appraised. The number and type of decisions that call for the establishment of lending policies, therefore, have increased markedly.

Why Are Policies Necessary?

To explain what current farm lending policies are as they relate to livestock loans, it is necessary to answer the question, "What makes bankers do what they do?" Although it is difficult for anyone to explain in detail why he did or did not do something, the bankers contacted in a recent credit survey had rather definite reasons for establishing their lending policies.

Bankers make many decisions relative to farm loans, but not all of them could be termed policy decisions. When a decision has been made which applies to borrowers generally, however, that action decided upon becomes a policy. If a farmer were refused a loan for a tractor because of a lack of managerial ability, or because of his character, or some other individual consideration, such refusal might not, of course, be in accordance with a specific policy decision. On the other hand, if the bank required a 40 percent down payment and the balance in two years (as many do), that action would become a policy. If the applicant were turned down because he lacked the down payment, the refusal would be in accordance with an established policy of the bank.

The difference between the two is important. Appraisal of an applicant against a policy is impersonal, at least to the extent that the borrower feels that the same yardstick will be used on all other borrowers. There is an understandable tendency for bankers to establish both positive and negative policies and, from a public relations standpoint, it is easier to handle a request based on general qualifications than one based only on personal characteristics.

The establishment of policies can make the job of lending easier and the use of funds more effective, because once a policy is thought out, it is not necessary to repeat the process with each new application. And, by the same token, as the number of specific policies becomes larger, the area in which individual appraisal is needed becomes narrower.

There is, moreover, another important advantage that accrues from making policies generally known; it saves time in the bank. If a bank makes it known, for example, that it will finance cattle only after pastures and grazing crops are established, then a farmer is not likely to come to the bank seeking a cattle loan until he has met that requirement.

A farmer can make excellent use of the bank's lending policies in planning his farm program. It is the policy of some banks not to extend credit for pastures and grazing crops until the area to be seeded is fenced. Thus, farmers in the areas served by those banks can plan their livestock expansion accordingly—first the fence, then the feed crops, and finally the cattle.

There is one consideration in making specific policies known to the community, however, that is looked upon unfavorably by some bankers. Once policies are established, the bank is obligated, at least in the borrower's opinion, to lend to all customers who meet those standards. But it may be that the capital structure of the bank and of the community is such that all prospective borrowers simply cannot be taken care of. Where that condition exists, it puts the bank and the banker in an embarrassing position to have to turn down some customers who have met the established lending criteria.

Who Makes Lending Policies?

Since banks do have farm lending policies, it is pertinent to ask who makes them and for what reasons. Perhaps the most important group of people who help to determine lending policies are the farmers themselves. Their attitudes, ambitions, and opportunities determine what they want to do and influence their requests for capital. That does not mean, of course, that banks do not inspire and encourage farmers to adopt better management practices. Many do so. Their attendance and participation in the various types of farm meetings and programs, particularly those of the 4-H Clubs and the FFA, have been instrumental in encouraging farmers. But whether from county agent instruction, banker stimulation, or from whatever source, the farmers themselves must first want to do those things that require credit. This was demonstrated repeatedly in the credit survey when, on inquiry as to why there were not more livestock loans, the bankers replied, "People just haven't asked for them."

Next in order, perhaps, among the determiners of policy, come the bank executives. Their interest, knowledge, and foresight may determine whether the bank has lending policies and if so whether they are positive or negative. In no instance, however, did the study reveal progressive policies where the executive officers were not genuinely interested in agriculture.

Back of the officers, of course, come the directors. They are ultimately responsible for the bank policies and are instrumental in making them. Even when the officers are enthusiastic and want to try new procedures or new methods, the directors can stop them if they do not agree with them. Or, as in many banks, the policies may originate with the directors. Neither the officers nor the directors, of course, are completely free to make the rules of lending. State and national authorities prescribe the general boundaries of activity through laws and regulations and enforce them through examination.

Custom also plays a part in determining policies. Where a bank has become well known for its interest in farming, that recognition is a powerful incentive to keep abreast of changes and modify lending practices whenever necessary. Then too, competition of other banks or of Government-sponsored credit agencies has a bearing on the way a particular bank handles its loans.

What Did the Survey Show?

In order to ascertain how rapidly and on what terms farmers are seeking loans for livestock in their transition toward diversified farming, information was obtained from 27 banks in sections representing the various types of farming areas in Alabama and Georgia. The banks were chosen because they had a sizable farm loan business; they are, therefore, probably above average. And for that reason their lending policies are probably a bit more tailored to the needs of financing livestock than those of the average commercial bank.

The study was not designed to obtain information on interest rates; nor is the purpose here to appraise the lending policies, but rather to explain them. And it should perhaps be emphasized that, with almost no exception, these policies are applicable only to the regular customers of the banks. The reluctance of banks to take on new borrowers, particularly for livestock loans, is due to the heavy demands of present customers, the desire to hold down the volume of loans in the present inflationary period, and the necessity of having a record of past performance on the borrower.

How Much the Farmers Asked For One of the first questions that arises in the borrower's mind is, "How much money will the bank lend?" The answer to that question depends on many variables, some of which involve bank policies, but the one thing that determines the amount of credit, more than any other, is the borrower's request. Only in rare instances did the banks surveyed require a downward adjustment in the farmer's estimate of his credit needs.

From the records of approximately 600 borrowers in the 27 banks, it is evident that, as a rule, the farmer expanding his livestock is using credit rather sparingly. His own conservatism plus the repeated advice of his county agent and others to *grow* into the business have made the farmer cautious. Generally speaking, the borrowers for livestock expansion may be divided into two broad classes; those seeking to substitute livestock for a part of their crop operations, and those who are adding livestock while maintaining their cash-crop program.

How much credit a farmer applies for to begin a livestock program or to expand an existing one depends on his choice of livestock, his experience, his own capital and collateral, and the rapidity with which he seeks to attain his goal. Apparently not many farmers who have had profitable crop operations wish to jeopardize their program or their financial position by biting off too much at once. That is evident from the amount of credit they have requested. The amount of credit sought, as measured by total acres of cropland, was roughly the same per acre whether for cash crop production or for livestock. That suggests that the farmers, particularly those who are substituting livestock for crops, have evidently set some over-all credit ceiling for their farm which they are reluctant to break through. Undoubtedly they have been influenced by bank policy.

Then too, farmers are well aware that in the initial stages of livestock development, income is low and for a period their ability to repay loans is reduced. Those farmers who are adding livestock to their normal operations by clearing and draining land while not borrowing more per acre are borrowing on more acres. Hence, their credit totals are larger. In these instances, however, the farmers have advanced substantial amounts of the capital costs and have pledged additional collateral such as bonds and additional security by the assignment of life insurance. Many of the latter group have filed financial statements showing net worth of more than adequate coverage.

Obviously, there are many farmers who have no desire to add livestock to their program. Among them are tenants who lack security, old people who do not want to undertake new enterprises, small farmers who must farm intensively, and finally those who prefer cash-crop farming.

Farmers who have been refused a loan for livestock production have been, for the most part, of unsatisfactory character, or completely inexperienced, or have presented wholly impractical plans to the banker. Banks have shown a willingness to adjust the credit conditions to fit the borrower where the operation to be financed was practical and was within his managerial capacity to carry out.

How Much the Banks Granted The amount that banks are willing to lend on livestock is variable. These variations are accounted for by bankers' attitude toward livestock, by their experience in making livestock loans, and by market opportunities. Legal limits, moreover, both as to individual loans and total loans, are at present affecting lending by some banks. In addition, the amount of check-up or attention that banks can devote to their farm borrowers, ranging from none in some banks to quite a bit in banks with special farm men, has some bearing on the amount of credit granted.

Despite the wide variations in farm experience and net worth and despite a wide range in attitude and bank experience, loans for livestock follow a fairly general pattern. In most banks the amount of money loaned for livestock, whether for animals, feed crops, or facilities, paralleled the amount loaned for crop production measured on a per-acre basis. Between banks, of course, the amounts varied widely.

The survey was not designed to determine the maximum amount that banks would lend, yet if the individual loans are divided by the total cropland of the borrower and reduced to a per-acre basis, a practical maximum can be determined. Using that measure, the amounts ranged from 10 dollars to a practical high of about 30 dollars. In three of the 27 banks the maximum loans for livestock were 38, 45, and 55 dollars per crop acre. These were special cases, however, each of which involved a real estate mortgage on the farm. The 55-dollar loan was for a period of four years. In most of the banks the ceiling for annual livestock loans, secured mostly by chattels, centered about 20 to 25 dollars per acre.

The policy of limiting annual loans for livestock to approximately the amount extended per acre for crop production is based on the recognition by bankers that there is little likelihood that per-acre returns from livestock will be higher than cash-crop returns. And it is that recognition of income potential that is responsible for bankers limiting credit extensions for livestock to a pay-as-you-go basis. Based on the coverage of the survey, it was only when borrowings exceeded this general limit that any real difficulties in lending practices or procedures occurred.

On What Kinds of Livestock Were Loans Made?

Because of the very rapid strides made recently in the production of forage, most of the current livestock borrowings are for grazing animals—beef cattle and dairy cows. Beef-cattle loans predominate not only because of the high interest in cattle, but also because of the availability of markets in practically every part of the District. The construction of auction markets and improvements in trucks and highways have brought the market within reach of all farmers. The wide dissemination of market information, moreover, particularly by means of the radio, has given most farmers flexibility in their choice of markets.

Loans for dairying, on the other hand, are limited because of market outlets. The market for Grade A milk, for example, cannot be expanded to all farmers and, as yet, there are few processing facilities for manufacturing milk. Therefore, farmers who are not on milk routes, either Grade A or B, obviously are not interested in obtaining loans for dairy cows. There was, however, no reluctance to lend for dairying as such. On the contrary, banks usually preferred dairy loans, which were easy to collect because of the regularity of milk payments.

Basic to cattle loans, either for beef or dairy cattle, are loans for fencing, feed crops, and equipment. Because of the variety of such products and the wide range in their costs, their financing is geared to the income potential of the livestock and is within the over-all annual credit program of the farmer.

For Beef Cattle The amount of credit for beef cattle and the policies under which it is extended depend, substantially, on the type of farm operation. Because most farmers do not have abundant carbohydrate feed for finishing cattle, the cow and calf combination is by far the most popular of the beef enterprises.

With only minor exceptions, the banks surveyed would lend for the purchase of grade cows up to the limit of the feed available on the farm, provided the cost of the cows was reasonable and they were free of Bang's disease. Although loans were readily made for the purchase of purebred herd bulls, banks were reluctant to lend for the purchase of purebred beef cows. Moreover, banks were not inclined to lend for fattening cattle or for speculative purposes. Because of their special educational value, loans for 4-H and FFA cattle are handled differently from commercial cattle loans.

For Dairy Cattle Loans for dairy cattle followed a fairly uniform pattern. Where feed was available and where farmers were expanding, banks would finance the purchase of cows up to the number the farmer already owned. If a farmer had five cows, for example, the bank would lend for the purchase of up to five more cows. The usual practice is for the bank to take a mortgage on the herd and have the loan retired through monthly amortization by deductions from milk receipts.

The production of milk, particularly Grade A milk, requires a higher capital investment in buildings and equipment than does the production of cattle or hogs. But despite that, some workable procedure for handling the milk production loan is usually made. Loans of this type, however, are usually made for a period of more than one year, or with an understanding for renewal, and are retired by applying alternate milk checks, or one-half of each, to the indebtedness.

What Are the Prerequisites for Livestock Loans?

Although the personal qualifications of a borrower are rather nebulous, there are certain general requirements which a farmer must meet. These requirements are applicable regardless of other factors that may be considered in granting a loan.

Character Always an important consideration in lending, character is unusually significant in lending for livestock expansion. As mentioned earlier, 46 percent of the total loans made for livestock expansion by the 27 banks carried verbal understandings for renewal. Obviously, such personal and unwritten understandings require that the borrower be honest and of the highest integrity. Just how much the policies governing character requirements have limited livestock loans is not known, but they are important. A few applicants for livestock loans were turned down by the banks surveyed because of their character, but they would likely have been turned down for any kind of a loan.

Experience Some experience in the raising of livestock was a prerequisite to obtaining livestock loans in all the banks. That does not mean, of course, that the farmer must have had experience of commercial proportions, but rather that he must know how to feed, breed, and care for the type of livestock he sought to expand.

Another, and the more stringent requirement, was that the farmer must have shown successful management of his cash crops. If he had shown increasing yields and efficient use of labor and machinery and had sought to build up the productivity of his farm, then it was felt he would extend those same management qualities to livestock. Conversely, those farmers who had shown little desire to improve their farms or yields were discouraged before a formal application for credit was made.

Tenure Since the proportion of farm tenancy in the South is generally high, the question of whether the region will ever become a livestock area is sometimes raised. The mere fact that a farmer has a tenant status does not preclude him from obtaining livestock loans at the banks participating in the study. If he meets the other qualifications and has some security in his tenure, either by lease or long occupancy, then the banks have demonstrated that they will lend.

Size of Farm The size of a farm has little meaning except in terms of what it is producing and in comparison with other farms. In the preceding article, it was shown that 34 percent of all the loans made to farmers with 80 acres or more of cropland were for livestock purposes, whereas on farms of less than 80 acres only 7 percent of the loans were for that purpose. If 80 acres of cropland is considered a fair general division between large and small farms, then the larger farms are expanding their livestock much more rapidly.

Size of farm and income are so closely related that it is difficult to separate them. The majority of livestock loans have gone to the larger farmers mainly because of the popularity of beef cattle, which, in most cases, is not practicable on small farms. Most of the cattle loans were obtained by farmers who operated on about a hundred acres or more.

There are some cattle enterprises that can be successful on small farms, and farmers who sought credit for them were usually accommodated. One bank in a mountainous area, for example, made about a third of its cattle loans, based on a random sample, to farmers with less than 80 acres. Because of the high labor requirements and higher returns per acre, the production of milk is more feasible on smaller farms than the raising of cattle. The loans for dairying, therefore, were made mainly to farmers on medium-size farms of around 60 to 100 acres of cropland. In a few instances, loans were made on smaller farms, but these were for the production of milk for manufacturing purposes as well as for usual crop production.

On What Basis Were the Loans Made?

In making livestock loans, bankers are much more careful to itemize the particular purposes for which the money is to be used than they are in making crop production loans. Itemization is particularly important in working out maturity and amortization and in tailoring the loan to the need for it.

When financing beef cattle, for example, the banker and borrower sought to make the loan for a period of time and with a maturity date that would coincide with an income period. Since, on many farms, cattle are sold in the fall when grass begins to die, maturity dates were usually made to coincide with that marketing period. Where no sales of livestock were contemplated within a 12-month period, the maturity date was adjusted to a crop-income period. In making dairy loans, repayment was amortized monthly or semimonthly regardless of purpose or maturity. In some instances repayment was delayed until production reached a certain level.

Maturity Although the practice of making a livestock loan mature in 12 months or less may seem an unrealistic policy when viewed from the purpose for which the loan was made, renewals have had the practical effect of extending what is usually termed "intermediate credit." Although the loan is due and callable on maturity date, the bankers said that they would not arbitrarily call them when to do so would force liquidation or sale at an inopportune time. The high percentage of renewals on livestock loans is evidence that the policy is working both for the lender and for the borrower. Annual maturities, moreover, give the banker and farmer an opportunity to review progress and perhaps head-off trouble before it becomes serious.

Collateral The differences in collateral required for livestock loans were not really the determining factors in making most of the loans. Sixty-nine percent of the total notes listing security for livestock loans were for chattels either on livestock alone or in a combination with other chattels. Only 9 percent involved a mortgage on real estate, and 12 percent were made on open note.

Appraisals Policies regarding appraisal of a farm and its equipment and livestock as a prerequisite to a cattle loan also were variable, particularly between banks. The size of the loan is, of course, very important. In some banks, particularly those which have special farm representatives, an appraisal of the farm and the farm program was customary. This was especially true where either the amount of the loan or its terms required a real estate mortgage.

Generally, the banks required no complicated forms, schedules, or appraisal for the average livestock loan to a regular customer. If the loan were for a new customer, appraisals of farm and program were made.

Supervision Since for many banks the financing of livestock is a relatively new venture, some of them maintained frequent check upon the progress of the borrower. This was particularly true of banks with special farm men. These check-ups are most important, and while every effort is made to make them appear to be a casual visit, they are part of a definite policy. In some banks a report is made on these visits and appropriately filed; in others nothing is written. The methods by which this check-up is maintained are numerous; they include personal visits, riding the country roads and observing, and contacts with neighbors of the borrower. In none of the banks, however, did the bankers report any unfavorable reactions from the borrowers because of follow-ups on the loans. On the contrary, many of the banks reported that visits by bank personnel, especially farm men, were genuinely welcomed. The fact that many of the officers in rural banks have farms of their own on which they, too, are expanding livestock put the visits on a basis of mutual interest.

Summary

The credit problems arising from the shift from highly specialized crop farming to a diversified program including livestock, have been numerous and, in a few instances, vexing. Nevertheless, progressive rural banks have devised means and adopted policies that have made credit available for this transition without imposing unreasonable requirements or changing the basic policies that have governed their farm lending in the past. The high percentage of farmers who are currently using bank credit to expand their livestock enterprises is evidence that the policies of the banks are acceptable to the borrower.

John L. Liles

Community Capital Accumulation and Farm Financing

From the standpoint of lending to farmers, the most important banks in the Sixth District are those in small towns. With a few exceptions they are unit banks that obtain almost all of their deposits from the local communities. A large proportion of their assets is in the form of loans to local businessmen and farmers. How much money one of these banks can and will lend depends to a large extent upon the ability of the businessmen, farmers, and other individuals in the community to accumulate bank deposits and upon the demands for loans that meet the requirements of prudent banking.

The ability to accumulate deposits depends partly upon the efficiency with which the land, the money, and the people are organized to produce goods and services of value. This efficiency, in turn, is importantly affected by the ability and willingness of the local banks to extend credit. This close relationship between the rural bank and the area which it serves has some important implications for farmers who use bank credit and for the whole banking system in the Southeast.

The discussion so far can be summarized in three tentative statements. First, the need for bank credit to expand livestock will continue to grow. Second, many country banks are already devoting a large proportion of their lending power to this purpose. Third, many banks have shown that they can adapt their lending policies to fit this type of credit and still conduct a safe and efficient banking business.

Bankers in some areas are finding that their deposits are not growing fast enough to permit them to grant all the farm loan applications that fall within their established lending policies. Farmers in these areas cannot borrow to the same extent as farmers in other areas for the expansion of livestock or for other changes in their farming systems. During the last two decades the structure of rural banking has undergone some sweeping changes, most of which have been toward making it safer and more stable. The test of its adaptability to the credit needs of a changing agriculture has only begun. The purpose here is merely to point out some features of the structure of country banking that affect farm lending programs. No attempt is being made to appraise the effectiveness of banks in such financing.

The Problem

The problem that confronts many country banks is illustrated by the following example. A certain bank, located in a community where farming is the principal source of income, has always tried to grant the credit demands of farmers who, in turn, could meet the requirements for commercial bank credit. In so doing, it has built its volume of farm loans to a point where the management feels that any further loan expansion at the present level of deposits would be unsound. Until the past few years, most of the farmers got a large part of their income from row crops. As farmers began to expand livestock, the bank began to make loans for this purpose.

Last year it became apparent to the bank management that the bank could not follow through on the livestock program it had helped start and at the same time continue to finance crop production for all of its old customers. Since the farmers who were expanding livestock were making financial progress while many farmers who were growing only row crops year after year were not progressing financially, the bank decided to eliminate some of its row-crop customers. In this way the bank hoped to have more money to lend to the farmers who were expanding livestock. As the current crop season progressed, however, the remaining farmers who were borrowing for row crops began coming back for more money in order to meet the higher costs of production. As country bankers well know, a crop loan that falls short of assuring all of the materials for a successful crop carries a very high risk. The bank, therefore, advanced about as much money for crop production this year as it did last year and is now in almost exactly the same position in regard to livestock loans as it was a year ago.

Another country bank, in similar circumstances, not only stopped advancing credit to some of its regular crop-loan customers but actually helped them to get jobs in towns and in industries located outside of the community. Many small, row-crop farmers simply cannot operate unless they can get credit.

The Capital Market

Banks, of course, do not lend to everyone who asks them for money. One of their main jobs as custodians of the pool of funds made available by the people of the community is to allocate the limited supply of money among those who can use it most effectively. A rationing of credit, therefore, is inherent in the very nature of the capital market. If the market were perfect, farmers could bid for credit against credit users everywhere or could go outside of their communities to borrow. Credit would be rationed to farmers in exactly the same way as for all other users and credit for a particular farming purpose, such as livestock expansion, would be weighed in the market against all other uses. In practice, however, credit for farming purposes does not always move readily from one community to another, nor can farmers, generally speaking, borrow outside of their own communities.

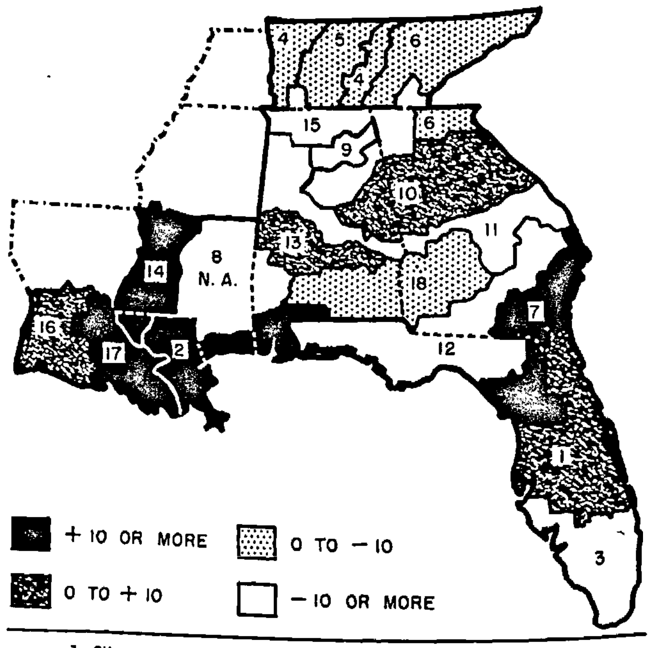
The market for non-real-estate loans to farmers is still primarily a local one. These loans are based largely upon the local banker's intimate knowledge of the individual farmer. This knowledge includes a good idea of the farmer's character, of his hopes and ambitions, of his management ability, both with respect to the farm and to his finances, and of the soundness of his farming program. Collateral is usually taken, of course, but it is not a substitute for this personal evaluation. Bankers often sum up this idea by such a remark as "If the man's not good, the loan's not good, regardless of how much collateral he can offer." A farmer who goes outside of his own community to borrow usually has to be an extraordinarily good risk in order to get a loan.

The growing importance of livestock loans tends to make farm lending even more local in character than before. These loans, as compared to the usual crop loans, require a more careful study of the farmer's entire program and considerably more supervision by the banker. Often there is a tacit agreement between the farmer and banker about additional loans if a four- or five-year livestock expansion program is being financed. Collections, as in the case of dairy loans where payments are made by assignment of milk checks, may also depend upon the cooperation of local business interests. The market for these loans, therefore, seems likely to become even more local in nature.

The question of mobility of credit, or the ability of farmers to bid for credit in a national market, is very old as far as country banking is concerned. Many of the framers and sponsors of the Federal Reserve Act believed that the System would overcome the difficulty. The sponsors of the Government's farm credit system likewise believed that they had the cure. Although these systems have proved serviceable in dealing with emergencies in farm financing, they have not, at least in many areas in the District, provided a satisfactory permanent solution.

Country bankers' reluctance to borrow, either from other commercial banks or from the Federal Reserve Bank, prevents a free flow of funds from financial centers to rural communities. Although the reasons for this attitude vary from bank to bank, much of the

CHANGES IN TOTAL DEPOSITS IN CITIES OF LESS THAN 15,000 POPULATION 1945-1950



1. Citrus
2. Gulf Truck
3. Winter Truck
4. Highland Rim
5. Central Basin
6. Appalachian
7. Flatwoods
8. Ala.-Miss. Timber
9. Sand Mountain
10. Piedmont
11. Upper Coastal Plain
12. Lower Coastal Plain
13. Blackbelt
14. Silt Loam
15. Limestone
16. Rice
17. Sugarcane
18. Peanut

attitude may be explained by the fact that country bankers do have a deep sense of responsibility for keeping their loan and investment policies within the capabilities of their banks. They want to have a "good strong bank." Bank supervisory authorities, in their efforts to make sure that banks are operated with due regard to the safety of deposits and, in general, in the public interest, have helped to shape this attitude of reluctance toward borrowing. From a practical standpoint, therefore, borrowing by banks is not very effective in meeting local demands for farm credit.

The Banking Structure

What are the main characteristics of the capital structure of country banking that affect the ability and willingness of banks to make farm loans? The amount and kind of deposits held by a bank, of course, are the most important. One banker facing a farm loan situation similar to that described earlier and who has about 5 million dollars in deposits said, "What we need is another 5 million in deposits."

Although bank deposits have increased greatly during the last decade, they have not increased at the same rate in all farming areas or even in all communities within any area. In some places they have actually decreased. From the end of 1945 to the end of 1950 in the Sand Mountain area, for example, deposits in banks located in cities having populations of less than 15,000 declined 22 percent, while deposits in cities of 15,000 or more declined only 4 percent. In the Blackbelt, on the other hand, deposits in the smaller cities increased 8 percent, while those in the larger cities decreased 2 percent.

According to the annual deposit ownership surveys made in this district, farmer-owned bank deposits increased 11 percent from the end of 1944 to the end of 1948. During the same period, farm income increased 43 percent. Deposits owned by other individuals, on the other hand, increased 25 percent during this period, while nonfarm income payments increased 23 percent.

The extent to which changes in the income of a community are reflected in changes in bank deposits, of course, varies according to its economic organization. In areas where a large proportion of total income comes from farming, the tendency of farmers to put excess earnings back into the farm business has tended to offset the effect of the increase in farm income on deposits. During the past few years District farmers have bought, at an unprecedented rate, farm machinery, fencing materials, fertilizers, and other goods needed to improve their farms. Much of the deposit money that is created by loans for the purchase of such items flows out of the rural community.

Even where deposits in rural areas have grown rapidly, the demand for loans has often increased even more rapidly because of the increase in the cost of farm production. Part of this increase in cost is accounted for by price rises. From 1945 to 1950, for example, the national index of prices paid for items used in farm production increased 37 percent.

In addition, the ratio of cash costs to total costs has increased. This increase in the "out-of-pocket" costs of farming means that farmers are using more operating capital. A large share of the increase in farm production loans in recent years has gone to meet this need.

The ability of banks to lend is affected by the stability of deposits from week to week and from month to month as well as by the average amounts held over the course of a year. Deposits of country banks in cash crop areas usually follow a seasonal pattern that is almost exactly the opposite of the seasonal changes in the volume of farm loans. In the Sand Mountain area, for example, at banks in cities of less than 15,000 population, deposits declined 3.8 million dollars during the first half of 1949 and farm loans increased 1.1 million. Deposits and farm loans behave in much the same way in the Peanut area. In middle and eastern Tennessee, on the other hand, where farm income is about equally divided between crops and livestock, there is little seasonal fluctuation in either farm loans or deposits at country banks.

Individual banks have even greater variations in loans and deposits than the averages for a farming area would indicate. The banker whose deposits vary from 1.0 million to 1.5 million and whose farm loans vary from 100 thousand to 400 thousand dollars cannot base his loan policy on annual averages. If the low point in deposits coincides with the high point in loans, as is usually the case in cash crop areas, and if he hopes to keep total loans below some fixed percentage of total assets, he must base his lending policy on the low point of deposits. One of the very real difficulties is that he doesn't know, at the beginning of the year, what the low point in deposits is going to be. As deposits decline and as loans increase, he often comes to a point where he cannot take on any more farm loan customers and still give the proper attention to loan diversification or to a proper ratio of loans to total assets. Furthermore, he must always be prepared to advance additional money to farmers who already have crop loans. In the cotton areas farmers often come back for additional loans with which to purchase insecticides and to pay for picking. These loans are almost always granted since repayment of the original loan on schedule depends largely upon the success of the crop.

How completely deposits can be mobilized for farm financing depends not only on their total amount and upon their seasonal variations, but also on how they are distributed among various owners. Most of the deposits in country banks are owned by individuals, partnerships, and corporations. At one country bank where these deposits amount to about a million dollars, over 40 percent were held in less than ten accounts of 10 thousand dollars or more each. At another bank of comparable size, on the other hand, only 5 precent of its deposits were in accounts of 10 thousand dollars or more. Obviously, the deposits of the former bank cannot be invested in quite the same way as those of the latter. In the first case, any erratic movement in a few accounts could alter the deposit picture appreciably.

The size of a bank's capital accounts affects farm lending mainly through its use in setting the legal limitations on the amount of credit that can be extended to a single borrower. Under state and national banking laws, the maximum credit that banks can have outstanding to a single borrower is set at a percentage of total capital accounts. In recent years there has been a marked increase in the number of farm borrowers reaching these limits. One by-product of farm mechanization and of the migration of workers from farms is that many a large land holding that was formerly farmed by croppers or tenants is now operated as one large unit with hired labor. The credit requirements that were formerly divided among several borrowers have now been concentrated on one.

Another reason for the increase in the demand for large loans is the increase in the scale of their business that has been made by many individual farmers. Many of today's large farmers were struggling ten years ago to pay for a small farm. Country bankers have, therefore, seen some of their best customers grow too large for them to finance. From the farmer's standpoint this limitation on the bank is probably of little importance since many large farmers are not confined to the local market for farm loans. They usually have the kind of a financial statement and collateral that enables them to borrow rather easily outside of their home communities. Banks, furthermore, have been adding to their capital accounts during recent periods of favorable earnings. At the end of 1950 the average ratio of total capital accounts to total assets was the highest since the end of 1943.

Farm loans, of course, are only one kind of loan made by banks in rural communities. The severity with which farmers are rationed in their use of bank credit depends partly upon the banks' policies toward other classes of borrowers. These policies, in turn, are affected by the profitability of farm loans as compared to other types of loans. At an individual bank the relative profitableness of a particular type of loan may be affected by the kind of community it serves, by the kind of competition it has, by the aptitudes of its officers, and by a host of other factors.

Statistical comparisons do not show any significant differences between the proportion of total loans classified as farm loans as of a given date and the usual measures of the rate of earnings on capital accounts or upon total assets. Neither do they show any relationship between changes in the proportion of farm loans and changes in the rate of earnings. There is, however, a positive and highly significant relationship between the percentage of total assets accounted for by loans and the rate of earnings. Conclusive evidence on this point could be obtained only by such an accurate cost accounting on different types of loans as to be impracticable for most of the small country banks covered by this study. The data do indicate, however, that, on the average, the type of loans that a country bank makes does not greatly affect its profits. There seems to be no such clearly defined connection between the type of a bank's loans and the bank's profits as to require that farmers be rationed either more or less severely than other types of borrowers in the community.

Some Alternative Solutions

The foregoing characteristics of the structure of rural banking and the effect they may have on the adequacy of farm credit are pointed out for the purpose of raising questions rather than to suggest answers. If, however, it is true that farmers who use credit are adversely affected, some effects of possible solutions should be considered. When local banks fail to meet what the business interests of the community believe to be their proper needs, one common solution is to organize a new bank. For the kind of problems raised here, however, an increase in the number of banks is definitely not the answer. The problems are most acute in areas where the banks have already gone "all out" to help finance agriculture. Merely to divide a community's deposits among more banks would not make more local funds available.

A second alternative, the borrowing by banks from other banks or from the Federal Reserve, has already been rejected. Although borrowing may again be used extensively to meet seasonal or emergency shortages, as it has been in the past, the understandable reluctance of country banks to remain permanently in debt seems to close this door.

Although some relaxation of legal restrictions on lending and some change in the policies of bank supervisory authorities might help banks in making certain kinds of farm loans, any possible benefits from such changes would certainly not be worth the sacrifice of the safety that the rules now give to depositors. The policies of country banks are influenced more by the commonly accepted principles of prudent banking than by any particular set of rules.

On the farm side, a greater diversification in the sources of farm income would allow banks in cash crop areas to use their available deposits more effectively. In areas where farming is now well diversified even small country banks usually do not experience wide seasonal swings in deposits or a bunching of loan demands into a short period.

In areas where income is fairly evenly distributed as among agriculture, industry, and trade, deposits can be used with the maximum efficiency. The use of credit is needed to obtain either kind of diversification. In communities where income is derived chiefly from farming, however, and where most of the farm income is from one or two cash crops, the bank deposits upon which such credit can be based accumulate only slowly.

One of the best ways for a bank in such a community to get access to an outside credit market is probably through the correspondent relationship. Country banks have always relied upon help from their city correspondents in carrying large or unusual lines of farm credit. If this relationship could be made workable on farm loans that are not large or unusual, the structure of country banking and a slow rate of deposit growth in a local community would have little adverse effect upon farm financing. Certain practical problems would, of course, have to be solved. If loans, for example, could be kept on a local basis so that the personal relationship between a farmer and his banker could be retained, country banks would be able to do a better job of serving their trade areas.

No one of the more promising alternatives to the present system seems likely to afford a quick solution to the kind of problem under discussion. Over a period of years, however, some revision in the structure of banking and in the relationship among banks would undoubtedly prove beneficial to bankers as well as to farmers. Certainly there should be, and need be, no conflict between the present policy of restraining the expansion of bank credit and carefully planned steps looking toward greater mobility in the capital market so that the reasonable and necessary credit requirements of agriculture may be met effectively and economically.

Brown R. Rawlings

RETAIL CREDIT SURVEY FOR 1951

SIXTH FEDERAL RESERVE DISTRICT

RESEARCH DEPARTMENT

FEDERAL RESERVE BANK OF ATLANTA

CONTENTS

RETAIL CREDIT SURVEY FOR 1951

Retailers in the Sixth District selling on both cash and credit terms experienced a 3-percent decline in total dollar sales in 1951, compared with 1950, the year marking the start of the Korean War and the first siege of scare buying. A breakdown of the decline reveals a 4-percent rise in charge account sales, a 3-percent dip in cash sales, and almost no change in instalment purchases.

The Retail Credit Survey for 1951, covering the nine major lines of credit granting retailers, is the ninth annual Survey conducted by the Federal Reserve Bank since 1942; no Survey was made in 1950. Although these outlets made only 40 percent of District retail sales in 1951, they account for most of the credit sales. Data were received from almost 800 stores in the Sixth Federal Reserve District, which embraces all of Alabama, Georgia, Florida, the lower halves of Louisiana and Mississippi, and the eastern two-thirds of Tennessee.

Consumer purchases at stores selling major durable goods in 1951 lagged behind the previous year's levels; sales at stores selling less durable commodities exceeded 1950 totals. Automobile dealers and household appliance stores in the District reported 8 percent reductions in total sales; furniture stores did slightly better with sales off 3 percent. On the plus side, hardware stores led the group with a 6-percent rise, followed closely by jewelry stores with a 5-percent advance in total sales.

Several outstanding changes in long-term trends occurred in 1951. Consumer purchases at men's clothing and women's apparel stores reversed downward trends which began in 1948. Automobile dealers experienced their first year-to-year decline since World War II years.

Little change occurred in the relative importance of cash, charge, and instalment sales in 1951, compared with 1950. Credit sales represented 65 percent of total District sales in the nine lines in 1951 and 64 percent in 1950. These percentages are considerably higher than those recorded in earlier Surveys.

SALES CHANGES, 1950-1951
SIXTH DISTRICT CREDIT-GRANTING RETAIL STORES

Kind of Business	No. Reporting Stores	Percent Change, 1950-1951				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1951	1950	1951	1950	1951	1950
Department	130	+ 4	+ 6	+ 5	- 4	44	43	46	46	10	11
Men's Clothing	26	+ 4	+ 4	+ 4	+ 6	33	33	65	65	2	2
Women's Apparel	18	+ 4	+ 2	+ 4	+ 12	42	43	54	54	4	3
Furniture	122	- 3	+ 1	+ 4	- 6	11	10	6	6	83	84
Hardware	27	+ 6	- 2	+ 14	+ 2	30	33	65	62	5	5
Household Appliance	241	- 8	- 0	- 2	- 13	26	24	21	20	53	56
Jewelry	26	+ 5	+ 6	+ 7	+ 4	29	29	17	17	54	54
Automobile Dealers	95	- 8	- 13	- 6	+ 2	36	40	16	16	48	44
Auto. Tire and Accessory	107	+ 0	+ 10	+ 6	- 8	43	39	9	8	48	53
Weighted Average	792	- 3	- 3	+ 4	0	35	36	27	26	38	38

As is to be expected, stores selling instalment paper reported lower ratios of receivables to instalment sales than those not disposing of such paper. On the whole, merchants sold less of their instalment paper to banks, sales finance, and related firms in 1951 and 1950 than they did in the preceding two years.

All but three of the nine lines of business reported lower year-end inventories in 1951, compared with 1950, despite rising prices. Although consumer purchases at men's clothing stores in the District increased 4 percent, inventories at these stores were still 32 percent above the related 1950 dollar value.

The following pages contain summaries on individual lines of business for the District, state, and local areas. Data were withheld for local areas wherever fewer than three reports were received in order not to divulge confidential information.

YEAR-END CHANGES IN ACCOUNTS RECEIVABLE, 1950-1951
SIXTH DISTRICT CREDIT-GRANTING RETAIL STORES

Kind of Business	No. Reporting Stores	Charge Accounts Receivable			Instalment Receivables			Inventories	
		Percent Change 1950-51	As Percent of Annual Charge Account Sales 1951	As Percent of Annual Charge Account Sales 1950	Percent Change 1950-51	As Percent of Annual Instalment Sales 1951	As Percent of Annual Instalment Sales 1950	Percent Change 1950-51	Turn Over* 1951
Department	75	+ 7	31	30	- 8	65	67	- 6	4.4
Men's Clothing	17	+ 5	27	27	+ 18	34	30	+ 32	3.2
Women's Apparel	15	+ 5	27	27	+ 11	39	41	- 6	4.6
Furniture	99	- 1	39	41	- 5	56	56	- 7	2.5
Hardware	19	- 1	14	16	+ 16	35	34	+ 8	3.4
Household Appliance	151	+ 5	15	14	- 10	30	29	- 5	3.2
Jewelry	15	+ 9	39	39	+ 8	55	53	- 8	1.8
Automobile Dealers	74	+ 1	10	9	- 9	4	5	+ 13	10.0
Auto. Tire and Accessory	100	+ 8	15	15	- 17	51	57	- 11	5.9
Weighted Average	565	+ 1	22	22	- 5	25	26	- 1	4.6

SALE OF INSTALMENT PAPER, 1950-1951
SIXTH DISTRICT CREDIT-GRANTING RETAIL STORES

Kind of Business	No. Reporting Stores	Stores Selling Instalment Paper					Stores Not Selling Instalment Paper		
		Percent of Reporting Stores	Paper Sold as Percent of Instalment Sales 1951	Paper Sold as Percent of Instalment Sales 1950	Receivables as Percent of Instalment Sales 1951	Receivables as Percent of Instalment Sales 1950	Percent of Reporting Stores	Receivables as Percent of Instalment Sales 1951	Receivables as Percent of Instalment Sales 1950
Department	8	--	--	--	--	--	100	42	46
Men's Clothing	4	--	--	--	--	--	100	40	37
Women's Apparel	--	--	--	--	--	--	--	--	--
Furniture	41	32	4	8	53	57	68	59	59
Hardware	8	37	23	41	35	27	63	44	51
Household Appliance	144	92	44	56	16	17	8	54	54
Jewelry	11	--	--	--	--	--	100	55	53
Automobile Dealers	69	100	46	45	4	5	--	--	--
Auto. Tire and Accessory	96	52	43	37	45	51	48	65	65

For footnotes, see appendix

PERCENT CHANGE IN COMBINED TOTAL SALES OF
NINE LINES OF BUSINESS, 1950-1951
WEIGHTED BY RELATIVE IMPORTANCE OF SALES
BY STATE AND AREA

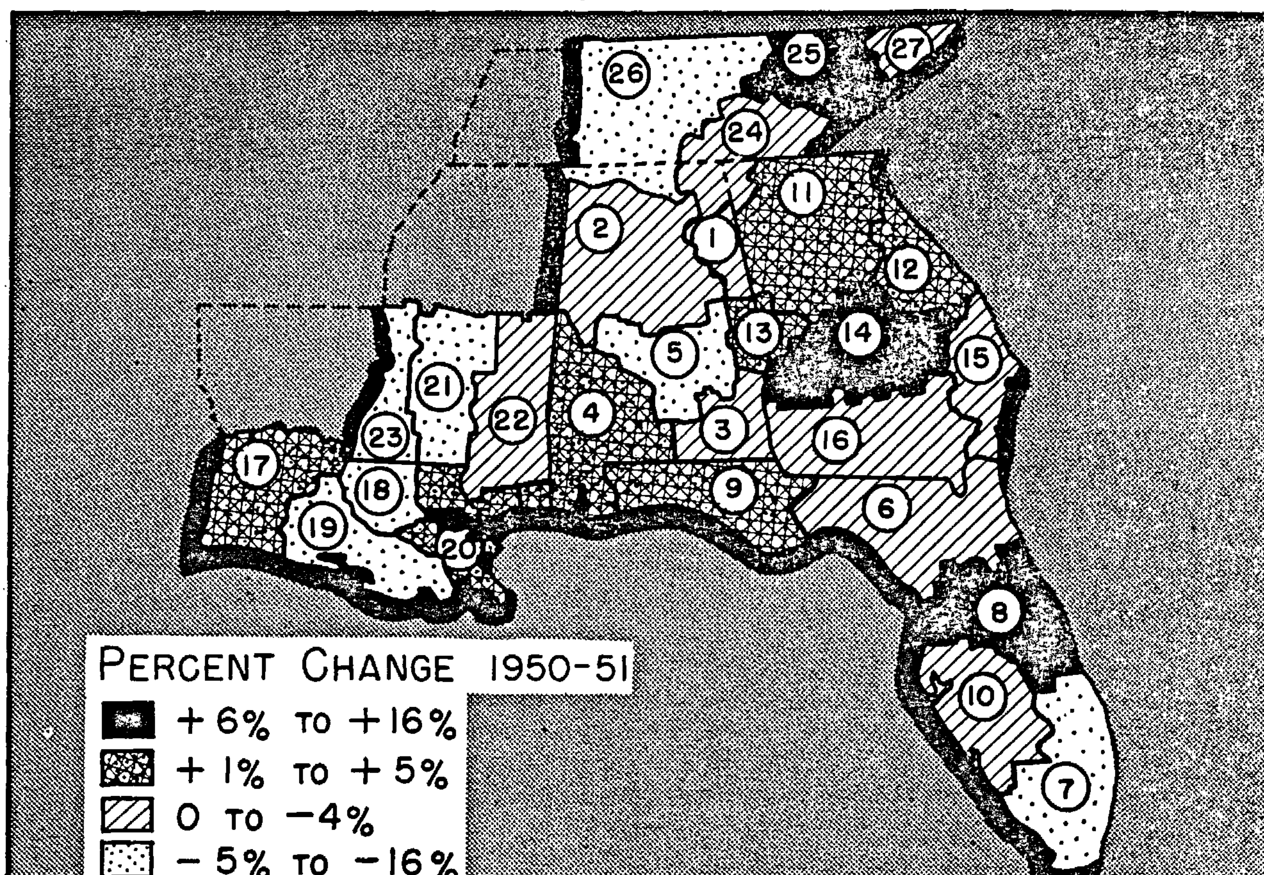
State	No. Reporting Stores	Percent Change
Alabama	176	- 1
Florida	133	- 1
Georgia	210	+ 3
Louisiana†	72	- 2
Mississippi†	86	- 6
Tennessee†	110	- 2
Area‡		
Alabama:		
Anniston-Gadsden (1)	4	- 4
Birmingham (2)	115	- 2
Dothan (3)	9	- 3
Mobile (4)	16	+ 2
Montgomery (5)	15	- 8
Florida:		
Jacksonville (6)	21	- 1
Miami (7)	28	- 9
Orlando (8)	13	+ 9
Pensacola (9)	15	+ 1
Tampa-St. Petersburg (10)	24	- 4

Area‡	No. Reporting Stores	Percent Change
Georgia:		
Atlanta (11)	53	+ 3
Augusta (12)	9	+ 4
Columbus (13)	21	+ 5
Macon (14)	14	+ 16
Savannah (15)	9	- 0
South Georgia (16)	3	- 1
Louisiana:		
Alexandria-Lake Charles (17)	12	+ 5
Baton Rouge (18)	19	- 9
Lafayette-Iberia (19)	11	- 16
New Orleans (20)	33	+ 5
Mississippi:		
Jackson (21); Natchez (23)	22	- 7
Hattiesburg-Laurel-Meridian (22)	16	- 3
Tennessee:		
Chattanooga (24)	24	- 1
Knoxville (25)	25	+ 7
Nashville (26)	35	- 5
Tri-Cities (27)	6	- 4

† That part within the Sixth Federal Reserve District.

‡ Boundaries of areas do not necessarily coincide with state lines. For counties included in areas, see appendix.

NOTE. - The estimated percent change in total sales was arrived at by weighting the percent change for each line of business according to the importance of the particular line in total sales of all nine lines of business throughout the United States.



DEPARTMENT STORES

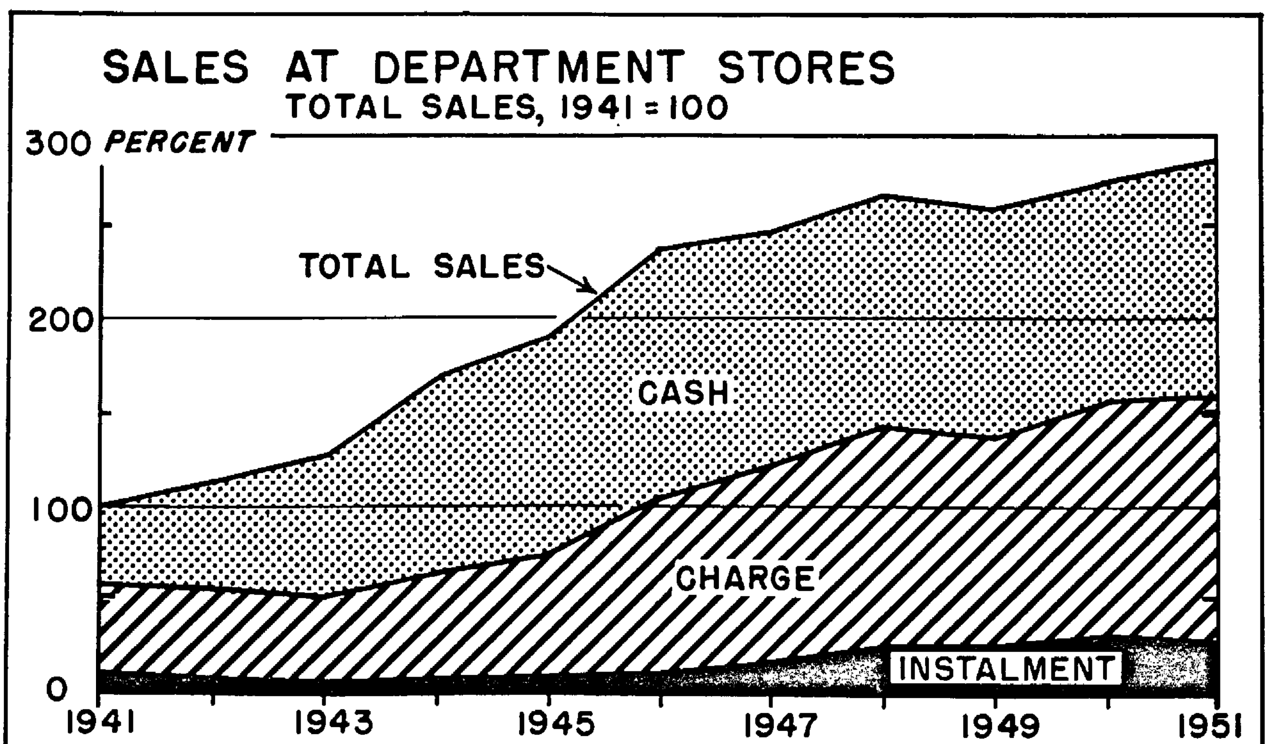
Total sales at reporting District department stores rose 4 percent in 1951 from 1950, a gain equal to that for all such stores in the United States. Furthermore, District department store sales reached the highest level on record. The total gain reflects the 6-percent and 5-percent increases in cash and charge purchases, respectively, which more than compensated for a 4-percent decline in instalment sales.

Most of the states and cities for which data are available witnessed a greater dollar volume of sales in 1951 than in 1950. Each District state bettered its 1950 mark except Mississippi, where consumer purchases in 1951 approximately equaled those of 1950.

Five of the six states adhered to the District pattern by recording increases in both cash and charge account sales. Mississippians, however, bought about the same amount on these sales terms in 1951 as in 1950. Only Georgia department stores ended the year with instalment sales in 1951 above the 1950 level.

Little change occurred in the relative importance of cash and credit sales at all reporting department stores in the District in 1951, compared with 1950. Credit purchases accounted for 56 percent of total sales in 1951 and for 57 percent in the previous year.

District consumers owed 7 percent more for charge account purchases at the end of 1951 than at the end of 1950, but their instalment indebtedness was down 8 percent. Year-end inventories were off 6 percent from the 1950 figure. Department store stocks were replenished, on an average, almost every three months in 1951 and about 2.5 months in 1949, the year of the last Survey.



DEPARTMENT STORES
SALES BY TYPE OF TRANSACTION

By Classification† and Location†	No. Report-ing Stores	Percent Change, 1950-1951				Percent of Total Sales					
		Total	Cash	Charge Account	Instal-ment	Cash		Charge Account		Instalment	
						1951	1950	1951	1950	1951	1950
ALL REPORTING STORES	130	+ 4	+ 6	+ 5	- 4	44	43	46	46	10	11
Small	38	+ 5	+ 3	+ 9	- 3	45	46	50	49	5	5
Medium	73	+ 6	+ 7	+ 6	+ 1	46	46	42	42	12	12
Large	16	+ 3	+ 4	+ 3	- 12	40	40	52	51	8	9
Not Classified by Size	13	+ 4	+ 1	+ 7	--	53	54	47	46	--	--
ALABAMA	22	+ 3	+ 4	+ 5	- 12	41	41	51	49	8	10
Small	5	+ 1	- 2	+ 4	+ 0	40	42	46	45	14	13
Medium	7	+ 4	+ 6	+ 6	- 19	43	42	50	49	7	9
Birmingham Area	7	+ 2	+ 2	+ 3	- 4	37	37	54	54	9	9
Birmingham	4	+ 2	+ 2	+ 3	- 4	37	37	55	54	8	9
Montgomery Area	6	- 0	+ 4	+ 10	- 30	49	47	38	34	13	19
Dothan Area	3	+ 2	--	--	--	--	--	--	--	--	--
FLORIDA	37	+ 11	+ 10	+ 15	- 11	60	61	37	36	3	3
Medium	4	+ 11	+ 11	+ 15	- 11	61	61	36	35	3	4
Tampa-St. Pete. Area	7	+ 6	--	--	--	--	--	--	--	--	--
Outside Pensacola	5	+ 6	+ 3	+ 10	--	58	60	42	40	--	--
Jacksonville Area	3	+ 9	--	--	--	--	--	--	--	--	--
Miami Area	7	+ 8	--	--	--	--	--	--	--	--	--
Orlando Area	5	+ 14	--	--	--	--	--	--	--	--	--
GEORGIA	27	+ 6	+ 8	+ 3	+ 5	42	41	50	51	8	8
Small	7	+ 8	+ 2	+ 13	+ 30	43	45	56	54	1	1
Medium	10	+ 15	+ 18	+ 8	+ 43	45	44	46	49	9	7
Atlanta	3	+ 3	+ 2	+ 2	- 7	41	41	50	51	8	9
Outside Atlanta	8	+ 3	+ 6	+ 2	- 6	41	39	51	52	8	9
South Georgia Area	3	+ 15	+ 13	+ 17	--	54	55	46	45	--	--
Augusta Area	4	+ 18	+ 20	+ 5	+ 31	51	50	25	29	24	21
Macon Area	5	+ 5	+ 8	+ 3	+ 30	44	43	55	56	1	1
Macon	3	+ 5	+ 8	+ 3	+ 30	44	43	55	56	1	1
Columbus Area	3	+ 9	--	--	--	--	--	--	--	--	--
Savannah Area	4	+ 14	--	--	--	--	--	--	--	--	--
LOUISIANA	18	+ 2	+ 2	+ 6	- 12	42	42	45	43	13	15
Small	4	- 3	- 2	+ 1	- 10	41	41	42	40	17	19
Medium	5	+ 1	- 1	+ 2	+ 1	44	45	35	34	21	21
Baton Rouge	5	- 8	- 7	- 4	- 29	38	37	52	50	10	13
New Orleans Area	9	+ 3	+ 3	+ 7	- 10	43	43	45	43	12	14
New Orleans	5	+ 3	+ 2	+ 7	- 10	43	43	44	42	13	15
MISSISSIPPI	10	- 0	- 0	+ 0	- 11	34	33	64	64	2	3
Small	3	+ 9	+ 10	+ 7	--	52	51	48	49	--	--
Medium	4	- 1	- 2	- 0	- 11	31	31	66	66	3	3
Jackson Area	5	- 2	- 2	- 1	- 11	28	28	68	68	4	4
Meridian Area	5	+ 1	--	--	--	--	--	--	--	--	--
TENNESSEE	26	+ 4	+ 4	+ 6	- 3	44	44	45	44	11	12
Medium	11	+ 5	+ 4	+ 7	- 1	44	45	43	42	13	13
Large	4	+ 1	+ 2	+ 3	- 20	41	40	54	53	5	7
Chattanooga Area	4	+ 7	--	--	--	--	--	--	--	--	--
Knoxville Area	6	+ 3	+ 5	+ 4	- 5	48	46	37	37	15	17
Knoxville	3	+ 3	+ 5	+ 4	- 5	47	46	37	37	16	17
Nashville Area	11	+ 4	+ 2	+ 8	- 3	43	44	45	43	12	13
Nashville	5	+ 3	+ 1	+ 7	- 3	43	44	44	43	13	13
Tri-Cities Area	9	+ 4	+ 7	+ 4	- 25	30	29	69	69	1	2

For footnotes, see appendix.

DEPARTMENT STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location†	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change 1950-51	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales 1951	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales 1950	Instalment Receivables, End of Year: Percent Change 1950-51	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales 1951	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales 1950	Inventories, End of Year: Percent Change 1950-51	Inventories, End of Year: Turn-Over* 1951
ALL REPORTING STORES	75	+ 7	31	30	- 8	65	67	- 6	4.4
Small	21	+ 16	26	25	+ 0	38	37	+ 3	3.4
Medium	41	+ 7	27	27	- 4	61	65	- 4	4.5
Large	10	+ 7	35	34	- 12	72	72	- 10	4.6
Not classified by size	3	+ 10	28	28	--	--	--	+ 4	3.3
ALABAMA	22	+ 5	27	27	- 20	60	65	- 12	4.2
Small	9	- 3	18	20	- 1	47	47	+ 9	3.0
Medium	9	+ 6	25	25	- 29	59	68	- 17	4.2
Birmingham Area	7	+ 3	27	27	- 9	59	57	- 69	4.2
Birmingham	4	+ 2	27	27	- 10	59	63	- 8	4.3
Dothan Area	3	--	--	--	--	--	--	+ 4	2.5
Montgomery Area	6	--	--	--	--	--	--	- 33	4.4
FLORIDA	37	+ 16	25	25	- 12	54	55	+ 4	4.1
Small	4	--	--	--	--	--	--	+ 8	3.1
Medium	18	+ 16	24	24	- 12	54	55	+ 5	4.3
Jacksonville Area	3	--	--	--	--	--	--	- 5	4.4
Miami and Miami Beach	7	--	--	--	--	--	--	+ 6	3.9
Orlando Area	5	--	--	--	--	--	--	- 1	3.7
Pensacola Area	5	+ 17	31	29	--	--	--	+ 6	3.1
Tampa-St.Pete. Area	7	--	--	--	--	--	--	+ 11	4.4
GEORGIA	27	+ 6	35	34	+ 0	71	74	- 6	5.2
Small	10	+ 29	30	27	+ 26	50	52	+ 1	3.4
Medium	15	+ 12	30	29	+ 30	69	75	+ 9	5.2
Atlanta Area	8	+ 4	36	35	- 7	71	73	- 12	5.3
Atlanta	3	+ 4	37	36	- 9	74	76	- 13	5.3
Outside Atlanta	5	+ 14	23	21	--	--	--	- 12	5.3
South Georgia Area	3	+ 12	30	31	--	--	--	--	--
Macon Area	5	+ 4	32	31	+ 26	50	52	+ 4	5.3
Macon	3	+ 4	32	31	+ 26	50	52	+ 4	5.3
Augusta Area	4	+ 8	25	25	+ 32	70	78	+ 24	4.3
Columbus Area	3	--	--	--	--	--	--	+ 1	6.1
Savannah Area	4	--	--	--	--	--	--	- 11	4.7
LOUISIANA	18	+ 16	34	31	- 11	71	71	- 12	4.8
Small	9	+ 46	9	6	- 6	25	24	- 3	3.9
Medium	5	+ 10	29	27	- 3	66	69	- 6	6.0
Baton Rouge Area	5	+ 9	29	26	- 34	57	61	- 14	4.6
Baton Rouge	3	+ 9	29	26	- 34	57	61	- 14	4.6
New Orleans Area	9	+ 16	35	33	- 8	74	72	- 13	4.9
New Orleans	5	+ 17	36	33	- 8	74	72	- 13	4.9
MISSISSIPPI	10	- 1	23	23	- 11	36	36	- 10	4.2
Small	3	- 12	27	33	--	--	--	+ 8	3.4
Medium	7	+ 1	22	22	- 11	36	36	- 13	4.3
Jackson Area	5	+ 0	21	20	- 11	36	36	- 14	4.7
Meridian Area	5	--	--	--	--	--	--	- 5	3.3
TENNESSEE	26	+ 4	27	27	- 8	57	60	- 9	4.1
Medium	19	+ 4	28	29	- 7	57	61	- 10	4.2
Large	4	+ 2	23	23	- 20	51	51	- 9	3.8
Chattanooga	4	--	--	--	--	--	--	- 5	4.8
Knoxville Area	6	+ 3	24	24	- 6	56	56	- 8	4.1
Knoxville	3	+ 3	24	24	- 6	56	56	- 8	4.1
Nashville Area	11	+ 2	26	28	- 10	59	63	- 13	4.0
Nashville	5	+ 0	25	27	- 10	59	63	- 15	4.0
Outside Nashville	4	--	--	--	--	--	--	- 4	3.8
Tri-Cities Area	9	- 1	30	31	- 33	38	43	- 3	3.7

For footnotes, see appendix

MEN'S CLOTHING STORES

Reporting men's clothing stores in the District ended 1951 with sales up 4 percent from the year-ago level; an increase slightly higher than that of similar stores in the U. S.

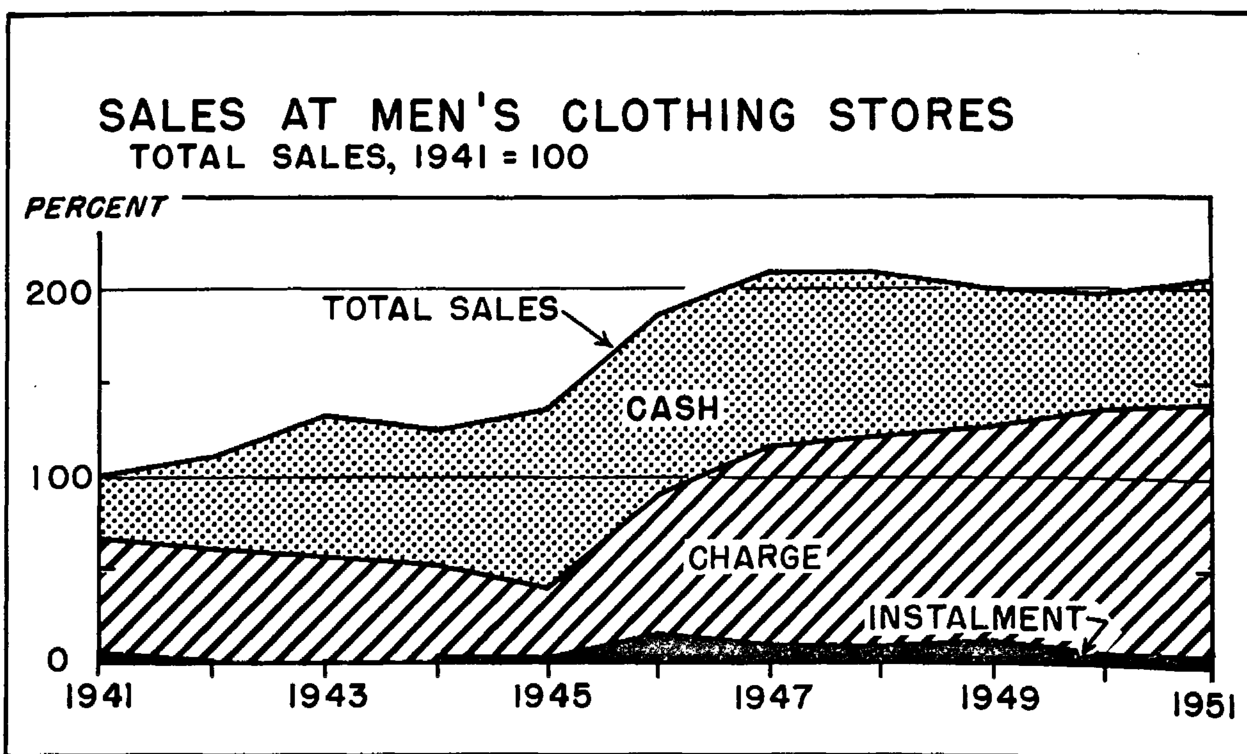
Sales increases, however, were insufficient to reduce inventories much as is shown by the 32-percent rise in 1951 stocks over the dollar value of 1950. This was the largest gain in stocks reported for any of the nine lines of business surveyed. In physical terms, however, the increase was not as great, since prices of men's clothing rose 7.5 percent during 1951.

All three states for which data are available experienced a higher dollar volume of consumer purchases in 1951 than in 1950. Total sales were up 9 percent in Florida, 5 percent in Louisiana, and 2 percent in Georgia.

The increase in total District sales mirrors rises of 4 percent, 4 percent and 6 percent in cash, charge, and instalment sales respectively. Each state likewise exhibited increases in these modes of purchases.

No change from 1950 was indicated in the relative importance of cash, charge account, and instalment sales. Cash purchases accounted for 33 percent of the total; charge account sales, 65 percent; and instalment sales the remainder, or 2 percent. District consumers bought more heavily on credit in the last two years than in 1948 or 1949.

Rising charge account and instalment sales resulted in increases in the corresponding receivables. Consumers owed 5 percent more for charge account obligations at the end of 1951 than they did a year earlier. Instalment receivables rose 18 percent.



MEN'S CLOTHING STORES
SALES BY TYPE OF TRANSACTION

By Classification † and Location †	No. Reporting Stores	Percent Change, 1950-1951				Percent of Total Sales					
						Cash		Charge Account		Instalment	
		Total	Cash	Charge Account	Instalment	1951	1950	1951	1950	1951	1950
ALL REPORTING STORES	26	+ 4	+ 4	+ 4	+ 6	33	33	65	65	2	2
Small	17	+ 9	+ 3	+ 15	+ 6	41	44	51	48	8	8
Medium	5	+ 4	+ 1	+ 17	--	31	31	69	69	--	--
Large	4	+ 2	+ 4	+ 1	+ 5	31	30	68	69	1	1
FLORIDA	6	+ 9	+ 5	+ 12	--	43	45	57	55	--	--
Small	5	+ 13	+ 8	+ 17	--	42	44	58	56	--	--
Tampa-St. Pete. Area	3	+ 12	--	--	--	--	--	--	--	--	--
GEORGIA	6	+ 2	+ 3	+ 2	+ 5	31	31	68	68	1	1
Large	3	+ 3	+ 5	+ 2	+ 5	30	29	69	70	1	1
Atlanta Area	7	+ 3	+ 4	+ 2	+ 6	31	30	68	69	1	1
Outside Atlanta	4	+ 2	- 3	+ 7	+ 6	45	47	49	47	6	6
LOUISIANA	3	+ 5	+ 3	+ 5	--	28	29	72	71	--	--
Lafayette-Iberia Area	3	+ 2	--	--	--	--	--	--	--	--	--

MEN'S CLOTHING STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification † and Location †	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year			Inventories, End of Year	
		Percent Change 1950-51	As Percent of Annual Charge Account Sales		Percent Change 1950-51	As Percent of Annual Instalment Sales		Percent Change 1950-51	Turnover * 1951
			1951	1950		1951	1950		
ALL REPORTING STORES	17	+ 5	27	27	+ 18	34	30	+ 32	3.2
Small	11	+ 16	27	27	+ 16	40	37	+ 12	2.2
Medium	2	+ 1	20	20	--	--	--	+ 1	4.2
Large	4	+ 3	28	28	+ 27	16	13	+ 56	3.6
FLORIDA	8	+ 14	25	24	--	--	--	+ 10	2.4
Small	6	+ 18	26	25	--	--	--	+ 8	2.3
Tampa-St. Pete.Area	3	--	--	--	--	--	--	+ 9	2.5
GEORGIA	9	+ 3	29	28	+ 27	16	13	+ 48	3.3
Small	3	--	--	--	--	--	--	+ 22	1.8
Medium	3	--	--	--	--	--	--	+ 8	2.0
Large	3	+ 3	29	28	+ 27	16	13	+ 59	3.6
Atlanta Area	7	+ 3	29	28	+ 27	16	13	+ 48	3.4
Outside Atlanta	3	+ 2	24	25	--	--	--	+ 48	3.4
LOUISIANA	5	+ 3	21	22	--	--	--	+ 9	4.7
Small	4	--	--	--	--	--	--	+ 29	1.9
Lafayette-Iberia Area	3	--	--	--	--	--	--	- 1	1.8

For footnotes, see appendix.

WOMEN'S APPAREL STORES

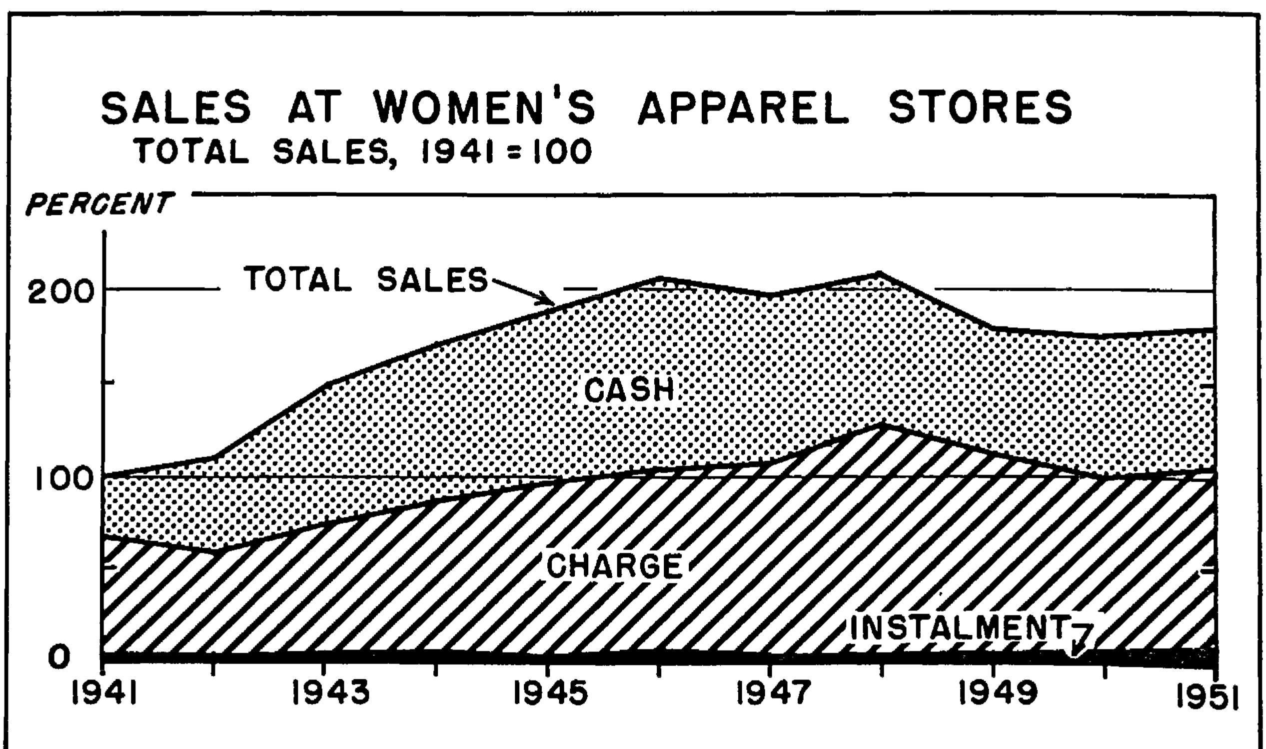
In line with other less durable and soft goods trades covered in the Survey, total sales at women's apparel stores in the District were 4 percent higher in 1951 than a year earlier. District sales lagged behind those throughout the U.S., which advanced 7 percent, according to the Department of Commerce. Higher prices of women's apparel, of course, inflated the dollar volume of sales.

Increases in cash and charge account sales in particular helped boost 1951 sales. Cash purchases were up 2 percent and charge account purchases, 4 percent. These sales accounted for 96 percent of total sales in 1951 and for an even higher proportion in 1950 - 97 percent. Instalment sales climbed 12 percent during the year.

Medium-size stores recorded the largest increased in total sales, 11 percent, compared with 5 percent for small and one percent for large stores. Most of the instalment selling was done at medium-size stores.

Consumers in Alabama, Georgia, and Mississippi, the only states for which women's apparel store data are available, spent more at these outlets in 1951 than in 1950. Total sales were up 11 percent in Alabama, 7 percent in Mississippi, and 3 percent in Georgia.

Although instalment collections were somewhat faster in 1951, the stores had a larger amount of instalment receivables on their books at the end of the year, an 11-percent increase from the end of 1950. Collection speed was unchanged for charge accounts, but charge receivables rose 5 percent. Inventories in December 1951 at women's apparel stores were down 6 percent from December 1950. Stocks were refilled, on an average, every 2.5 months during 1951.



WOMEN'S APPAREL STORES
SALES BY TYPE OF TRANSACTION

By Classification† and Location†	No. Reporting Stores	Percent Change, 1950-1951: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1951	Cash 1950	Charge Account 1951	Charge Account 1950	Instalment 1951	Instalment 1950
ALL REPORTING STORES	18	+ 4	+ 2	+ 4	+ 12	42	43	54	54	4	3
Small	5	+ 5	+ 3	+ 5	+ 48	36	37	62	62	2	1
Medium	8	+ 11	+ 10	+ 11	+ 12	41	41	47	48	12	11
Large	5	+ 1	- 0	+ 3	--	43	43	57	57	--	--
ALABAMA	4	+ 11	+ 11	+ 12	+ 0	60	60	34	34	6	6
FLORIDA	3	+ 1	--	--	--	--	--	--	--	--	--
GEORGIA	7	+ 3	+ 3	+ 2	+ 31	30	30	67	68	3	2
Medium	4	+ 2	+ 2	+ 1	+ 31	30	30	67	68	3	2
Atlanta Area	5	+ 1	+ 1	+ 0	+ 16	31	31	64	64	5	5
Columbus Area	3	+ 13	+ 17	+ 11	--	28	26	72	74	--	--
LOUISIANA	0	--	--	--	--	--	--	--	--	--	--
MISSISSIPPI	3	+ 7	+ 6	+ 9	--	42	43	58	57	--	--
TENNESSEE	1	--	--	--	--	--	--	--	--	--	--

WOMEN'S APPAREL STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location†	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change 1950-51	As Percent of Annual Charge Account Sales 1951	As Percent of Annual Charge Account Sales 1950	Instalment Receivables, End of Year: Percent Change 1950-51	As Percent of Annual Instalment Sales 1951	As Percent of Annual Instalment Sales 1950	Inventories End of Year: Percent Change 1950-51	Turn-Over* 1951
ALL REPORTING STORES	15	+ 5	27	27	+ 11	39	41	- 6	4.6
Small	4	+ 3	21	21	--	--	--	+ 1	4.0
Medium	6	+ 9	31	31	+ 11	39	41	- 23	4.2
Large	5	+ 4	26	26	--	--	--	- 5	4.7
ALABAMA	4	+ 7	28	29	- 7	27	29	- 16	7.1
FLORIDA	3	--	--	--	--	--	--	- 1	4.2
GEORGIA	7	+ 6	30	29	+ 18	45	50	- 7	5.4
Medium	4	+ 6	30	28	+ 18	45	50	--	--
Atlanta Area	4	+ 5	29	28	+ 18	45	50	- 8	5.4
Outside Atlanta	4	+ 5	29	28	+ 18	45	50	- 8	5.4
Columbus Area	3	+ 8	35	36	--	--	--	--	--
LOUISIANA	0	--	--	--	--	--	--	--	--
MISSISSIPPI	4	+ 3	24	25	--	--	--	- 19	4.4
TENNESSEE	1	--	--	--	--	--	--	--	--

For footnotes, see appendix.

FURNITURE STORES

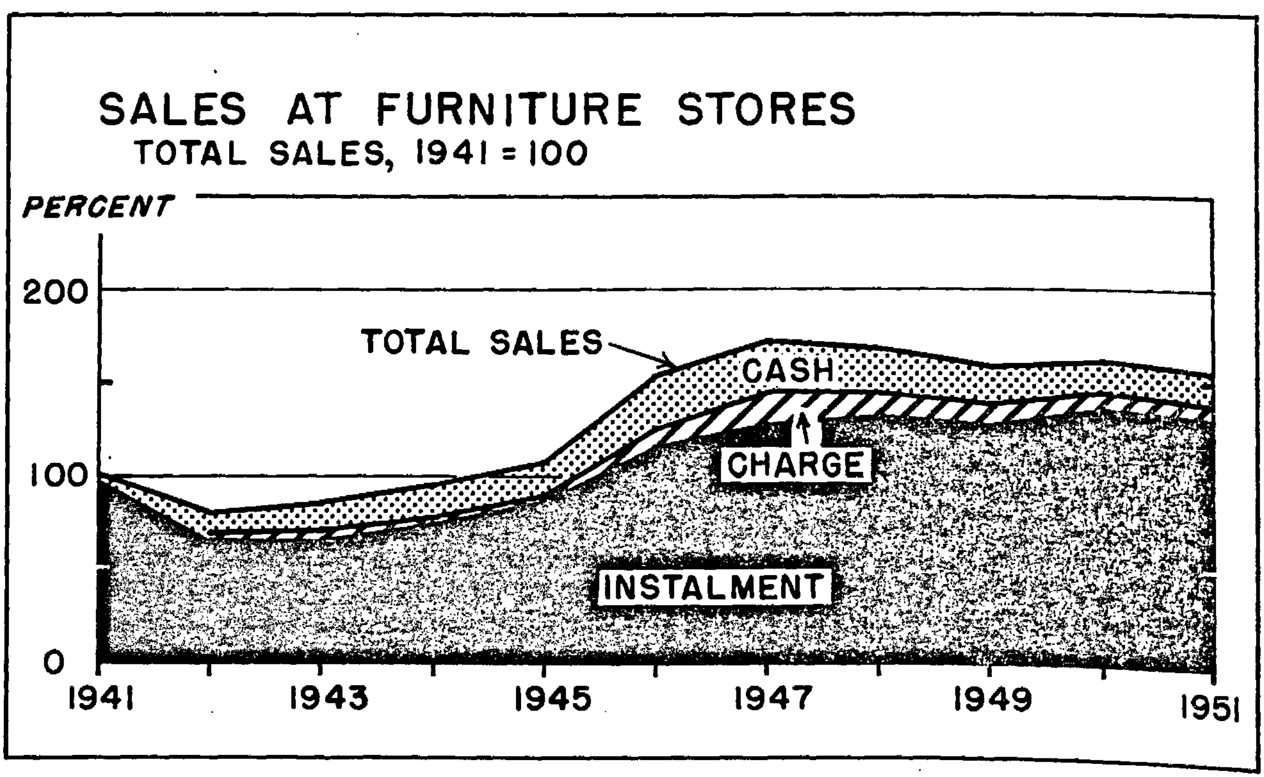
District furniture stores, like other major consumer durable retailing outlets, sustained a decline in total sales in 1951, compared with 1950. The 3 percent reduction at furniture stores compares favorably with the 8 percent decrease registered at both household appliance stores and automobile dealers.

With the exception of 1950, District furniture store dealers have encountered year-to-year declines in total sales since 1947. These stores in 1951, moreover, failed to keep up with their counterparts throughout the U. S., whose sales in 1951 were approximately equal to the 1950 level.

The relative importance of cash, charge, and instalment sales to total sales was practically the same in both years. Credit purchases in both 1951 and 1950 accounted for almost nine tenths of the total furniture store purchases. Interestingly enough, although credit sales represented over 80 percent of the total in the Tampa-St. Petersburg area, the charge account proportion was considerably larger in that section than in any other area in the District.

Consumer charge and instalment indebtedness, as reflected in receivables outstanding declined one percent and 5 percent respectively in 1951, compared with 1950. Charge accounts in 1951 were outstanding for shorter periods than in 1950; no change in the speed of payment occurred in instalment indebtedness.

At reporting District furniture stores, inventories, which were steadily reduced throughout 1951, were down 7 percent at the year's end. Inventories were replenished almost twice during 1951.



FURNITURE STORES
SALES BY TYPE OF TRANSACTION

By Classification† and Location†	No. Reporting Stores	Percent Change, 1950-51				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1951	1950	1951	1950	1951	1950
ALL REPORTING STORES	122	- 3	+ 1	+ 4	- 6	11	10	6	6	83	84
Small	38	- 7	- 3	- 18	- 7	17	16	8	9	75	75
Medium	32	- 6	- 2	+ 19	- 7	10	10	6	5	84	85
Large	26	- 3	+ 6	+ 6	- 5	10	9	6	5	84	86
Not Classified by Size	26	- 2	- 5	- 5	- 1	13	13	8	9	79	78
ALABAMA	21	- 4	+ 1	+ 12	- 5	10	10	4	3	86	87
Small	5	- 1	- 3	---	- 1	13	13	--	--	87	87
Medium	5	+ 3	- 1	+ 45	+ 1	10	10	8	6	82	84
Large	7	- 8	+ 1	- 9	- 9	9	8	3	3	88	89
Birmingham Area	10	- 9	+ 0	---	- 10	9	9	3	0	88	91
Birmingham	9	- 9	- 1	**	- 13	9	9	3	0	88	91
Mobile Area	6	+ 7	+ 10	---	+ 7	9	9	--	--	91	91
Mobile	5	+ 8	+ 8	---	+ 8	11	11	--	--	89	89
Montgomery Area	6	- 14	- 28	- 7	- 13	11	13	7	6	82	81
FLORIDA	20	- 5	+ 12	- 6	- 7	12	10	0	0	88	90
Small	7	- 11	- 1	- 6	- 12	14	12	1	1	85	87
Large	5	- 7	+ 19	---	- 9	11	8	--	--	89	92
Not Classified by Size	8	+ 2	+ 10	---	+ 1	15	14	--	--	85	86
Jacksonville Area	8	+ 5	+ 32	**	- 1	10	8	4	2	86	90
Jacksonville	6	- 2	+ 26	---	- 4	10	8	--	--	90	92
Miami Area	3	- 29	---	---	---	--	--	--	--	--	--
Tampa-St. Pete.Area	7	- 9	+ 3	- 11	- 12	17	15	33	34	50	51
GEORGIA	22	- 1	+ 7	+ 10	- 2	11	11	3	2	86	87
Small	8	- 3	- 6	+ 3	- 2	22	23	11	10	67	67
Medium	8	- 0	+ 6	---	- 1	7	6	--	--	93	94
Large	6	- 1	+ 12	+ 14	- 3	14	12	3	3	83	85
Atlanta Area	14	- 4	+ 7	---	- 6	13	12	--	--	87	88
Outside Atlanta	12	- 4	+ 7	---	- 6	13	12	--	--	87	88
Columbus Area	5	+ 2	+ 12	---	+ 1	9	8	--	--	91	92
Columbus	4	+ 3	+ 14	---	+ 2	8	7	--	--	92	93
Macon Area	5	+ 3	- 4	---	+ 5	12	13	--	--	88	87
Macon	3	+ 3	- 5	---	+ 4	10	11	--	--	90	89
Savannah Area	3	+ 9	+ 10	+ 32	+ 4	9	9	17	14	74	77
LOUISIANA	7	- 5	- 0	---	- 6	12	11	--	--	88	89
Medium	4	- 3	- 4	---	- 3	13	13	--	--	87	87
New Orleans Area	9	+ 1	+ 19	+ 4	- 0	9	7	1	1	90	92
New Orleans	4	- 4	+ 5	+ 8	- 5	7	7	1	1	92	92
Alexandria-Lake Charles Area	3	+ 11	+ 10	+ 20	+ 11	26	26	3	3	71	71
MISSISSIPPI	11	+ 3	+ 24	- 24	+ 3	12	10	7	9	81	81
Small	5	- 5	+ 11	- 19	- 7	20	17	6	7	74	76
Jackson	4	- 16	+ 22	---	- 19	13	9	--	--	87	91
Gulfport-Biloxi Area	3	+ 36	+ 50	- 18	+ 35	12	11	0	1	88	88
TENNESSEE	18	- 7	- 10	+ 11	- 7	11	11	3	2	86	87
Small	5	+ 4	- 6	+ 0	+ 6	13	15	2	1	85	84
Medium	7	- 12	- 8	+ 12	- 14	12	12	6	5	82	83
Chattanooga Area	6	- 10	- 25	+ 3	- 9	7	8	5	4	88	88
Chattanooga	3	- 9	- 20	---	- 9	6	7	--	--	94	93
Knoxville Area	7	- 5	- 9	0	- 4	13	14	0	0	87	86
Knoxville	6	- 5	- 9	0	- 4	13	14	0	0	87	86
Nashville Area	10	- 6	- 12	- 7	- 5	12	13	12	12	76	75
Nashville	6	- 7	- 12	---	- 6	11	12	--	--	89	88
Tri-Cities Area	5	- 9	--	---	--	--	--	--	--	--	--

**Increase of over 100 percent.
For footnotes, see appendix.

FURNITURE STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location†	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change 1950-51	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales 1951	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales 1950	Instalment Receivables, End of Year: Percent Change 1950-51	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales 1951	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales 1950	Inventories End of Year: Percent Change 1950-51	Inventories End of Year: Turnover* 1951
ALL REPORTING STORES	99	- 1	39	41	- 5	56	56	- 7	2.5
Small	32	- 18	36	43	- 10	59	61	- 3	2.7
Medium	25	+ 21	35	36	- 2	56	55	+ 1	2.3
Large	22	+ 2	50	49	- 7	56	56	- 13	2.5
Not Classified by Size	20	- 47	20	29	- 4	53	56	- 4	3.2
ALABAMA	24	+ 11	46	46	- 1	59	57	- 10	2.7
Small	6	---	--	--	- 1	67	67	- 9	2.7
Medium	7	+ 42	29	29	- 1	53	54	- 3	2.7
Large	5	+ 1	63	57	- 3	60	57	- 16	2.4
Birmingham Area	9	---	--	--	- 4	61	56	- 40	2.3
Birmingham	8	---	--	--	- 4	59	55	- 16	2.4
Montgomery Area	6	---	--	--	---	--	--	- 2	2.5
Mobile Area	6	---	--	--	+ 10	59	57	- 15	3.1
Mobile	5	---	--	--	+ 12	52	50	- 7	2.9
FLORIDA	24	+ 23	46	35	- 14	57	62	+ 3	2.8
Small	9	+ 23	46	35	- 13	61	61	+ 13	2.7
Large	5	---	--	--	- 19	59	61	+ 6	2.9
Not Classified by Size	8	---	--	--	- 2	49	51	- 1	2.6
Jacksonville Area	8	---	--	--	- 15	60	68	+ 10	4.6
Jacksonville	5	---	--	--	- 15	60	68	+ 5	2.3
Miami and Miami Beach	3	---	--	--	---	--	--	+ 17	1.8
Tamp-St. Pete. Area	4	---	--	--	- 17	52	54	- 1	2.2
GEORGIA	27	- 4	37	42	+ 0	55	53	+ 3	3.0
Small	8	- 16	39	47	- 4	56	57	- 6	2.4
Medium	8	---	--	--	+ 3	56	54	+ 15	2.5
Large	9	+ 6	36	39	- 1	53	52	- 3	3.3
Atlanta Area	14	---	--	--	- 1	54	52	+ 12	2.7
Outside Atlanta	8	---	--	--	- 1	55	52	+ 12	2.7
Columbus Area	5	---	--	--	- 2	48	49	- 16	5.7
Columbus	4	---	--	--	- 11	47	49	- 16	5.7
Macon Area	5	0	20	20	+ 2	57	58	- 15	2.5
Macon	3	---	--	--	+ 3	57	58	- 14	2.8
South Georgia Area	3	---	--	--	---	--	--	+ 4	3.3
LOUISIANA	10	---	--	--	- 11	53	56	- 23	2.4
Medium	5	---	--	--	- 4	48	48	- 12	2.1
Large	3	---	--	--	---	--	--	- 33	2.7
New Orleans Area	9	---	--	--	+ 4	53	53	- 22	2.6
New Orleans	3	---	--	--	- 7	48	51	- 26	2.3
Alexandria-Lake Charles Area	3	---	--	--	---	--	--	- 15	3.1
MISSISSIPPI	13	- 43	23	32	+ 9	62	58	+ 2	2.8
Small	6	- 33	35	43	- 17	46	52	- 0	2.8
Jackson	4	---	--	--	+ 6	78	59	+ 14	2.6
Gulfport-Biloxi Area	3	---	--	--	+ 28	53	56	- 15	5.0
Natchez Area	4	---	--	--	---	--	--	+ 3	2.2
TENNESSEE	24	+ 10	39	40	- 10	53	55	- 11	1.9
Small	7	---	--	--	- 3	53	58	- 11	3.0
Medium	8	+ 10	41	41	- 11	61	59	+ 2	1.8
Large	3	---	--	--	---	--	--	- 19	1.5
Chattanooga Area	6	- 16	39	48	- 5	53	51	- 16	1.4
Chattanooga	3	---	--	--	- 5	53	51	- 16	1.4
Knoxville	7	---	--	--	- 2	59	57	- 8	3.7
Nashville Area	9	+ 10	41	41	- 11	51	55	- 2	2.8
Nashville	6	---	--	--	- 12	50	54	- 7	3.9
Tri-Cities Area	5	---	--	--	---	--	--	- 10	1.7

For footnotes, see appendix.

HARDWARE STORES

Consumers in the Sixth District bought 6 percent more on credit at reporting hardware stores in 1951 than they did in 1950. Gains of 14 percent in charge account and 2 percent in instalment sales more than compensated for a 2-percent drop in cash sales. Hardware stores throughout the U. S. did better; their sales climbed 11 percent over 1950.

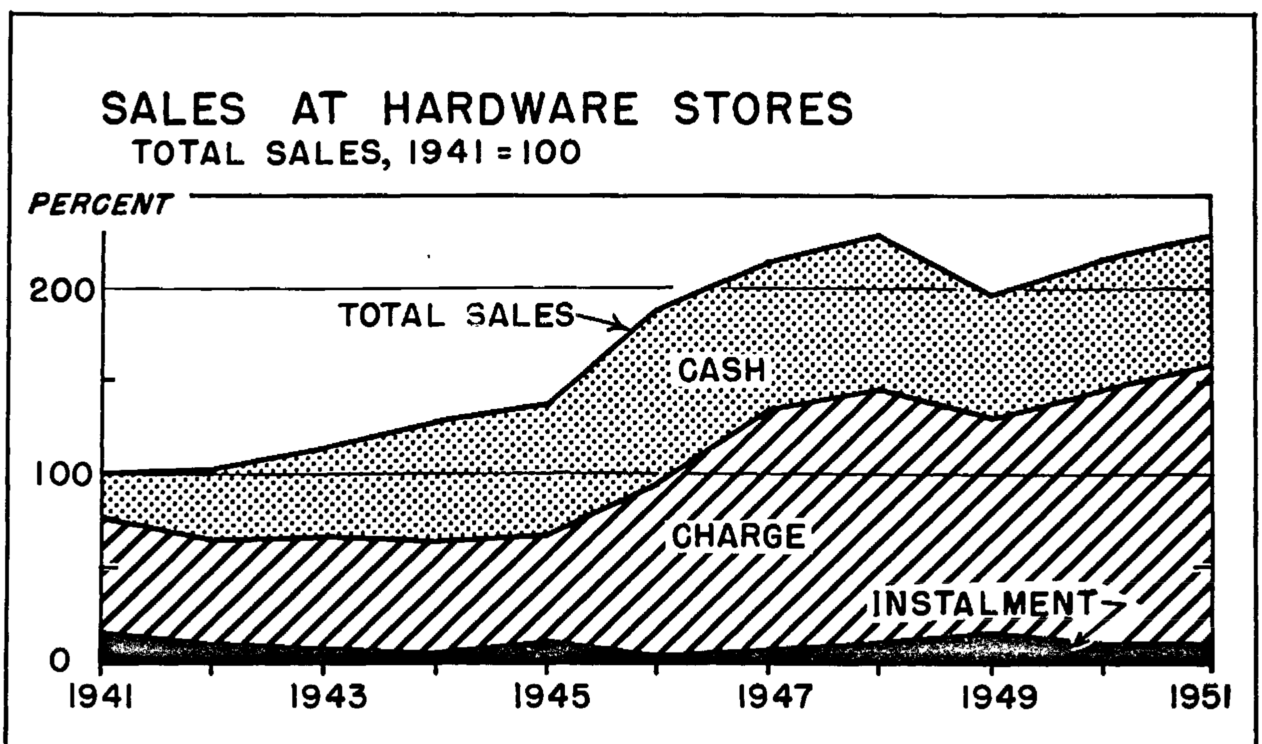
Only Tennessee, of the five District states for which data are available, sustained a decline in consumer purchases of hardware store commodities. This decrease of 2 percent contrasts with advances of 15 percent in Florida, 8 percent in Louisiana and Georgia, and 6 percent in Alabama.

As in previous years, charge account sales were the most important in relation to total sales, representing 65 percent of the total in 1951 and 62 percent in 1950. Consumers throughout the District laid down cash for 30 percent of their purchases in 1951, a smaller proportion than in 1950.

Despite the increase in charge account sales, consumers in the District owed one percent less on charge receivables at the end of 1951 than they did a year earlier.

Instalment receivables rose 16 percent; on an average, instalment obligations were outstanding for a longer period.

Hardware stores, one of the three lines of business reporting year-end advances in inventories, showed stocks up 8 percent in December 1951 from the dollar value of the year before. Merchandise turned over about 3.4 times during 1951, unchanged from 1949.



HARDWARE STORES
SALES BY TYPE OF TRANSACTION

By Classification† and Location‡	No. Reporting Stores	Percent Change, 1950-1951: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1951	Cash 1950	Charge Account 1951	Charge Account 1950	Instalment 1951	Instalment 1950
ALL REPORTING STORES	27	+ 6	- 2	+ 14	+ 2	30	33	65	62	5	5
Small	12	+ 1	+ 2	- 1	+ 3	51	51	42	42	7	7
Medium	13	+ 3	- 3	+ 8	+ 1	39	42	53	51	8	7
ALABAMA	4	+ 6	- 2	+ 9	+ 34	34	36	63	62	3	2
Medium	3	+ 7	+ 4	+ 7	+ 34	32	33	64	64	4	3
Birmingham Area	3	+ 11	- 9	+ 95	+ 34	40	45	54	50	6	5
FLORIDA	4	+ 15	+ 15	+ 11	+ 31	51	51	39	40	10	9
Jacksonville Area	3	+ 19	+ 17	+ 18	+ 31	51	52	38	38	11	10
GEORGIA	4	+ 8	---	---	---	--	--	--	--	--	--
LOUISIANA	4	+ 8	- 7	+ 13	+ 21	21	25	68	65	11	10
Medium	3	+ 9	- 9	+ 14	+ 21	20	24	69	66	11	10
Lafayette-Iberia Area	3	+ 10	+ 1	+ 12	+ 22	19	21	78	76	3	3
MISSISSIPPI	1	---	---	---	---	--	--	--	--	--	--
TENNESSEE	4	- 2	+ 4	- 8	- 7	53	50	38	40	9	10
Nashville Area	3	- 4	- 0	- 5	- 29	52	50	43	44	5	6

HARDWARE STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location‡	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change 1950-51	As Percent of Annual Charge Account Sales 1951	1950	Instalment Receivables, End of Year: Percent Change 1950-51	As Percent of Annual Instalment Sales 1951	1950	Inventories End of Year: Percent Change 1950-51	Turn-Over* 1951
ALL REPORTING STORES	19	- 1	14	16	+ 16	35	34	+ 8	3.4
Small	8	- 1	19	20	+ 20	13	14	- 1	2.0
Medium	10	+ 5	15	15	+ 16	40	37	+ 6	3.4
Large	1	- 6	13	17	---	--	--	+ 20	4.5
ALABAMA	5	- 16	14	19	- 27	37	67	+ 0	3.3
Medium	4	- 13	13	16	- 27	37	67	+ 1	3.3
Birmingham Area	3	- 19	16	23	- 27	37	67	+ 36	4.5
FLORIDA	6	+ 18	18	16	+ 18	13	15	- 12	1.8
Small	5	+ 18	18	16	+ 18	13	15	- 11	1.7
Jacksonville Area	3	+ 24	18	17	+ 17	14	16	- 16	1.5
GEORGIA	4	---	--	--	---	--	--	+ 3	2.1
LOUISIANA	5	- 9	12	15	+ 20	43	43	+ 18	2.5
Medium	3	- 9	13	16	+ 20	43	43	+ 22	2.9
Lafayette-Iberia Area	3	- 12	12	15	+ 22	77	77	+ 21	2.4
TENNESSEE	18	+ 33	29	20	+ 37	37	25	+ 5	6.5
Medium	3	---	--	--	---	--	--	+ 5	6.4
Nashville Area	3	---	--	--	---	--	--	+ 36	7.2

For footnotes, see appendix

HOUSEHOLD APPLIANCE STORES

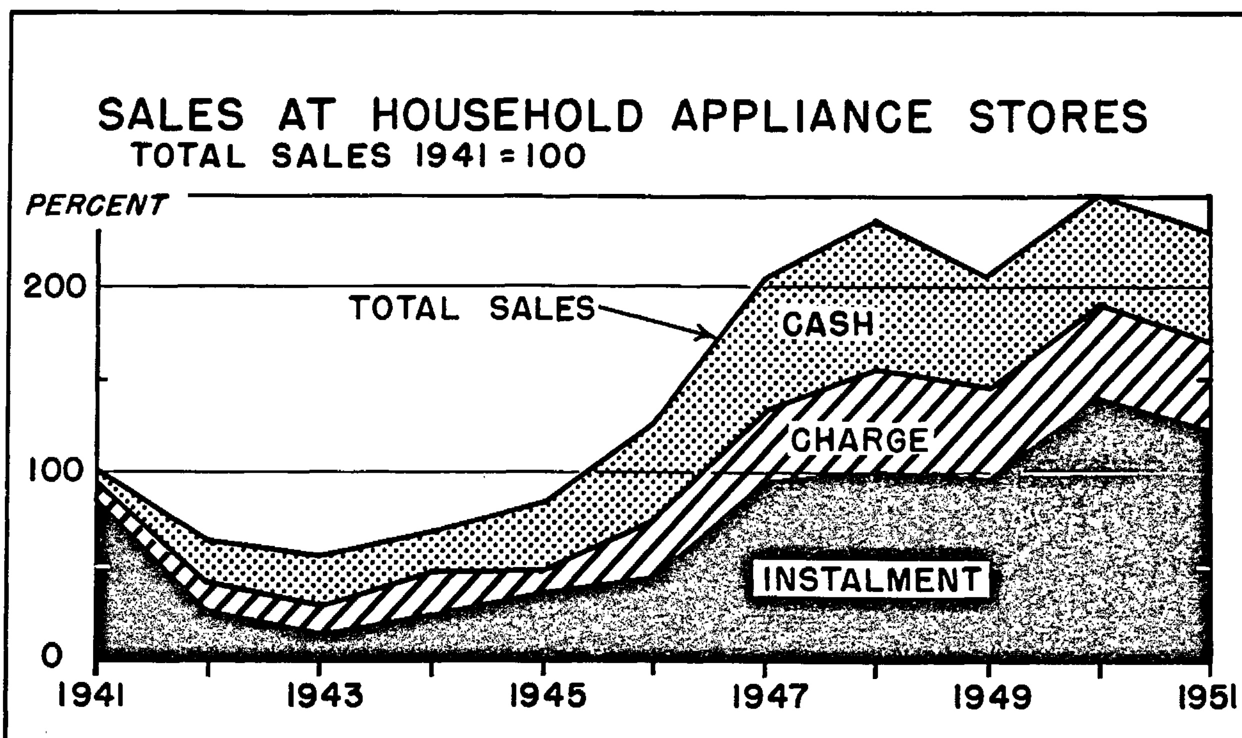
Consumer resistance in 1951, following the fear-buying scramble of 1950, was reflected in the 8-percent reduction in total sales at reporting District household appliance stores. These stores in the U. S. as a whole, however, sustained an 11-percent decline in total household appliance store sales.

Three of the six District states for which data are available experienced a falling off in consumer buying in 1951. Georgians and Louisianians both bought 8 percent less in 1951 than they did in 1950 and Tennesseans bought 13 percent less. On the positive side, consumers spent 7 percent and one percent more at Alabama and Florida household appliance stores respectively.

Total cash purchases in 1951 at these durable goods stores compared more favorably with a year earlier than either charge or instalment sales. For the District, cash sales equaled the 1950 figure but charge and instalment sales dropped 2 percent and 13 percent, respectively.

District household appliance store charge accountsreceivable outstanding at the end of 1951 were up 5 percent from the comparable figure a year earlier, but instalment receivables fell 10 percent in the same time span. Charge and instalment accounts were outstanding for slightly longer periods in 1951.

After suffering from an oversupply of merchandise during most of 1951, District household appliance stores ended the year with inventories down 5 percent dollarwise. Since prices rose about 7.5 percent in the interim on a physical unit basis, stocks were down even more.



HOUSEHOLD APPLIANCE STORES
SALES BY TYPE OF TRANSACTION

By Classification† and Location†	No. Reporting Stores	Percent Change, 1950-1951				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1951	1950	1951	1950	1951	1950
ALL REPORTING STORES	241	- 8	- 0	- 2	- 13	26	24	21	20	53	56
Small	18	- 19	- 29	- 20	- 11	30	34	23	23	47	43
Medium	10	- 5	- 15	- 8	- 0	29	30	43	43	28	27
Large	7	- 7	+ 3	- 1	- 15	24	22	28	26	48	52
Not classified by Size	206	- 7	+ 9	+ 6	- 15	26	22	12	10	62	68
ALABAMA	81	+ 7	+ 11	+ 12	+ 4	18	17	13	12	69	71
Birmingham Area	75	+ 10	---	---	---	--	--	--	--	--	--
FLORIDA	18	+ 1	+ 17	- 1	- 26	46	40	41	42	13	18
Medium	4	+ 3	+ 9	- 2	- 3	43	40	46	48	11	12
Miami Area	3	- 17	- 8	- 11	- 52	46	42	44	41	10	17
Tampa-St. Pete.Area	8	- 7	- 4	- 7	- 14	43	41	32	33	25	26
GEORGIA	94	- 8	+ 2	+ 9	- 15	27	24	13	11	60	65
Small	3	- 9	- 10	+ 4	- 26	22	22	52	46	26	32
Medium	3	+ 2	- 19	+ 10	+ 7	19	24	25	23	56	53
Atlanta Area	5	- 8	- 16	+ 15	- 8	23	25	10	8	67	67
Atlanta	3	- 10	- 17	+ 16	- 11	29	31	14	11	57	58
LOUISIANA	5	- 8	- 9	- 4	- 10	18	19	39	37	43	44
Small	3	- 11	- 17	- 17	- 6	17	19	26	28	57	53
Baton Rouge	3	- 16	- 10	- 14	- 20	21	20	29	28	50	52
MISSISSIPPI	36	- 30	---	---	---	--	--	--	--	--	--
TENNESSEE	3	- 13	- 10	- 9	- 18	28	27	38	37	34	36

HOUSEHOLD APPLIANCE STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location†	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables End of Year			Inventories End of Year	
		Percent Change 1950-51	As Percent of Annual Charge Account Sales		Per Percent Change 1950-51	As Percent of Annual Instalment Sales		Percent Change 1950-51	Turn-Over* 1951
			1951	1950		1951	1950		
ALL REPORTING STORES	151	+ 5	15	14	- 10	30	29	- 5	3.2
Small	10	- 9	16	17	+ 3	26	22	- 2	3.3
Medium	11	- 3	11	12	+ 5	31	29	- 0	4.3
Large	6	+ 9	22	20	- 15	40	40	- 3	3.5
Not Classified by Size	124	+ 11	9	9	- 10	27	26	- 7	2.9
ALABAMA	81	**	21	11	+ 8	47	45	+ 5	3.0
Birmingham Area	75	--	--	--	---	--	--	+ 17	2.5
FLORIDA	18	- 5	14	14	---	--	--	+ 8	4.1
Small	3	--	--	--	---	--	--	- 38	6.7
Medium	4	- 3	12	12	---	--	--	+ 23	4.3
Tampa-St. Pete. Area	8	- 18	13	15	---	--	--	+ 40	.7
GEORGIA	95	+ 18	12	11	- 16	21	22	- 24	3.6
Small	5	- 4	17	19	+ 0	1	1	- 1	2.6
Medium	3	+ 14	14	13	+ 10	35	34	--	--
Atlanta Area	5	+ 5	26	28	- 7	28	28	- 3	3.2
Atlanta	3	+ 22	16	15	- 9	48	47	- 2	3.1
LOUISIANA	7	- 28	6	8	- 10	42	42	+ 15	4.2
Small	3	- 42	9	13	+ 4	42	38	- 11	2.5
MISSISSIPPI	36	--	--	--	---	--	--	+ 21	1.8
Baton Rouge Area	5	- 32	8	10	- 20	40	40	+ 27	4.2
TENNESSEE	4	- 7	20	20	- 22	55	58	+ 9	2.7

For footnotes, see appendix.
** Increase of over 100 percent.

JEWELRY STORES

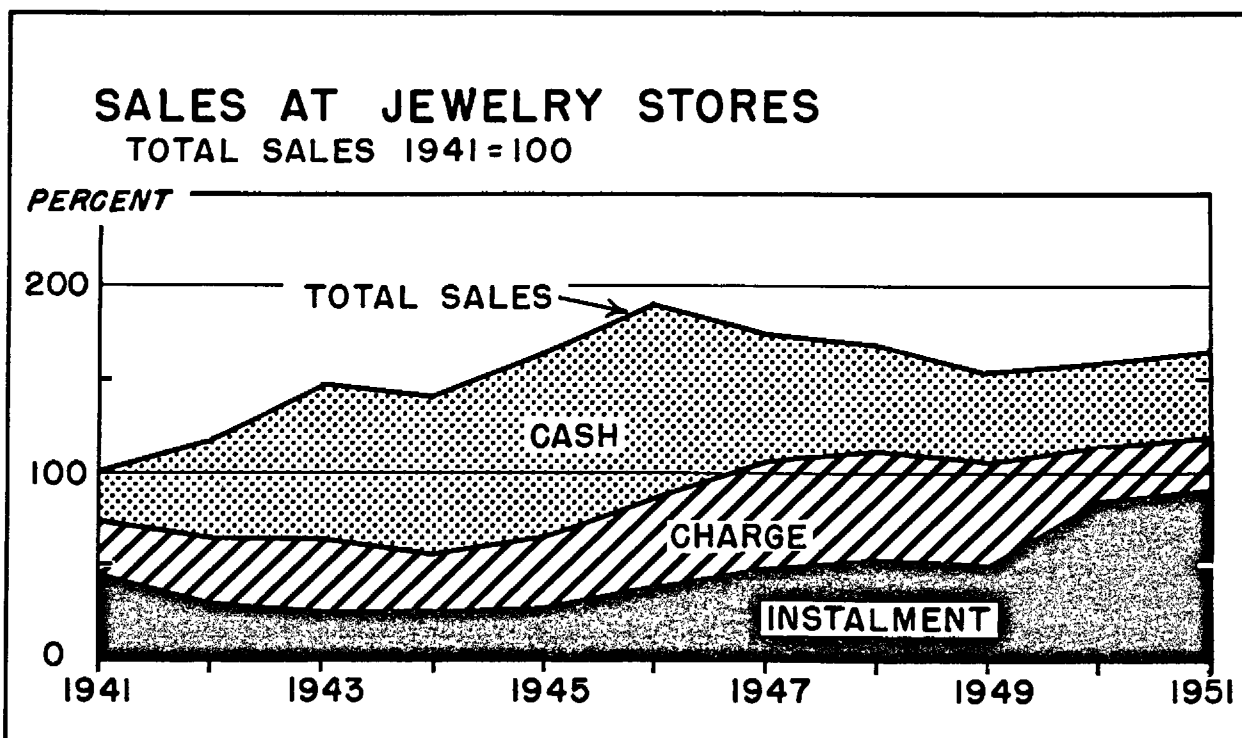
After having declined steadily from 1946 through 1949, total sales at reporting District jewelry stores began a rising trend which continued through 1951, when consumers bought 5-percent more than they did in the preceding year. District jewelry stores fared considerably better than similar retail outlets through out the U. S., whose 1951 sales stabilized at the dollar volume of a year earlier.

The increase in total sales reflects rises in all three modes of purchases; cash sales climbed 6 percent, charge account sales 7 percent, and instalment buying 4 percent in 1951, compared to 1950. Georgians spent 4 percent more and Louisianians one percent more, the only two states for which data are available.

District consumers in 1951 used the cash, charge, and instalment methods of buying in the same proportions as in 1950. Cash sales accounted for 29 percent of the total; charge account sales, 17 percent; and instalment sales, the remaining 54 percent. The relative amounts bought on credit in these two years were moderately higher than in 1949 and 1948.

Charge account indebtedness outstanding at the end of 1951 was 9 percent greater than a year earlier; instalment receivables, in turn, were up 8 percent. Charge account liabilities in 1951 were being settled at approximately the same rate as in 1950 whereas the speed of payment on instalment liabilities decreased.

Inventories were down 8 percent in December 1951, from the year-ago figure. Jewelry stores reported a stocks turnover ratio of 1.8 in 1951, compared to 1.6 in 1949, the year of the last Retail Credit Survey.



JEWELRY STORES
SALES BY TYPE OF TRANSACTION

By Classification† and Location†	No. Reporting Stores	Percent Change, 1950-1951				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1951	1950	1951	1950	1951	1950
ALL REPORTING STORES	26	+ 5	+ 6	+ 7	+ 4	29	29	17	17	54	54
Small	11	- 2	- 7	+ 5	- 0	46	48	32	30	22	22
Medium	3	---	---	---	---	--	--	--	--	--	--
Large	2	---	---	---	---	--	--	--	--	--	--
Not Classified by Size	10	+ 2	+ 3	+ 0	+ 1	24	23	11	11	65	66
ALABAMA	3	---	---	---	---	--	--	--	--	--	--
GEORGIA	8	+ 4	+ 6	+ 9	+ 1	28	28	20	19	52	53
FLORIDA	3	---	---	---	---	--	--	--	--	--	--
LOUISIANA	3	+ 1	+ 0	- 4	+ 4	28	29	18	19	54	52
MISSISSIPPI	3	---	---	---	---	--	--	--	--	--	--
TENNESSEE	5	---	---	---	---	--	--	--	--	--	--

JEWELRY STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location†	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year			Inventories, End of year	
		Percent Change 1950-51	As Percent of Annual Charge Account Sales		Percent Change 1950-51	As Percent of Annual Instalment Sales		Percent Change 1950-51	Turn-Over* 1951
			1951	1950		1951	1950		
ALL REPORTING STORES	15	+ 9	39	39	+ 8	55	53	- 8	1.8
Small	5	+ 7	37	36	+ 7	50	56	+ 1	1.5
Medium	2	---	--	--	+ 16	72	70	- 10	2.2
Large	1	+ 18	31	30	---	--	--	+ 11	1.3
Not Classified by Size	7	+ 4	49	47	+ 5	49	47	- 16	1.9
ALABAMA	3	---	--	--	---	--	--	- 9	1.7
FLORIDA	3	---	--	--	---	--	--	- 6	1.6
GEORGIA	8	+ 10	40	39	+ 5	49	47	+ 1	1.8
LOUISIANA	4	+ 2	38	36	+ 16	78	70	+ 5	2.5
Small	3	---	--	--	---	--	--	- 3	1.5
MISSISSIPPI	3	---	--	--	---	--	--	---	---
TENNESSEE	5	---	--	--	---	--	--	+ 2	2.4

For footnotes, see appendix.

AUTOMOBILE DEALERS

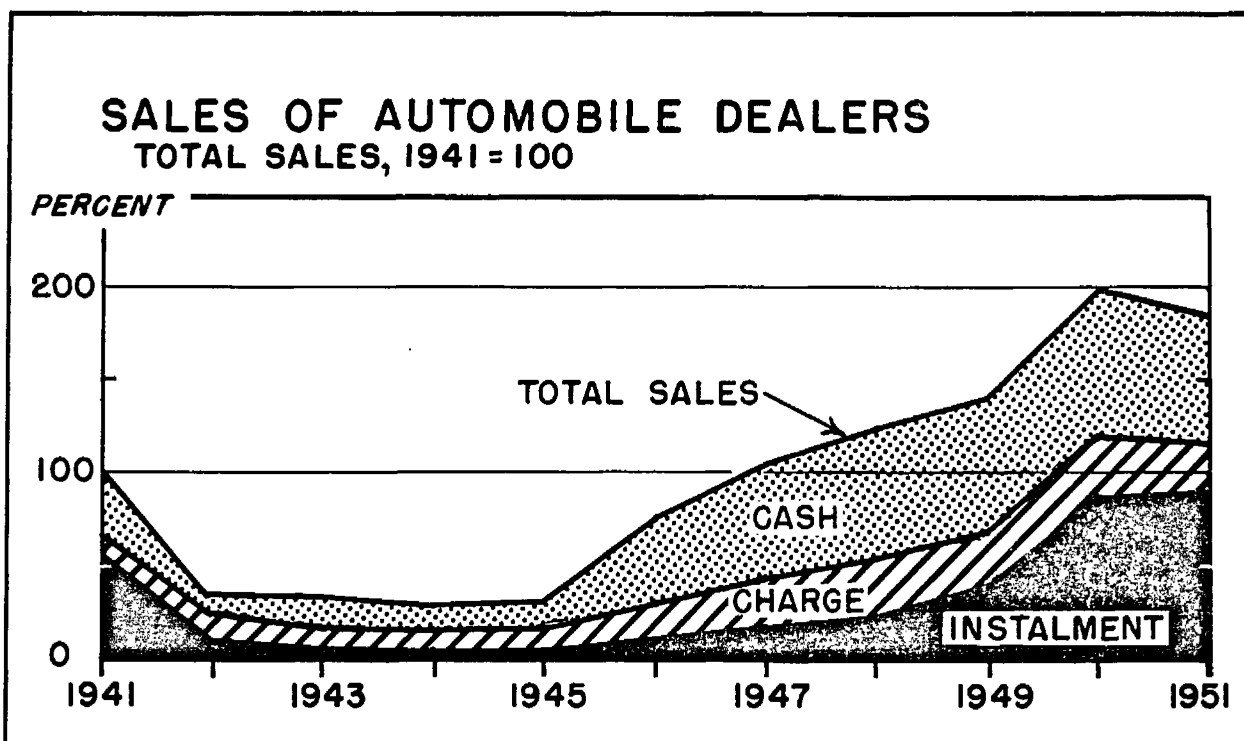
The steadily expanding market for automobiles since the close of World War II was broken in 1951 as total sales slid 8 percent below the high-mark established in 1950. Dollar volume of sales in 1951, nevertheless, was the second highest attained in the last decade.

Total sales of automobile dealers in the District would have declined further had it not been for a 2-percent rise in instalment sales. The increasing importance of long-term financing is indicated by the larger proportion of total automobile sales made on the instalment plan, 48 percent in 1951, compared with 44 percent in 1950. This advance was offset by a decline in the cash ratio.

Georgia was the only District state experiencing an increase in total automobile sales. A moderate 3-percent rise reflected gains of 23 percent in charge account and 11 percent in instalment sales.

Receivables for automobile dealers within the Sixth District moved inversely with their related sales. Thus, despite a 6-percent decline in charge account sales, charge receivables were up one percent in 1951, compared with 1950. On the other hand, consumer instalment indebtedness fell 9 percent in the face of a mild increase in instalment sales.

Automobile dealers ended 1951 with inventories up 13 percent from the preceding year's level one of the three increases registered in the nine lines of trade surveyed. Merchandise turned over approximately 10 times during 1951 compared to 10.8 in 1949.



AUTOMOBILE DEALERS
SALES BY TYPE OF TRANSACTION

By Classification† and Location†	No. Reporting Stores	Percent Change, 1950-1951				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1951	1950	1951	1950	1951	1950
ALL REPORTING STORES	95	- 8	- 13	- 6	+ 2	36	40	16	16	48	44
Small	9	- 5	- 25	+ 15	+ 2	25	32	18	15	57	53
Medium	13	- 15	- 15	- 3	- 17	40	40	13	12	47	48
Large	64	- 8	- 13	- 6	+ 3	37	41	16	16	47	43
Not Classified by Size	9	- 5	+ 3	- 15	- 5	18	17	10	11	72	72
ALABAMA	17	- 7	- 12	- 13	- 2	27	29	18	19	55	52
Large	13	- 7	- 13	- 13	- 1	27	29	18	19	55	52
Birmingham Area	8	- 7	- 13	- 15	- 1	24	26	19	21	57	53
Outside Birmingham	6	- 6	- 12	- 13	- 0	25	27	16	18	59	55
Dothan Area	4	- 10	+ 45	+ 20	- 43	52	32	11	8	37	60
Mobile Area	4	- 3	- 16	+ 9	- 1	24	28	19	17	57	55
Montgomery Area	5	- 16	---	---	---	--	--	--	--	--	--
FLORIDA	15	- 9	- 20	- 14	+ 7	43	49	13	14	44	37
Large	10	- 10	- 20	- 16	+ 9	47	53	12	13	41	34
Miami Area	7	- 13	- 29	- 20	+ 21	47	57	12	14	41	29
Miami and Miami Beach	6	- 14	- 31	- 28	+ 26	47	59	10	12	43	29
Orlando Area	5	+ 9	+ 1	- 8	+ 25	42	46	12	14	46	40
Orlando	3	+ 12	+ 1	- 14	+ 46	51	56	12	15	37	29
Pensacola Area	3	- 25	---	---	---	--	--	--	--	--	--
Tampa-St.Pete.Area	4	- 10	- 8	- 8	- 13	44	43	13	13	43	44
GEORGIA	11	+ 3	- 9	+ 23	+ 11	39	44	13	11	48	45
Atlanta Area	5	+ 5	- 12	+ 26	+ 14	32	38	8	6	60	56
South Georgia Area	4	- 7	- 13	+ 16	- 9	52	55	20	16	28	29
LOUISIANA	8	- 3	- 8	+ 8	- 1	46	49	19	17	35	34
Large	7	- 2	- 8	+ 8	+ 3	46	49	18	17	36	34
Alexandria-Lake Charles Area	5	+ 2	- 7	+ 12	+ 6	35	39	22	20	43	41
Lafayette-Iberia Area	3	- 12	---	---	---	--	--	--	--	--	--
MISSISSIPPI	10	- 7	- 22	+ 10	- 8	15	18	20	17	65	65
Small	3	- 7	- 31	+ 6	+ 7	28	38	27	23	45	39
Medium	3	- 18	- 30	- 11	- 13	27	32	15	14	58	54
Large	4	- 4	- 13	+ 14	- 8	11	12	21	18	68	70
Jackson Area	5	- 17	- 24	+ 3	- 18	19	21	15	12	66	67
Meridian Area	4	+ 6	- 19	+ 5	+ 16	17	22	14	14	69	64
TENNESSEE	13	- 3	- 7	- 5	+ 6	51	53	20	20	29	27
Large	9	- 3	- 6	- 6	+ 7	50	52	21	21	29	27
Chattanooga Area	5	- 4	- 10	+ 6	+ 2	54	57	15	14	31	29
Outside Chattanooga	3	- 5	- 13	+ 12	- 1	44	48	18	16	38	36
Knoxville Area	3	+ 8	---	---	---	--	--	--	--	--	--
Nashville Area	7	- 10	- 18	- 6	+ 1	47	52	25	23	28	25
Nashville	3	- 13	- 14	- 13	- 13	52	53	28	28	20	19
Tri-Cities Area	3	- 1	---	---	---	--	--	--	--	--	--

For footnotes, see appendix.

AUTOMOBILE DEALERS
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location†	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change 1950-51	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales 1951	1950	Instalment Receivables, End of Year: Percent Change 1950-51	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales 1951	1950	Inventories, End of Year: Percent Change 1950-51	Inventories, End of Year: Turn-Over* 1951
ALL REPORTING STORES	74	+ 1	10	9	- 9	4	5	+ 13	10.0
Small	7	- 4	14	17	+ 29	10	8	+ 5	4.4
Medium	7	+ 5	14	13	- 8	5	5	+ 6	7.6
Large	54	+ 1	9	9	- 89	4	5	+ 14	10.0
Not Classified by Size	6	+ 24	16	13	+ 1	13	11	+ 16	8.9
ALABAMA	23	- 13	3	8	- 14	4	4	+ 4	10.0
Small	3	---	--	--	---	--	--	- 11	4.5
Medium	3	---	--	--	---	--	--	+ 7	9.1
Large	15	- 13	3	8	- 20	3	4	+ 7	10.1
Birmingham Area	9	- 21	7	7	- 18	3	4	+ 5	9.6
Outside Birmingham	6	- 23	8	9	- 17	4	5	+ 5	11.9
Dothan Area	4	+ 3	11	13	+ 1	19	11	- 9	10.6
Mobile Area	4	---	--	--	---	--	--	+ 4	9.0
Montgomery Area	5	---	--	--	---	--	--	+ 3	7.0
Montgomery	4	---	--	--	---	--	--	- 36	4.5
FLORIDA	19	+ 8	11	9	- 7	12	14	+ 33	10.4
Large	13	+ 5	10	8	- 8	13	15	+ 32	11.0
Miami Area	7	+ 7	11	8	- 11	3	4	+ 6	12.4
Miami and Miami Beach	6	+ 6	14	9	- 11	4	5	+ 2	12.9
Orlando Area	5	+ 8	10	9	- 54	0	1	+ 96	8.7
Orlando	3	---	--	--	---	--	--	+ 93	8.1
Pensacola Area	3	---	--	--	---	--	--	- 0	9.3
Tampa-St.Pete. Area	4	---	--	--	---	--	--	+ 53	10.0
GEORGIA	16	- 9	3	13	- 56	0	1	+ 4	12.4
Large	13	- 9	3	13	- 56	0	1	+ 5	12.3
Atlanta Area	5	- 3	12	15	---	--	--	- 0	14.1
Atlanta	3	---	--	--	---	--	--	- 11	18.7
South Georgia Area	4	- 8	10	13	- 34	0	1	+ 28	10.2
LOUISIANA	10	- 11	11	13	- 9	2	2	- 5	9.4
Large	8	- 9	11	13	- 22	1	1	- 6	9.3
Alexandria-Lake Charles Area	5	- 8	11	13	- 23	1	1	- 8	7.6
Lafayette-Iberia Area	3	---	--	--	---	--	--	+ 22	13.9
MISSISSIPPI	11	+ 26	12	10	- 12	1	1	+ 18	8.0
Small	3	- 22	11	15	**	6	3	+ 1	3.1
Medium	5	+ 28	12	9	- 27	3	4	+ 7	7.0
Large	3	+ 34	12	10	- 67	0	0	+ 35	10.7
Jackson Area	5	- 16	12	15	+ 47	1	0	- 1	7.6
Jackson	3	---	--	--	---	--	--	+ 6	5.3
Meridian Area	5	+ 44	12	9	- 25	1	1	+ 44	8.4
Meridian	4	+ 29	16	13	- 26	1	2	+ 25	8.4
TENNESSEE	16	+ 20	10	8	+ 20	2	2	+ 18	9.1
Large	12	+ 20	10	8	+ 22	2	2	+ 20	9.2
Chattanooga Area	5	- 13	12	15	+ 21	10	8	+ 1	8.0
Outside Chattanooga	3	- 8	17	21	+ 21	19	16	+ 6	7.0
Knoxville Area	3	---	--	--	---	--	--	+ 61	17.4
Nashville Area	7	+ 29	13	9	+ 18	3	2	+ 10	6.8
Nashville	3	+ 30	11	8	+ 32	1	1	+ 14	6.8
Tri-Cities Area	3	---	--	--	---	--	--	+ 15	8.5

** Increase of over 100 percent.

For footnotes, see appendix.

AUTOMOBILE TIRE AND ACCESSORY STORES

Greater cash and charge account sales were reported for District automobile tire and accessory stores. The 10-and 6-percent increases respectively, however, were not enough to counterbalance an 8-percent decline in instalment sales; consequently, total sales in 1951 stabilized at the 1950 level. For the nation as a whole, Department of Commerce estimates showed sales up 6 percent.

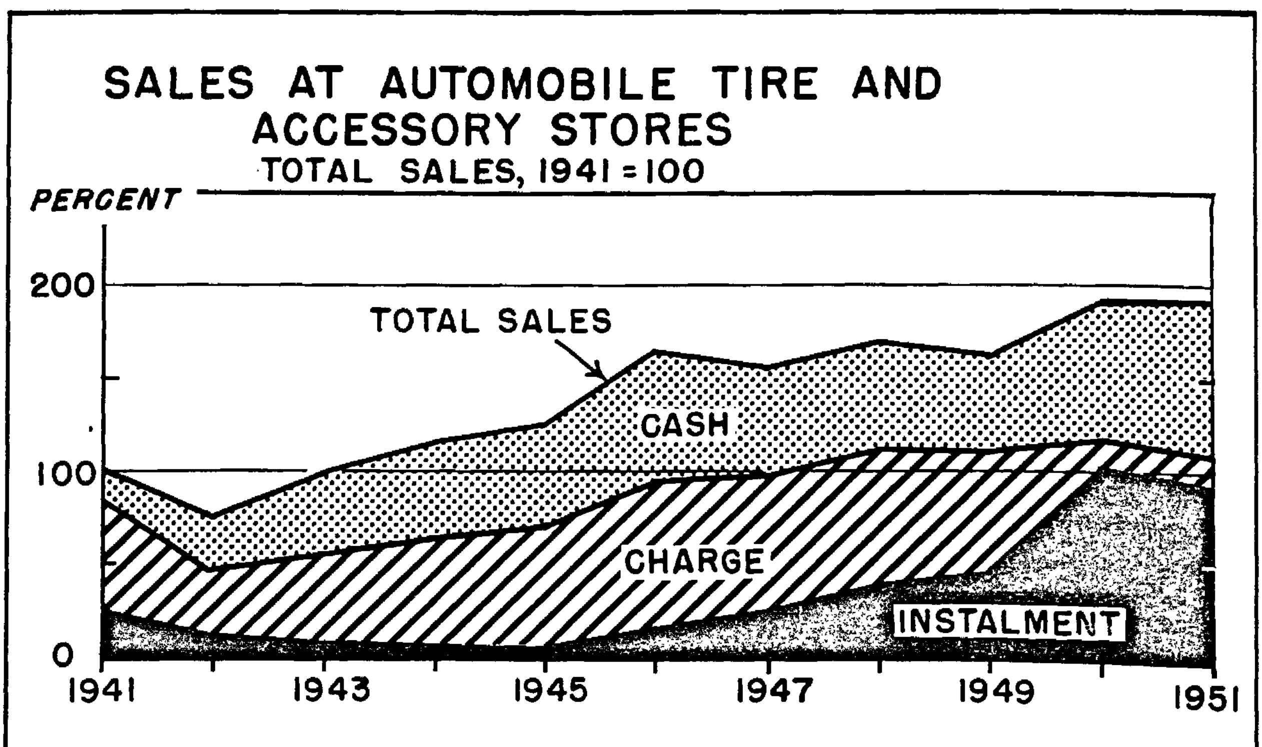
An inverse relationship appears between store sizes and percentage changes in total sales. The largest gain - 20 percent - was made by small auto tire and accessory outlets;medium sized stores reported sales up 12 percent; and large stores, 7 percent. Stores unclassified as to size, however, suffered a 6-percent decline in total sales.

Plus and minus signs were evenly distributed throughout the District states. Alabama, Louisiana, and Mississippi showed gains of 11 percent,2 percent,and 20 percent, respectively, in comparison with reductions of 5 percent in Florida and Tennessee and 6 percent in Georgia.

Changes in movement of instalment sales and total sales appeared to be directly related in the six states; a rise in instalment sales was associated with a rise in total sales and vice-versa.

All reporting cities and all areas except the Atlanta and Chattanooga areas noted higher sales in 1951 than in 1950. The largest increase - 20 percent occurred in the area outside Chattanooga.

Stocks of District stores at the end of 1951 were 11 percent lower dollarwise than at the end of 1950. Auto tire and accessory stores operated during 1951 with a merchandise turnover rate averaging 5.9.



AUTOMOBILE TIRE AND ACCESSORY STORES
SALES BY TYPE OF TRANSACTION

By Classification† and Location†	No. Reporting Stores	Percent Change, 1950-1951				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1951	1950	1951	1950	1951	1950
ALL REPORTING STORES	107	+ 0	+ 10	+ 6	- 8	43	39	9	8	48	53
Small	4	+ 20	+ 27	+ 94	+ 3	70	67	3	2	27	31
Medium	17	+ 12	+ 10	+ 13	+ 18	66	68	5	4	29	28
Large	30	+ 7	+ 15	+ 6	- 3	49	46	16	16	35	38
Not Classified by Size	56	- 6	+ 3	+ 2	- 11	34	31	2	2	64	67
ALABAMA	10	+ 11	+ 17	+ 28	+ 9	27	26	3	3	70	71
Large	6	+ 21	+ 21	+ 36	+ 20	27	27	5	5	68	68
Birmingham Area	8	+ 9	+ 14	+ 36	+ 6	27	26	4	3	69	71
Outside Birmingham	5	+ 20	+ 18	+ 36	+ 20	29	30	8	7	63	63
FLORIDA	14	- 5	+ 10	+ 10	- 11	35	30	0	0	65	70
Large	4	+ 3	+ 12	+ 9	- 1	29	27	1	0	70	73
Pensacola Area	3	+ 1	---	---	---	--	--	--	--	--	--
GEORGIA	18	- 6	+ 3	+ 17	- 14	31	28	15	12	54	60
Large	11	- 3	+ 5	+ 17	- 13	29	26	20	17	51	57
Atlanta Area	10	- 4	- 1	+ 17	- 15	29	28	26	21	45	51
Outside Atlanta	8	- 4	- 1	+ 17	- 15	29	28	26	21	45	51
LOUISIANA	13	+ 2	+ 3	+ 2	+ 0	35	35	20	20	45	45
Large	4	+ 7	- 3	+ 2	+ 28	28	31	43	45	29	24
Not Classified by Size	8	- 1	+ 6	+ 2	- 5	38	36	8	8	54	56
New Orleans Area	7	+ 4	- 3	+ 2	+ 11	30	32	21	21	49	47
New Orleans	6	+ 1	- 3	+ 2	+ 5	31	33	25	25	44	42
MISSISSIPPI	6	+ 20	+ 20	+ 63	+ 10	97	97	1	1	2	2
Medium	4	+ 11	+ 9	+ 22	+ 16	70	72	7	6	23	22
Jackson Area	4	+ 12	+ 9	+ 31	+ 18	73	75	9	8	18	17
TENNESSEE	13	- 5	+ 9	- 2	- 13	33	29	20	20	47	51
Large	4	- 7	+ 10	- 3	- 20	20	17	45	42	35	41
Chattanooga Area	5	- 10	+ 11	- 5	- 23	32	27	25	23	43	50
Outside Chattanooga	3	+ 20	+ 19	+ 34	+ 19	75	76	6	5	19	19
Knoxville	4	+ 6	+ 14	- 1	+ 9	26	24	41	44	33	32

For footnotes, see appendix.

AUTOMOBILE TIRE AND ACCESSORY STORES
ACCOUNTS RECEIVABLE AND INVENTORIES

By Classification† and Location†	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year			Inventories, End of Year	
		Percent Change 1950-51	As Percent of Annual Charge Account Sales 1951	1950	Percent Change 1950-51	As Percent of Annual Instalment Sales 1951	1950	Percent Change 1950-51	Turn-Over* 1951
ALL REPORTING STORES	100	+ 8	15	15	- 17	51	57	- 11	5.9
Small	3	**	21	24	+ 3	29	38	- 8	3.9
Medium	11	+ 21	24	22	+ 17	26	25	+ 1	3.3
Large	30	+ 7	16	16	- 3	43	50	- 6	1.0
Not Classified by Size	56	+ 19	2	2	- 11	56	62	- 6	4.3
ALABAMA	13	- 0	36	46	- 4	43	49	- 5	5.8
Medium	5	---	--	--	---	--	--	+ 8	3.2
Large	6	- 2	38	53	+ 4	34	39	- 8	5.8
Birmingham Area	8	- 2	38	53	- 6	44	49	- 3	5.9
Outside Birmingham	4	- 2	38	53	+ 6	28	32	+ 6	4.8
FLORIDA	15	- 19	35	47	- 25	46	55	- 18	6.5
Large	4	- 20	37	51	- 11	38	43	- 18	6.0
Pensacola Area	3	---	--	--	---	--	--	- 16	8.0
GEORGIA	17	**	20	11	- 25	51	58	- 8	6.5
Large	11	**	20	11	- 23	49	55	- 4	7.0
Atlanta Area	10	**	20	11	- 29	52	62	- 8	7.1
LOUISIANA	13	- 2	9	9	- 12	44	51	- 27	8.1
Large	4	- 3	12	12	+ 15	47	52	- 3	9.8
Not Classified by Size	8	+ 21	2	1	- 18	44	50	- 37	7.6
New Orleans Area	7	- 3	12	12	- 3	45	52	- 29	8.9
New Orleans	6	- 3	12	12	- 9	44	51	- 30	8.7
MISSISSIPPI	6	+ 23	14	18	+ 0	26	29	+ 9	4.1
Medium	4	+ 13	30	32	+ 14	24	24	+ 8	2.9
Jackson Area	4	+ 18	29	32	+ 10	15	16	+ 7	2.7
TENNESSEE	15	- 29	15	21	- 27	45	53	- 26	5.8
Medium	3	---	--	--	---	--	--	- 2	3.2
Large	4	- 29	15	21	- 28	49	55	- 6	7.0
Chattanooga Area	5	+ 6	18	16	- 32	52	59	- 8	6.4
Outside Chattanooga	3	---	--	--	---	--	--	- 18	3.5
Knoxville Area	5	- 41	14	24	+ 2	35	38	- 12	5.9
Knoxville	4	- 41	14	24	+ 2	35	38	- 13	6.1

** Increase of over 100 percent.
For footnotes, see appendix.

APPENDIX

FOOTNOTES

* Inventory turnover is computed by dividing the average of the inventories for the end of 1950 and the end of 1951 into 1951 total sales. Inventories are reported at sales prices.

† Size Classification by Kind of Business

Kind of Business	Size Classification (1951 sales in thousands of dollars)		
	Small	Medium	Large
1. Automobile	Under 250	250 to 500	500 & Over
2. Automobile Tire & Accessory	" 50	50 to 100	100 " "
3. Department	" 1,000	1,000 to 10,000	10,000 " "
4. Furniture	" 200	200 to 500	500 " "
5. Hardware	" 100	100 to 500	500 " "
6. Household Appliance	" 100	100 to 250	250 " "
7. Jewelry	" 100	100 to 500	500 " "
8. Men's Clothing	" 250	250 to 1,000	1,000 " "
9. Women's Apparel	" 250	250 to 1,000	1,000 " "

Consolidated reports for two or more stores were not classified by size. District and state totals may, therefore, include data from stores not included in the size groups. Data for state totals may also include stores classified by size but not shown in the tables. Where no classification is shown, data were withheld to prevent disclosure of the operations of individual stores.

‡ Area totals include not only data from cities and parts of areas shown but may also include data from reports received from cities for which individual city data must be withheld to prevent disclosure of individual store operations. In some cases, boundaries or areas do not coincide with state lines. Counties included in areas are listed below.

Birmingham Area, Alabama: Bibb, Blount, Chilton, Clay, Colbert, Coosa, Cullman, Fayette, Franklin, Greene, Jefferson, Lamar, Lawrence, Marion, Marshall, Morgan, Pickens, Saint Clair, Shelby, Talladega, Tuscaloosa, Walker, Winston

Dothan Area, Alabama: Barbour, Coffee, Covington, Dale, Geneva, Henry, Houston.

Anniston-Gadsden Area, Alabama: Calhoun, Cherokee, Cleburne, Etowah, Randolph.

Mobile Area, Alabama: Baldwin, Choctaw, Clarke, Conecuh, Escambia, Marengo, Mobile, Monroe, Sumter, Washington, Wilcox; Mississippi: Jackson.

Montgomery Area, Alabama: Autauga, Bullock, Butler, Crenshaw, Dallas, Elmore, Hale, Lowndes, Macon, Montgomery, Perry, Pike, Tallapoosa.

Jacksonville Area, Florida: Alachua, Baker, Bradford, Clay, Columbia, Duval, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Leon, Levy, Madison, Nassau, Putnam, St. Johns, Suwannee, Taylor Union, Wakulla.

Miami Area, Florida: Broward, Collier, Dade, Hendry, Indian River, Martin, Monroe, Okeechobee, Palm Beach, St. Lucie.

Orlando Area, Florida: Brevard, Citrus, Flagler, Hernando, Lake, Marion, Orange, Osceola, Seminole, Sumter, Volusia.

Pensacola Area, Florida: Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Okaloosa, Santa Rosa, Walton Washington.

St. Petersburg Area, Florida: Charlotte, De Soto, Glades, Hardee, Highlands, Hillsborough, Lee, Manatee, Pasco, Pinellas, Polk, Sarasota.

Atlanta Area, Georgia: Banks, Barrow, Bartow, Butts, Carroll, Cherokee, Clarke, Clayton, Cobb, Coweta, Dawson, De Kalb, Douglas, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Gordon, Greene, Gwinnett, Habersham, Hall, Haralson, Heard, Henry, Jackson, Jasper, Lamar, Lumpkin, Madison, Meriwether, Monroe, Morgan, Murray, Newton, Oconee, Pickens, Paulding, Pike, Polk, Putnam, Rabun, Rockdale, Spalding, Stephens, Towns, Union, Upson, Walton, White, Whitfield.

Columbus Area, Georgia: Chattahoochee, Harris, Muscogee, Talbot, Troup; Alabama: Chambers, Lee, Russell.

Augusta Area, Georgia: Burke, Columbia, Elbert,

† (Continued)

Glascock, Hancock, Hart, Jefferson, Jenkins, Lincoln, McDuffie, Oglethorpe, Richmond, Taliaferro, Warren, Washington, Wilkes.

Macon Area, Georgia: Baldwin, Ben Hill, Bibb, Bleckley, Crawford, Crisp, Dodge, Dooly, Emanuel, Houston, Jefferson Davis, Johnson, Jones, Laurens, Lee, Macon, Marion, Montgomery, Peach, Pulaski, Quitman, Randolph, Schley, Stewart, Sumter, Taylor, Telfair, Terrell, Toombs, Treutlen, Turner, Twiggs, Webster, Wheeler, Wilcox, Wilkinson.

Savannah Area, Georgia: Bryan, Bullock, Camden, Candler, Chatham, Effingham, Evans, Glynn, Liberty, Long, McIntosh, Screven, Tattnal, Wayne.

South Georgia Area, Georgia: Appling, Atkinson, Bacon,Baker, Berrien, Brantley, Brooks, Calhoun, Charlton, Clay, Clinch, Coffee, Colquitt, Cook, Decatur, Dougherty, Early, Echols,Grady, Irwin,Lanier, Lowndes, Miller, Mitchell, Pierce, Seminole, Thomas, Tift, Ware, Worth.

Alexandria-Lake Charles Area, Louisiana: Avoyelles, Evangeline, Rapides, Vernon, Allen, Beauregard, Calcasieu, Cameron, Jefferson Davis.

Baton Rouge Area, Louisiana: Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, Saint Helena, West Baton Rouge, West Feliciana.

Lafayette-Iberia-Houma Area, Louisiana:Acadia Assumption, LaFourche, Terrebonne,Iberia,Lafayette, Saint Landry, Saint Martin, Saint Mary, Vermillion.

New Orleans Area, Louisiana: Jefferson,Orleans, Plaquemines, Saint Bernard, Saint Charles, Saint James,Saint John the Baptist, Saint Tammany, Tangipahoa, Washington; Mississippi: Hancock, Harrison.

Jackson Area, Mississippi:Copiah, Hinds, Jefferson Davis, Lawrence, Leake,Lincoln, Madison, Marion, Pike, Rankin, Scott, Simpson, Walthall, Yazoo.

Hattiesburg-Laurel-Meridian Area,Mississippi: Clarke, Covington, Forest, George, Greene, Jasper, Jones, Kemper, Lamar, Lauderdale, Neshoba, Newton, Pearl River, Perry, Smith, Stone, Wayne.

Natchez Area, Mississippi: Adams,Amite,Claiborne, Franklin, Issaquena, Jefferson, Sharkey, Warren, Wilkinson.

Chattanooga Area, Tennessee: Bradley,Bledsoe, Franklin, Grundy, Hamilton,Marion, McMinn, Meigs, Monroe, Polk, Rhea, Sequatchie, Van Buren;Alabama: DeKalb, Jackson;Georgia: Catoosa, Chattooga, Dade, Walker.

Knoxville Area, Tennessee: Anderson, Blount, Campbell, Claiborne, Cocke,Cumberland,Grainger, Hamblen, Hancock, Jefferson, Knox, Loudon, Morgan, Roane, Scott, Sevier, Union.

Nashville Area, Tennessee: Bedford, Cannon, Cheatham, Clay, Coffee, Davidson, DeKalb, Dickson, Fentress, Giles, Hickman, Houston, Humphreys,Jackson, Lawrence, Lewis, Lincoln, Macon, Marshall, Maury, Montgomery, Moore, Overton, Perry, Pickett, Putnam, Robertson, Rutherford,Smith, Stewart, Sumner,Trousdale, Warren, Wayne, White, Williamson, Wilson; Alabama: Lauderdale, Limestone, Madison.

Tri-Cities Area, Tennessee: Carter, Greene. Hawkins, Johnson, Sullivan,Unicoi, Washington.

RETAIL CREDIT SURVEY FOR 1948

SIXTH FEDERAL RESERVE DISTRICT

RESEARCH DEPARTMENT

FEDERAL RESERVE BANK OF ATLANTA

CONTENTS

RETAIL CREDIT SURVEY FOR 1948

Consumers in the Sixth Federal Reserve District bought more from credit-granting retailers during 1948 than ever before, but they paid cash for a smaller proportion of what they bought than in 1947. The greater part of their increased purchases was made possible by credit buying. At the end of 1948, they owed 16 percent more on open credit, or charge accounts, than at the end of 1947, and 42 percent more on instalment accounts. They were also taking longer to settle both their charge and instalment debts.

These conclusions are the result of this bank's seventh annual retail credit survey. Approximately 6,000 merchants, in nine different lines of business, located in Alabama, Florida, Georgia, the southern halves of Louisiana and Mississippi, and the eastern two-thirds of Tennessee were asked to co-operate in the survey. Although the retail sales in the lines of business surveyed amount to approximately only one-third of all retail sales made in the area, these lines include all stores that grant credit in substantial amounts, except building material dealers.

Of the nine lines of retail business surveyed, only two – furniture and jewelry – reported sales lower in 1948 than in 1947. For furniture stores, it was the first annual decrease in sales since the survey was started in 1942, but even with a 2-percent decline from 1947, they were estimated to be 68 percent greater than in 1941. For the jewelry stores, the decrease of 2 percent from 1947 marked the second consecutive year-to-year decline in sales.

Neither automobile dealers nor household appliance stores reported such striking rates of sales increases in 1948 as they did in 1947, but they still led the other types of business in rates of increase. Until October 1948, District household appliance stores did a business which greatly exceeded that of the corresponding months of 1947 and despite the sales letdown during the latter part of 1948, sales for the entire year exceeded those of 1947 by 16 percent. Automobile dealers reported that their 1948 sales exceeded those of 1947 by 19 percent.

The 1948 sales of men's clothing stores about equaled those of 1947. Women's apparel stores ended the year with a 5-percent annual increase, in contrast with a 3-percent decline reported for 1946–1947. Department store sales in 1948, 6 percent greater than in 1947, set a new record. A 9-percent gain from 1947 at the automobile tire and accessory stores more than offset the decline reported in 1947; and the 7-percent gain in hardware store sales continued the record of uninterruped yearly sales increases begun in 1942.

The survey shows that, despite a smaller proportion of cash purchases, consumers actually made more cash expenditures in 1948 than in 1947 – an estimated 3-percent gain. Automobile dealers were the only retailers whose cash sales increased. In every other line of business, cash sales were down from 1947 to 1948 except in the women's apparel stores where the increase was only one percent. Consumers bought so much more on credit, however, in the nine lines of business combined, that the proportion of purchases made on a cash basis fell from 47 percent of total sales in 1947 to 44 percent in 1948.

SALES CHANGES, 1947–1948
Sixth District Credit-Granting Retail Stores

Kind of Business	No. Reporting Stores	Percent Change				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1948	1947	1948	1947	1948	1947
Department	116	+ 6	– 1	+ 11	+ 39	48	51	44	43	8	6
Men's Clothing	39	0	– 13	+ 10	+ 12	39	45	56	51	5	4
Women's Apparel	30	+ 5	+ 1	+ 8	– 5	44	45	56	54	--	1
Furniture	151	– 2	– 14	– 8	+ 1	14	16	8	9	78	75
Hardware	125	+ 7	– 8	+ 13	+ 71	31	36	64	61	5	3
Household Appliance	169	+ 16	– 18	+ 6	+ 44	25	35	17	18	58	47
Jewelry	57	– 2	– 12	+ 4	+ 6	35	39	35	33	30	28
Automobile Dealers	73	+ 19	+ 13	+ 19	+ 43	57	60	25	25	18	15
Auto. Tire and Accessory	91	+ 9	– 3	+ 1	+ 66	34	38	44	47	22	15
Weighted Average	851	+ 10	+ 3	+ 14	+ 22	44	47	35	34	21	19

Except for the furniture stores, all types of merchants had greater charge account or open credit sales in 1948. All types of business reported greater instalment sales. Because furniture stores account for such a large proportion of instalment sales among the nine different lines of business, however, the nominal increase in instalment sales at these stores limited the rate of gain in total instalment credit. Instalment sales for all the types of businesses combined increased from only 19 percent of total sales in 1947 to 21 percent in 1948.

Some slowing down in collections was evident during 1948. Both charge accounts and instalment accounts increased more than the credit sales increased. As a group, the merchants found at the end of 1948 that their customers still owed them for 20 percent of all the goods they had bought on open credit during the year, compared with 19 percent at the end of 1947. Their instalment customers still owed for 29 percent of the goods they had bought on the instalment plan during 1948, compared with 25 percent at the end of 1947. In some lines of business, no lengthening of open credit terms was observable.

Some merchants sold instalment paper during the year and thus instalment accounts were reduced. This practice was most prevalent among the automobile dealers, 95 percent of whom reported such sales during 1948; and among the household appliance stores, 89 percent of which sold instalment paper. Little sale of paper was reported by the department, apparel, and furniture stores.

Detailed tabulations for each line of business are included in the following pages. Changes are shown in sales and credit items by size of business for the District as a whole and for each state. In addition, wherever a sufficient number of stores reported to make the release of data possible without revealing the operations of single firms, data have been shown by cities and areas. The inclusion or exclusion of any area or city from a particular tabulation is entirely the result of the small number of reports received from that city or area.

CHANGES IN ACCOUNTS RECEIVABLE, 1947–1948
Sixth District Credit-Granting Retail Stores

Kind of Business	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year		
		Percent Change, 1947–1948	As Percent of Annual Charge Account Sales		Percent Change, 1947–1948	As Percent of Annual Instalment Account Sales	
			1948	1947		1948	1947
Department	103	+ 16	26	25	+ 59	50	44
Men's Clothing	38	+ 14	25	24	+ 14	36	35
Women's Apparel	29	+ 10	25	24	+ 37	60	42
Furniture	142	+ 11	25	20	+ 21	46	38
Hardware	114	+ 17	14	14	+ 73	21	21
Household Appliance	163	+ 10	12	12	+ 64	17	15
Jewelry	46	+ 22	31	26	+ 15	38	36
Automobile Dealers	70	+ 19	9	9	+ 27	6	7
Auto. Tire and Accessory	85	+ 13	13	12	+ 93	36	32
Weighted Average	790	+ 16	20	19	+ 42	29	25

SALE OF INSTALMENT PAPER, 1947–1948
Sixth District Credit-Granting Retail Stores

Kind of Business	No. Reporting Stores	Stores Selling Instalment Paper					Stores Not Selling Instalment Paper		
		Percent of Reporting Stores	Paper Sold as Percent of Instalment Sales		Receivables as Percent of Instalment Sales		Percent of Reporting Stores	Receivables as Percent of Instalment Sales	
			1948	1947	1948	1947		1948	1947
Department	50	8	3	3	64	23	92	49	46
Men's Clothing	8	0	--	--	--	--	100	36	35
Women's Apparel	2	0	--	--	--	--	100	60	42
Furniture	119	11	35	15	45	42	89	45	38
Hardware	27	37	13	9	12	10	63	31	33
Household Appliance	150	89	26	24	9	8	11	39	30
Jewelry	29	0	--	--	--	--	100	38	36
Automobile Dealers	61	95	62	64	6	6	5	28	25
Auto. Tire and Accessory	78	10	30	41	29	51	90	37	31

PERCENT CHANGE IN COMBINED TOTAL SALES OF NINE LINES OF BUSINESS, 1947–1948 WEIGHTED BY RELATIVE IMPORTANCE OF SALES BY STATE AND AREA

State	No. Reporting Stores	Percent Change
Alabama	144	+ 12
Florida	126	+ 8
Georgia	240	+ 10
Louisiana[1]	89	+ 13
Mississippi[1]	89	+ 4
Tennessee[1]	112	+ 7
Area[2]		
Alabama:		
Anniston-Gadsden (1)	7	+ 0
Birmingham (2)	57	+ 11
Dothan (3)	11	+ 20
Mobile (4)	24	+ 13
Montgomery (5)	23	+ 12
Florida:		
Jacksonville (6)	26	+ 2
Miami (7)	27	+ 10
Orlando (8)	21	+ 5
Pensacola (9)	20	+ 19
Tampa-St. Petersburg (10)	30	+ 8

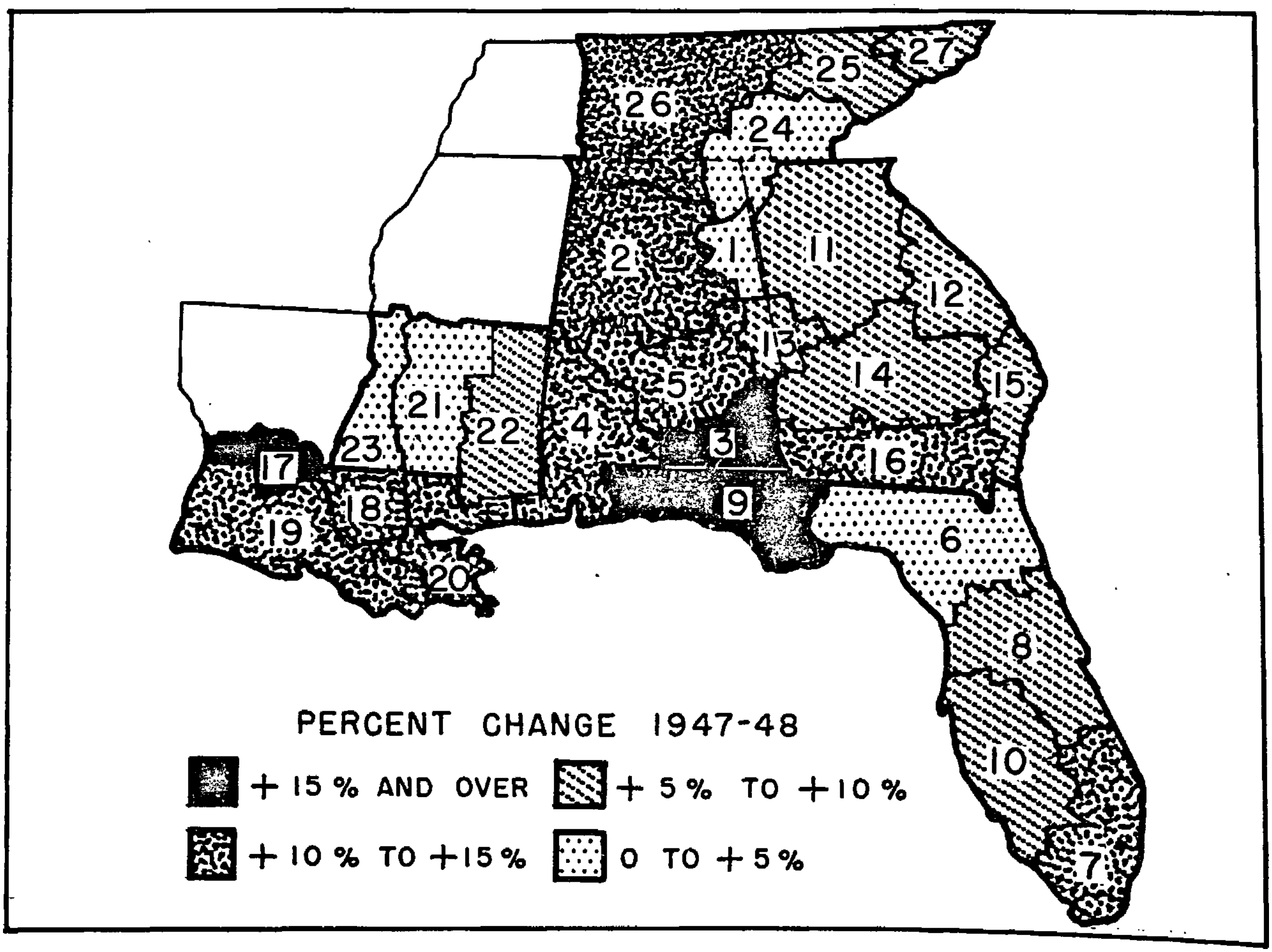
Area[2]	No. Reporting Stores	Percent Change
Georgia:		
Atlanta (11)	60	+ 9
Augusta (12)	15	+ 8
Columbus (13)	23	+ 8
Macon (14)	14	+ 6
Savannah (15)	12	+ 7
South Georgia (16)	23	+ 10
Louisiana:		
Alexandria-Lake Charles (17)	13	+ 17
Baton Rouge (18)	13	+ 13
Lafayette-Iberia (19)	19	+ 14
New Orleans (20)	46	+ 12
Mississippi:		
Jackson (21)	16	+ 4
Hattiesburg-Laurel-Meridian (22)	30	+ 6
Natchez (23)	3	----[3]
Tennessee:		
Chattanooga (24)	31	+ 3
Knoxville (25)	28	+ 5
Nashville (26)	43	+ 13
Tri-Cities (27)	24	+ 9

[1]That part within the Sixth Federal Reserve District.

[2]Boundaries of areas do not necessarily coincide with state lines. For counties included in areas, see page 26.

[3]Coverage too limited for estimating purposes.

NOTE. — The estimated percent change in total sales was arrived at by weighting the percent change for each line of business according to the importance of the particular line in total sales of all nine lines of business throughout the United States.



DEPARTMENT STORES

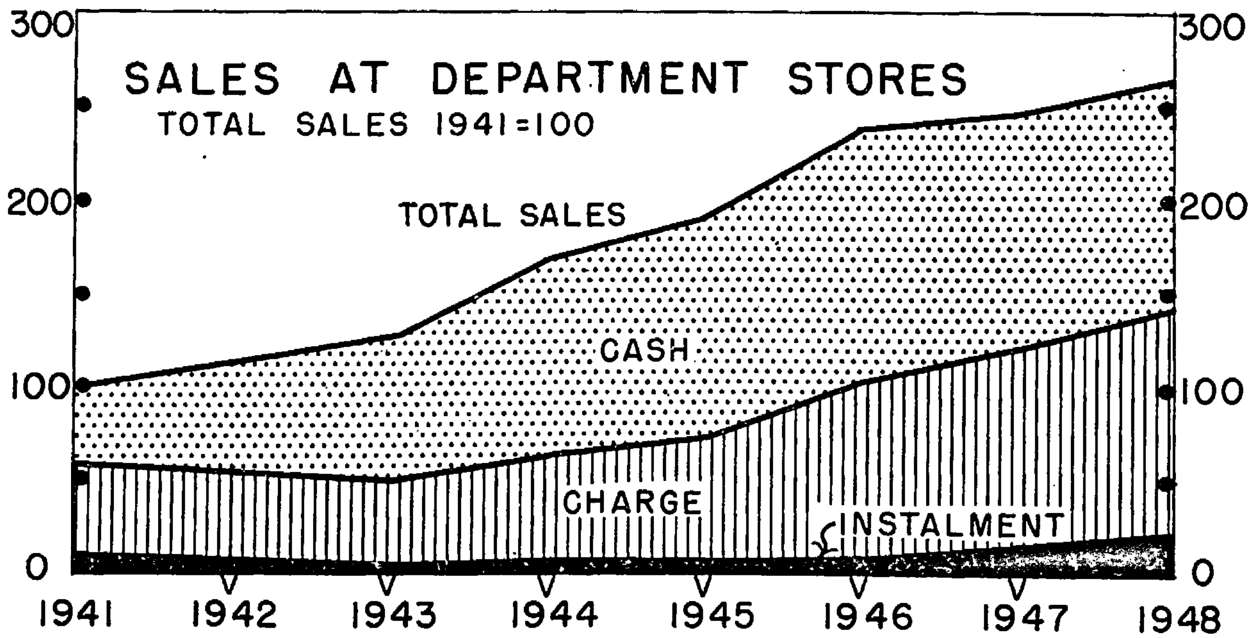
Sales in 1948 at the District credit-granting department stores were great enough to push them 6 percent above those of 1947, thus continuing the record of uninterrupted year-to-year sales increases first established in 1939. Sales in 1948 were 2.7 times what they were in 1941.

A diversity of sales experience throughout the various parts of the District was noted, however. The Alabama stores with a 13-percent increase showed the greatest gain. At the Louisiana reporting stores, sales were up 9 percent; at the Georgia stores, 5 percent; at both the Florida and Tennessee stores, 4 percent; and at the stores in Mississippi, 3 percent.

The trend toward greater credit buying which began in 1945 continued into 1948. As a group, the stores sold 48 percent of their goods for cash in 1948, compared with 51 percent in 1947. Even though instalment sales increased 39 percent from 1947 to 1948, they accounted for only 8 percent of total sales in the latter year. Cash sales declined one percent and charge account sales increased 11 percent.

Collections were somewhat slower in 1948 than in 1947. The rates of increase in charge accounts receivable of 16 percent and in instalment receivables of 59 percent exceeded the rates of increase in the corresponding types of sales. As a result, the stores found that at the end of 1948 their customers owed them for 26 percent of the goods they had bought on a charge account basis in 1948, compared with 25 percent at the end of 1947. Their instalment receivables amounted to 50 percent of 1948 instalment sales, compared with a 44-percent ratio in 1947.

Collections on charge accounts during 1948, according to monthly reports, averaged 46 percent of the accounts outstanding at the end of the preceding months, compared with 51 percent in 1947. The collection ratios for instalment receivables averaged 20 in 1948 and 28 in 1947.



DEPARTMENT STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1948	Cash 1947	Charge Account 1948	Charge Account 1947	Instalment 1948	Instalment 1947
ALL REPORTING STORES	116	+ 6	- 1	+ 11	+ 39	48	51	44	43	8	6
Small	46	+ 2	- 6	+ 11	+ 12	48	52	46	42	6	6
Medium	51	+ 4	- 3	+ 7	+ 41	52	55	38	37	10	8
Large	6	+ 10	+ 1	+ 15	+ 37	42	45	53	50	5	5
ALABAMA	31	+ 13	+ 2	+ 25	+ 49	45	51	47	43	8	6
Small	12	+ 2	- 5	+ 12	+ 23	52	57	45	41	3	2
Medium	7	+ 5	- 3	+ 10	+ 28	43	47	48	45	9	8
Birmingham Area	7	+ 16	- 2	+ 32	+ 43	41	49	50	44	9	7
Birmingham	4	+ 17	- 2	+ 33	+ 44	41	49	50	44	9	7
Outside Birmingham	3	+ 4	- 8	+ 19	+ 22	48	54	41	36	11	10
Dothan Area	8	+ 3	—	—	—	—	—	—	—	—	—
Mobile Area	5	+ 6	+ 0	+ 12	+ 44	48	51	51	49	1	0
Mobile	3	+ 10	—	—	—	—	—	—	—	—	—
Montgomery Area	3	+ 7	- 4	+ 9	+ 73	54	59	33	33	13	8
FLORIDA	13	+ 4	- 3	+ 8	+ 36	65	69	21	21	14	10
Small	3	- 8	- 14	- 2	+ 9	53	57	38	36	9	7
Medium	10	+ 4	- 2	+ 9	+ 37	65	70	21	20	14	10
Jacksonville Area	4	+ 1	- 6	+ 11	+ 25	62	67	23	21	15	12
Jacksonville	3	+ 1	- 6	+ 11	+ 25	62	67	22	20	16	13
Miami Area	3	+ 11	+ 4	+ 21	+ 52	76	81	7	7	17	12
Miami	4	+ 5	—	—	—	—	—	—	—	—	—
Orlando Area	4	- 2	- 7	+ 4	- 8	50	53	49	46	1	1
Orlando	3	+ 18	—	—	—	—	—	—	—	—	—
Outside Orlando	3	- 0	—	—	—	—	—	—	—	—	—
Tampa	5	+ 4	—	—	—	—	—	—	—	—	—
GEORGIA	21	+ 5	+ 1	+ 7	+ 33	46	48	47	47	7	5
Small	7	+ 5	- 5	+ 13	+ 65	46	51	52	48	2	1
Medium	11	+ 3	- 2	+ 1	+ 49	53	56	34	35	13	9
Atlanta Area	8	+ 6	+ 2	+ 8	+ 20	44	45	52	51	4	4
Atlanta	3	+ 6	+ 3	+ 8	+ 20	44	45	51	51	5	4
Outside Atlanta	5	+ 4	- 8	+ 16	+ 33	46	52	53	47	1	1
Augusta	3	+ 0	- 6	- 10	+ 56	54	58	28	30	18	12
Columbus Area	4	+ 14	+ 9	+ 9	+ 58	52	55	33	34	15	11
Columbus	3	+ 13	—	—	—	—	—	—	—	—	—
Macon	3	- 2	- 4	+ 0	*	47	48	53	52	0	0
Savannah	3	+ 7	—	—	—	—	—	—	—	—	—
South Georgia	4	+ 8	+ 2	+ 7	- 16	51	54	47	43	2	3
LOUISIANA	17	+ 9	+ 1	+ 12	+ 28	42	46	48	46	10	8
Small	9	+ 5	+ 1	+ 12	+ 5	46	48	34	32	20	20
Medium	6	+ 7	+ 3	+ 6	+ 27	51	53	35	36	14	11
Baton Rouge Area	4	+ 10	—	—	—	—	—	—	—	—	—
Lafayette-Iberia Area	3	+ 4	+ 3	+ 6	+ 50	66	67	34	33	0	0
New Orleans Area	13	+ 8	- 0	+ 13	+ 26	43	46	47	45	10	9
New Orleans	8	+ 8	+ 0	+ 13	+ 26	42	46	47	45	11	9
Outside New Orleans (La.)	3	+ 6	- 9	+ 18	- 0	35	41	64	58	1	1
MISSISSIPPI	16	+ 3	- 11	+ 12	+ 74	42	48	52	48	6	4
Small	9	+ 2	- 6	+ 13	*	52	57	47	42	1	1
Medium	7	+ 3	- 13	+ 12	+ 73	39	46	54	49	7	5
Jackson Area	4	+ 8	- 4	+ 14	+ 48	34	39	63	59	3	2
Jackson	3	+ 7	- 4	+ 13	+ 48	34	38	63	60	3	2
Meridian Area	9	- 3	- 18	+ 11	+ 48	46	55	44	40	10	5
Meridian	3	- 1	- 11	- 1	+ 47	51	56	33	33	16	11
Outside Meridian	6	- 4	- 28	+ 22	*	41	55	58	45	1	0
TENNESSEE	18	+ 4	- 3	+ 8	+ 65	47	50	47	46	6	4
Small	7	+ 2	- 10	+ 7	+ 11	32	37	47	44	21	19
Medium	10	+ 5	- 2	+ 7	+ 82	48	51	46	45	6	4
Chattanooga Area	6	+ 2	- 1	+ 5	+ 13	49	50	49	48	2	2
Chattanooga	3	+ 3	+ 2	+ 5	- 1	46	47	53	53	1	0
Outside Chattanooga	3	- 6	- 13	+ 8	+ 17	64	70	24	20	12	10
Knoxville	3	+ 5	- 7	+ 11	+ 85	45	51	48	45	7	4
Nashville Area	9	+ 5	- 4	+ 9	+ 61	49	53	43	42	8	5
Nashville	6	+ 5	- 4	+ 8	+ 61	49	53	42	41	9	6
Outside Nashville (Ala.)	3	+ 4	—	—	—	—	—	—	—	—	—
Tri-Cities Area	4	+ 2	+ 1	+ 5	- 4	42	43	57	56	1	1
Bristol	3	+ 3	—	—	—	—	—	—	—	—	—
Outside Bristol	3	+ 3	- 6	+ 9	- 4	34	37	63	60	3	3

*Increase of over 100 percent.

For footnotes, see page 26.

DEPARTMENT STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change, 1947–1948	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales, 1948	1947	Instalment Receivables, End of Year: Percent Change, 1947–1948	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales, 1948	1947
ALL REPORTING STORES	103	+ 16	26	25	+ 59	50	44
Small	45	+ 13	20	19	+ 20	45	43
Medium	39	+ 12	24	24	+ 65	48	42
Large	6	+ 20	27	26	+ 57	53	47
ALABAMA	30	+ 34	24	22	+ 87	43	34
Small	12	+ 7	18	19	+ 31	38	35
Medium	6	+ 17	24	23	+ 54	42	35
Birmingham Area	7	+ 41	24	23	+ 83	40	31
Birmingham	4	+ 42	24	23	+ 85	40	31
Outside Birmingham	3	- 2	14	17	+ 31	39	36
Mobile Area	3	+ 13	22	24	----	--	--
Montgomery Area	3	+ 17	22	20	+ 73	54	47
FLORIDA	10	+ 6	22	22	+ 49	36	36
Small	3	+ 2	21	20	+ 8	29	23
Medium	7	+ 6	22	22	+ 52	36	37
Jacksonville Area	3	+ 9	26	26	+ 59	36	36
Orlando Area	4	+ 2	17	18	+ 13	46	37
GEORGIA	16	+ 9	28	28	+ 1	52	57
Small	7	+ 20	23	21	- 1	27	45
Medium	6	+ 4	24	23	+ 86	56	42
Atlanta Area	7	+ 9	29	29	+ 4	52	61
Atlanta	3	+ 10	29	29	+ 4	52	61
Outside Atlanta	4	+ 11	20	22	----	--	--
South Georgia Area	4	- 8	21	27	- 6	31	28
LOUISIANA	16	+ 24	26	24	+ 81	58	41
Small	8	+ 18	13	13	+ 20	50	44
Medium	6	+ 15	25	23	+ 49	57	47
New Orleans Area	13	+ 24	26	24	+ 78	59	41
New Orleans	8	+ 24	27	25	+ 78	59	41
Outside New Orleans	5	+ 63	9	6	+ 0	57	38
MISSISSIPPI	13	+ 16	21	21	+ 62	31	32
Small	8	+ 11	22	23	----	--	--
Medium	5	+ 16	21	20	+ 62	31	32
Jackson Area	3	+ 20	18	18	+ 53	33	32
Meridian Area	8	+ 13	24	24	*	--	--
Outside Meridian	6	+ 19	23	24	*	22	28
TENNESSEE	17	+ 11	25	24	+ 79	47	43
Small	7	+ 1	14	14	+ 20	51	48
Medium	9	+ 11	27	26	+ 98	48	44
Chattanooga Area	6	+ 13	30	27	+ 31	35	30
Chattanooga	3	+ 13	32	29	- 1	35	35
Knoxville	3	+ 6	21	22	+ 62	38	43
Nashville Area	9	+ 12	26	25	+ 96	53	44
Nashville	6	+ 10	25	25	+ 96	53	44
Tri-Cities Area	3	+ 23	19	16	- 3	45	44

*Increase of over 100 percent.

For footnotes, see page 26.

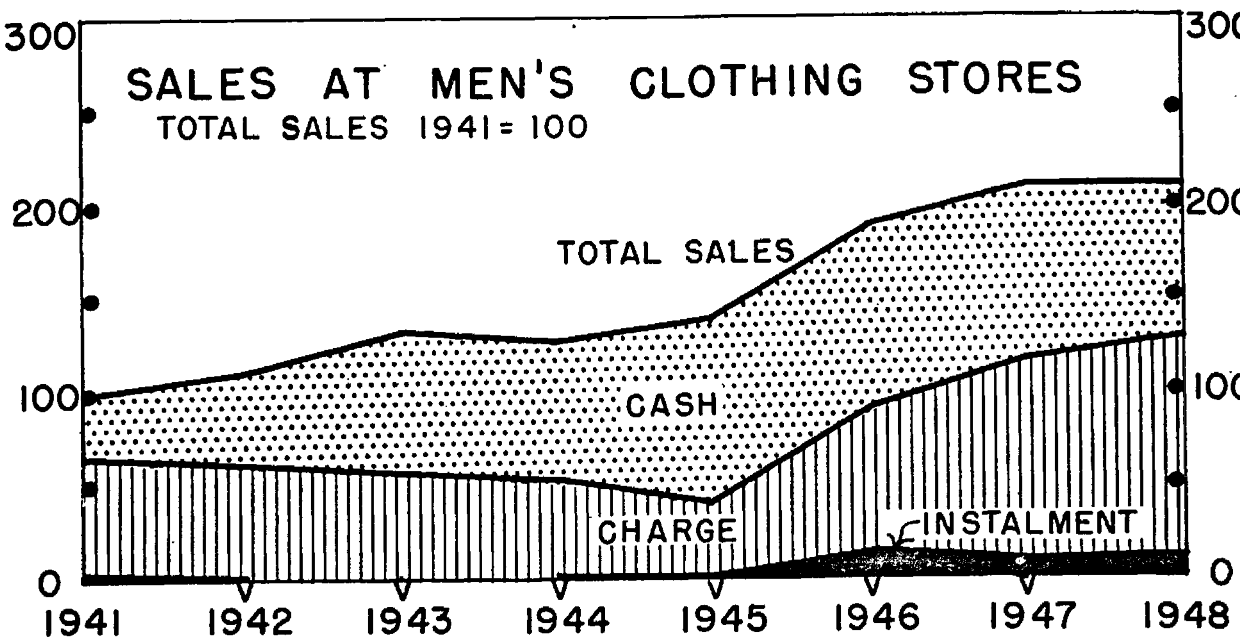
MEN'S CLOTHING STORES

Total sales at all reporting District men's clothing stores were approximately the same in 1948 as in 1947. Increases in Alabama and Louisiana were enough to offset declines at the reporting stores in the other states of the District. The large stores as a group, however, reported greater sales last year than in 1947. Sales at the reporting stores throughout the District for 1948 were 208 percent of what they were in 1941.

Sales experience at the District stores was the same as that of stores throughout the nation, according to Department of Commerce figures. Sales in 1948 throughout the country are estimated at $2,413,000,000 compared with $2,414,000,000 in 1947.

Cash sales declined from 1947 to 1948 in all states including those where total sales increased. The decline of 14 percent in cash sales at the large stores was greater than at either the small or medium-size stores. As a group, the stores sold only 39 percent of their goods for cash last year, compared with 49 percent in 1947. In 1945 the reporting stores had sold 65 percent of their goods on a cash basis. Credit sales, most of them on a charge account basis, increased from 1947 to 1948, with charge account sales up 10 percent and instalment sales up 12 percent.

The increase in charge account sales brought accounts receivable at the end of 1948 to a level 14 percent greater than at the end of 1947. There was little change in the ratio of accounts receivable to credit sales during the year, however. Furthermore, there was little difference between the credit experience of the stores in the different size groups. On an average, at the end of 1948, charge accounts receivable amounted to 25 percent of charge account sales in 1948, compared with a 24-percent figure for 1947.



MEN'S CLOTHING STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1948	Cash 1947	Charge Account 1948	Charge Account 1947	Instalment 1948	Instalment 1947
ALL REPORTING STORES	39	0	- 13	+ 10	+ 12	39	45	56	51	5	4
Small	23	- 3	- 11	+ 10	+ 3	54	58	32	28	14	14
Medium	10	- 3	- 13	+ 9	----	49	55	51	45	0	0
Large	4	+ 2	- 14	+ 11	+ 6	31	36	66	61	3	3
ALABAMA	7	+ 6	- 12	+ 9	+ 26	29	36	36	35	35	29
Small	4	+ 0	- 14	+ 18	+ 5	36	43	32	27	32	30
Birmingham Area	5	+ 18	- 7	+ 24	+ 26	18	23	21	20	61	57
Outside Birmingham	4	+ 25	- 5	+ 24	+ 51	25	32	29	30	46	38
FLORIDA	8	- 2	- 11	+ 16	----	62	68	38	32	0	0
Small	5	- 1	- 8	+ 21	----	70	75	30	25	0	0
Medium	3	- 2	- 12	+ 15	----	59	65	41	35	0	0
Tampa-St. Petersburg Area	3	+ 3	- 4	+ 16	----	60	64	40	36	0	0
GEORGIA	9	- 1	- 12	+ 8	+ 2	38	43	60	55	2	2
Small	6	- 1	- 8	+ 11	+ 14	57	61	39	35	4	4
Atlanta Area	7	- 1	- 12	+ 7	+ 2	37	42	60	56	3	2
Atlanta	4	- 0	----	----	----	--	--	--	--	--	--
Outside Atlanta	5	- 6	- 14	+ 2	+ 16	52	56	44	41	4	3
LOUISIANA	5	+ 4	- 13	+ 16	+ 14	35	41	61	55	4	4
New Orleans	3	+ 4	- 14	+ 16	+ 14	33	40	62	56	5	4
MISSISSIPPI	2	----	----	----	----	--	--	--	--	--	--
TENNESSEE	9	- 5	- 16	+ 6	- 9	41	46	54	49	5	5
Small	5	- 15	- 21	- 10	- 9	41	44	29	28	30	28
Medium	4	- 3	- 15	+ 8	----	41	47	59	53	5	5
Nashville Area	3	+ 3	- 2	+ 1	+ 16	40	43	37	37	23	20
Tri-Cities Area	3	+ 10	----	----	----	--	--	--	--	--	--

MEN'S CLOTHING STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change, 1947–1948	As Percent of Annual Charge Account Sales 1948	1947	Instalment Receivables, End of Year: Percent Change, 1947–1948	As Percent of Annual Instalment Sales 1948	1947
ALL REPORTING STORES	38	+ 14	25	24	+ 14	36	35
Small	23	+ 14	23	22	+ 25	46	38
Medium	9	+ 16	24	23	----	--	--
Large	4	+ 13	25	25	- 18	25	33
ALABAMA	7	+ 21	29	26	+ 36	42	39
Small	4	+ 27	27	25	+ 28	54	45
Birmingham Area	5	+ 36	26	20	+ 36	42	39
Birmingham	4	+ 33	26	24	+ 52	31	31
FLORIDA	7	+ 24	22	20	----	--	--
Small	5	+ 40	21	18	----	--	--
GEORGIA	9	+ 9	25	25	- 2	27	29
Small	6	+ 12	20	20	+ 8	28	30
Atlanta Area	7	+ 9	25	25	- 2	27	29
Outside Atlanta	5	+ 7	17	17	+ 8	28	30
LOUISIANA	5	+ 21	24	23	- 19	24	34
New Orleans	3	+ 20	24	23	- 19	24	34
MISSISSIPPI	2	----	--	--	----	--	--
TENNESSEE	9	+ 11	25	24	+ 23	50	37
Small	5	- 12	29	30	+ 23	50	37
Medium	4	+ 14	25	23	----	--	--
Nashville Area	4	+ 7	28	26	+ 21	50	37

For footnotes, see page 26.

WOMEN'S APPAREL STORES

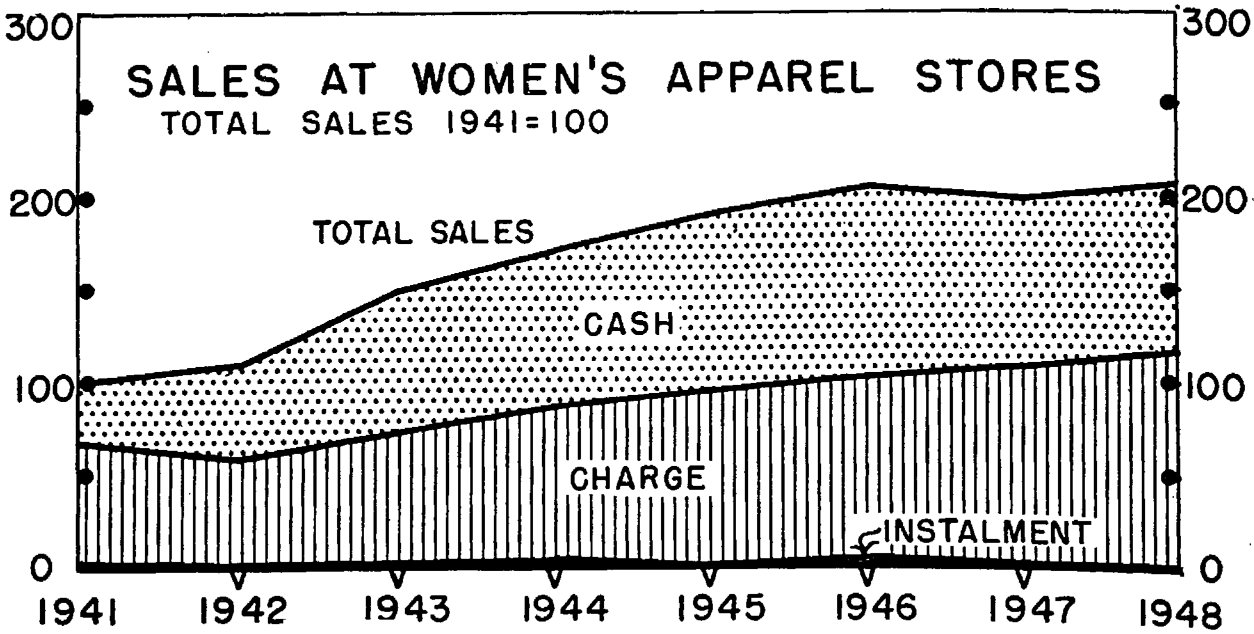
Business improved for the District women's apparel stores in 1948. Sales in 1947 had been below those of 1946 but the 5-percent increase from 1947 to 1948 brought sales up to a level 108 percent greater than that of 1941, the first year for which information is available, and established a new record. The expansion in District sales from 1947 to 1948, however, was somewhat less than the increase of 9 percent reported for women's apparel stores throughout the nation.

Cash sales of all but the medium-size stores – those with annual sales of one to 10 million dollars – were greater in 1948 than in 1947, but there was a much greater growth in charge account sales. For the District as a whole, charge account sales increased 8 percent and accounted for 56 percent of total sales in 1948, compared with 54 percent in 1947.

As in all other lines of business surveyed, the women's apparel stores made a smaller proportion of their sales for cash in 1948 than they have for several years. In 1947 they had sold 45 percent of their merchandise for cash. In 1948 the proportion was reduced to 44 percent. The precentage of cash sales made in 1948, however, greatly exceeded the 33 percent figure for 1941.

Comparatively few women's apparel stores sold goods on the instalment plan and they were the small stores, those with annual sales of less than one million dollars. Instalment sales of these films were less in 1948 than in 1947.

Each group of stores reported greater accounts receivable at the end of 1948 than at the end of 1947. Charge accounts receivable were up 10 percent for the stores as a group, but the expansion at the small stores amounted to 16 percent. Charge accounts receivable at the end of 1948 amounted to 25 percent of charge account sales made during the preceding year, compared with a ratio of 24 percent in 1947. This ratio varied little from state to state. The ratio for the women's apparel stores in 1948 was approximately the same as at department, men's clothing, and furniture stores.



WOMEN'S APPAREL STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1948	1947	1948	1947	1948	1947
ALL REPORTING STORES	30	+ 5	+ 1	+ 8	- 5	44	45	56	54	0	1
Small	15	+ 8	+ 2	+ 14	- 5	40	43	56	53	4	4
Medium	10	- 0	- 5	+ 4	0	49	51	51	49	0	0
Large	3	+ 5	+ 1	+ 8	0	39	41	61	59	0	0
ALABAMA	9	+ 5	- 5	+ 16	- 6	47	52	50	45	3	3
Small	6	+ 16	+ 10	+ 24	- 6	32	34	59	55	9	11
Medium	3	+ 0	- 8	+ 12	----	54	58	46	42	0	0
Mobile	3	+ 4	- 10	+ 15	----	38	44	62	56	0	0
FLORIDA	3	+ 8	+ 2	+ 40	----	82	86	18	14	0	0
Small	3	+ 24	----	----	----	--	--	--	--	--	--
GEORGIA	9	+ 4	- 0	+ 7	- 2	37	38	63	62	0	0
Small	3	+ 10	- 5	+ 27	- 2	42	49	52	45	6	6
Atlanta	5	+ 6	+ 2	+ 8	----	37	38	63	62	0	0
LOUISIANA	3	+ 9	----	----	----	--	--	--	--	--	--
MISSISSIPPI	3	+ 13	+ 9	+ 16	----	39	40	61	60	0	0
TENNESSEE	4	+ 0	- 1	+ 1	----	39	39	61	61	0	0

WOMEN'S APPAREL STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year		
		Percent Change, 1947–1948	As Percent of Annual Charge Account Sales		Percent Change, 1947–1948	As Percent of Annual Instalment Sales	
			1948	1947		1948	1947
ALL REPORTING STORES	29	+ 10	25	24	+ 37	60	42
Small	15	+ 16	24	23	+ 37	60	42
Medium	10	+ 10	27	26	----	--	--
Large	3	+ 11	24	24	----	--	--
ALABAMA	9	+ 18	26	26	+ 42	64	42
Small	6	+ 26	25	25	+ 42	64	42
Medium	3	+ 14	27	26	----	--	--
Mobile	3	+ 17	26	26	----	--	--
FLORIDA	2	----	--	--	----	--	--
GEORGIA	9	+ 10	25	24	+ 18	47	39
Small	3	+ 35	31	29	+ 18	47	39
Atlanta	5	+ 10	--	--	----	--	--
LOUISIANA	2	----	--	--	----	--	--
MISSISSIPPI	3	+ 17	25	24	----	--	--
TENNESSEE	4	+ 4	26	25	----	--	--
Nashville Area	5	+ 7	26	25	+ 42	64	42

For footnotes, see page 26.

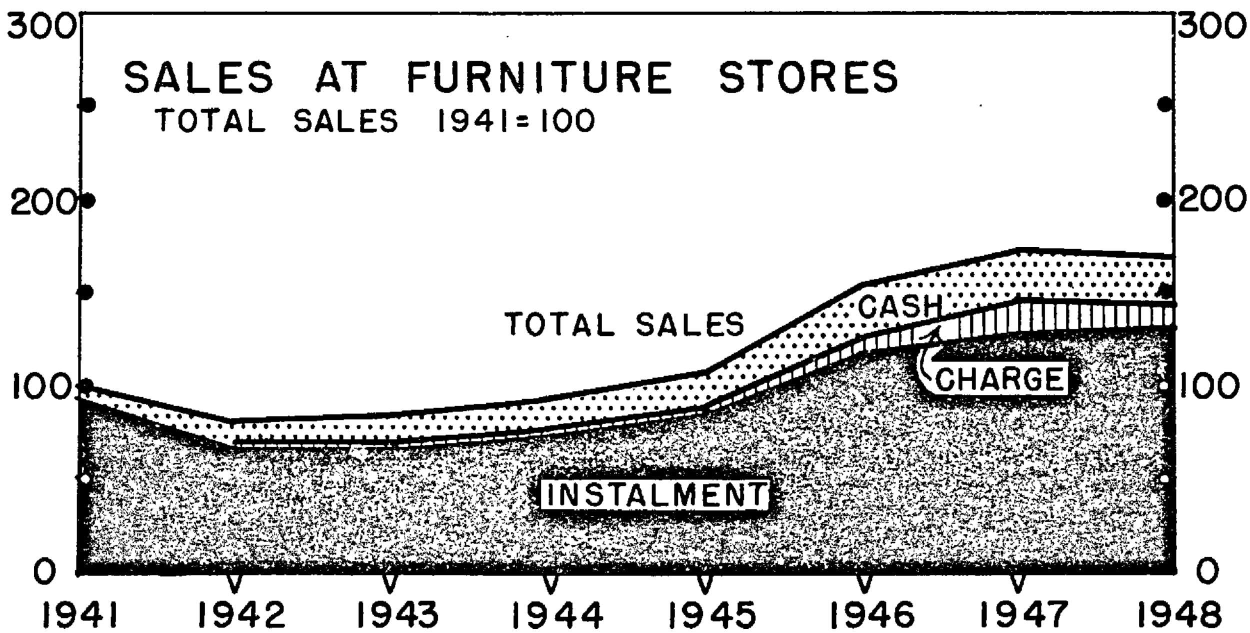
FURNITURE STORES

After six years of uninterrupted year-to-year sales increases, furniture stores throughout the District reported that, as a group, their sales during 1948 were slightly less than during 1947. The greater part of the 2-percent decline was accounted for by lower sales during the last quarter of the year. Sales at the stores in Louisiana and Mississippi, however, were exceptions to the general trend. Throughout the United States, according to Department of Commerce estimates, furniture store sales were 5 percent greater in 1948 than in 1947.

Declines in both cash and charge account sales were responsible for the decline in total sales. Instalment sales, which accounted for 78 percent of total sales in 1948, were up one percent from 1947 for the District as a whole. At the small stores, however, they were down 3 percent and the tabulations by states show that the declines in this type of sales were greatest at the small stores in each state for which declines in total sales were reported. In Louisiana and Mississippi the rates of increase in instalment sales were lowest at the small stores.

During 1948, furniture stores sold 14 percent of their total merchandise on a cash basis. The proportion of total sales accounted for by cash sales declined as the size of the store increased. In 1946, stores had sold 18 percent of their goods for cash but in 1941 the proportion was only 6 percent.

Despite the decline in charge account rates and the relatively moderate growth in instalment sales, charge accounts receivable at the end of 1948 were up 11 percent from those outstanding at the end of the preceding year and instalment receivables were up 21 percent. Only about 10 percent of the stores sold any of their instalment paper during 1948. At these stores instalment paper sold amounted to approximately 33 percent of the year's instalment sales. At the other stores, instalment receivables outstanding at the end of 1948 amounted to 45 percent of the year's instalment sales, compared with a 38-percent figure for 1947.



FURNITURE STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1948	Cash 1947	Charge Account 1948	Charge Account 1947	Instalment 1948	Instalment 1947
ALL DISTRICT STORES	151	- 2	- 14	- 8	+ 1	14	16	8	9	78	75
Small	67	- 5	- 11	- 6	- 3	24	26	7	7	69	67
Medium	35	+ 0	- 14	+ 10	+ 3	16	18	9	9	75	73
Large	22	+ 1	- 14	+ 1	+ 3	10	12	4	4	86	84
ALABAMA	31	- 1	- 19	+ 13	+ 2	13	16	5	4	82	80
Small	10	- 3	- 18	+ 32	+ 1	26	31	5	3	69	66
Medium	10	- 7	- 26	+ 13	- 5	13	16	7	6	80	78
Large	7	+ 2	- 16	+ 11	+ 5	11	16	4	6	85	82
Birmingham Area	16	- 2	- 18	+ 14	+ 1	13	15	3	3	84	82
Birmingham	13	- 2	- 20	+ 14	+ 1	12	15	2	1	86	84
Outside Birmingham	3	- 6	- 3	+ 13	- 11	25	24	17	14	58	62
Mobile Area	3	- 5	- 19	+ 81	- 3	12	14	1	0	87	86
Montgomery Area	8	+ 2	- 19	+ 6	+ 5	12	15	8	8	80	77
Montgomery	7	+ 1	- 19	+ 5	+ 5	12	15	8	8	80	77
FLORIDA	31	- 7	- 17	+ 1	- 6	17	20	17	15	66	65
Small	18	- 10	- 9	- 12	- 11	26	26	13	13	61	61
Jacksonville	4	- 7	- 27	----	- 4	10	13	--	--	90	87
Miami Area	4	- 2	- 10	- 4	+ 2	31	34	5	5	64	61
Miami	3	- 1	- 3	- 4	- 0	26	26	6	7	68	67
Orlando Area	4	+ 20	+ 29	+ 29	+ 14	30	28	9	8	61	64
Orlando	3	+ 22	+ 32	+ 29	+ 15	33	30	10	10	57	60
Pensacola	5	+ 6	- 28	- 30	+ 16	13	19	3	4	84	77
Tampa-St. Petersburg Area	10	- 13	- 22	+ 2	- 20	16	18	39	33	45	49
Tampa	5	- 5	- 21	+ 9	- 13	13	16	50	43	37	41
Outside Tampa	3	- 10	- 5	- 19	+ 1	28	27	41	46	31	27
GEORGIA	34	- 1	- 12	+ 2	+ 1	14	16	7	7	79	77
Small	15	- 11	- 27	+ 17	- 7	19	24	2	1	79	75
Medium	11	+ 8	- 2	+ 9	+ 11	19	21	6	6	75	73
Large	8	- 5	- 16	- 3	- 3	9	11	9	8	82	81
Atlanta Area	16	- 2	- 10	- 1	- 0	13	15	4	4	83	81
Atlanta	10	- 3	- 9	- 5	- 1	13	15	4	4	83	81
Outside Atlanta	6	+ 0	- 13	+ 17	+ 2	13	16	4	3	83	81
Augusta	4	+ 3	- 13	+ 8	+ 5	10	12	16	15	74	73
Columbus Area	8	+ 0	- 16	- 0	+ 6	18	22	0	1	82	77
Columbus	6	- 10	- 41	- 8	- 4	10	15	0	1	90	84
Savannah	3	- 3	- 16	+ 13	- 3	12	14	10	9	78	77
South Georgia Area	3	+ 5	----	----	----	--	--	--	--	--	--
LOUISIANA	21	+ 9	- 2	- 8	+ 12	11	12	4	5	85	83
Small	4	+ 26	*	0	+ 2	38	23	12	15	50	62
Medium	5	+ 1	- 23	- 10	+ 6	9	11	14	16	77	73
Large	4	+ 12	- 2	----	+ 13	7	8	--	--	93	92
Lafayette-Iberia Area	4	+ 6	+ 10	+ 50	+ 5	18	18	3	2	79	80
New Orleans Area	15	+ 9	- 17	- 35	+ 13	9	12	1	1	90	87
New Orleans	13	+ 10	- 16	----	+ 13	9	11	--	--	91	89
MISSISSIPPI	7	+ 1	- 32	- 26	+ 18	19	29	4	5	77	66
Small	6	+ 5	- 23	- 26	+ 20	19	26	6	9	75	65
Meridian Area	3	+ 1	- 34	+ 29	+ 15	19	30	2	1	79	69
TENNESSEE	27	- 10	- 13	- 25	- 7	15	15	12	14	73	71
Small	14	- 4	- 11	- 1	- 1	24	27	6	5	70	68
Medium	6	- 1	- 11	+ 29	- 0	20	22	6	5	74	73
Chattanooga Area	7	- 22	+ 2	- 30	- 20	6	5	24	27	70	68
Chattanooga	6	- 22	- 4	- 31	- 20	5	4	23	26	72	70
Knoxville Area	8	- 9	- 23	+ 3	- 4	27	31	5	5	68	64
Knoxville	5	- 15	- 30	+ 25	- 7	27	33	1	1	72	66
Outside Knoxville	3	+ 5	+ 4	- 0	+ 7	26	26	15	16	59	58
Nashville Area	9	+ 5	- 8	- 21	+ 9	20	23	1	1	79	76
Nashville	5	+ 6	- 7	----	+ 9	19	22	--	--	81	78
Outside Nashville (Tenn.)	3	+ 0	- 8	- 21	+ 5	27	29	2	3	71	68
Tri-Cities Area	5	+ 2	- 15	+ 28	+ 3	18	22	14	11	68	67

*Increase of over 100 percent.

For footnotes, see page 26.

FURNITURE STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year		
		Percent Change, 1947–1948	As Percent of Annual Charge Account Sales		Percent Change, 1947–1948	As Percent of Annual Instalment Sales	
			1948	1947		1948	1947
ALL DISTRICT STORES	142	+ 11	25	20	+ 21	46	38
Small	62	- 7	26	26	+ 8	47	42
Medium	33	+ 24	20	17	+ 21	47	40
Large	20	+ 10	30	28	+ 25	43	36
ALABAMA	30	+ 30	26	22	+ 20	43	37
Small	9	+ 98	26	16	+ 15	46	40
Medium	10	+ 52	32	23	+ 11	46	39
Large	7	- 2	20	22	+ 15	42	34
Birmingham Area	16	- 0	20	23	+ 24	45	36
Birmingham	13	- 7	21	26	+ 25	44	36
Outside Birmingham	3	+ 15	18	18	+ 13	49	39
Montgomery Area	8	+ 59	33	22	+ 12	43	40
Montgomery	7	+ 59	32	21	+ 12	42	40
FLORIDA	30	- 7	18	20	+ 11	52	44
Small	17	- 16	23	24	+ 6	55	47
Jacksonville	4	----	--	--	+ 19	55	45
Miami Area	4	+ 3	43	40	+ 7	53	51
Miami	3	+ 3	43	40	+ 1	35	49
Orlando Area	4	+ 35	20	19	+ 21	61	57
Orlando	3	+ 35	20	19	+ 22	61	58
Pensacola	4	+ 13	38	29	+ 36	51	44
Tampa-St. Petersburg Area	10	- 14	15	18	- 9	49	43
Tampa	5	- 8	14	17	- 3	50	44
Outside Tampa	3	- 28	20	23	- 5	38	40
GEORGIA	32	+ 17	31	28	+ 15	45	39
Small	15	+ 7	27	30	+ 2	45	41
Medium	11	+ 18	25	23	+ 20	44	41
Large	6	+ 17	40	33	+ 14	45	38
Atlanta Area	14	+ 13	32	40	+ 18	42	36
Atlanta	9	----	--	--	+ 17	44	37
Outside Atlanta	5	+ 13	32	40	+ 18	36	30
Augusta	4	+ 33	42	34	+ 23	50	43
Columbus Area	8	- 6	33	21	+ 8	39	38
Columbus	6	- 6	33	21	+ 8	43	39
Savannah	3	+ 13	18	18	+ 15	58	49
LOUISIANA	20	+ 11	15	12	+ 3	48	38
Small	3	- 37	24	38	- 2	41	42
Medium	5	+ 53	13	8	+ 43	56	42
Large	4	----	--	--	+ 37	41	34
New Orleans Area	14	- 28	35	19	+ 46	47	37
New Orleans	13	----	--	--	+ 46	47	37
MISSISSIPPI	6	+ 3	38	21	+ 40	51	43
Small	5	+ 3	38	21	+ 39	50	44
Meridian-Hattiesburg-Laurel Area	3	+ 68	41	31	+ 37	50	42
TENNESSEE	24	+ 14	30	18	+ 19	45	35
Small	13	+ 9	31	28	+ 7	42	39
Medium	4	----	--	--	+ 30	47	37
Chattanooga Area	6	+ 11	30	19	+ 15	47	33
Chattanooga	5	+ 14	29	18	+ 15	47	33
Knoxville Area	8	+ 11	29	27	+ 15	41	34
Knoxville	5	+ 28	46	45	+ 10	41	35
Outside Knoxville	3	+ 7	26	24	+ 35	41	33
Nashville Area	9	+ 2	50	38	+ 27	45	39
Nashville	5	----	--	--	+ 34	49	40
Outside Nashville (Tenn.)	3	+ 2	50	38	- 26	25	34
Tri-Cities Area	3	+ 14	18	18	+ 5	30	37

For footnotes, see page 26.

HARDWARE STORES

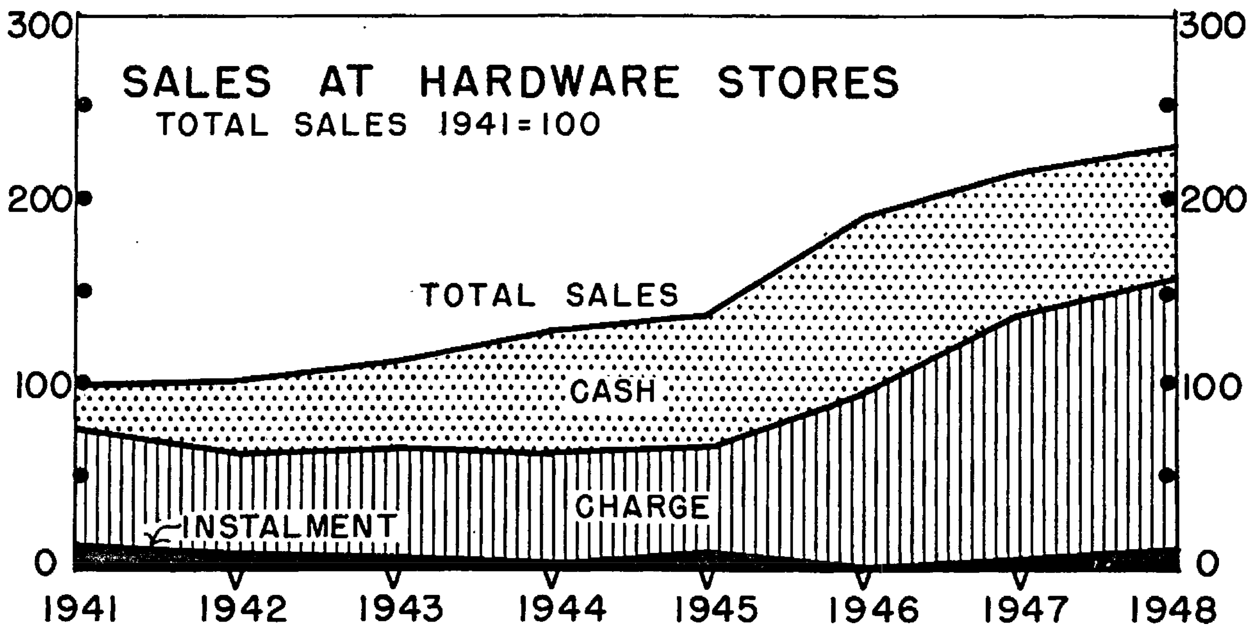
Although the small and medium-size stores throughout the District reported lower sales in 1948 than in 1947, increased sales at the large stores and the chain stores, which are not classified by size, brought 1948 sales for all District stores up 7 percent from 1947. Throughout the nation, hardware store sales increased 9 percent. It is extimated that the District's hardware stores sold 128 percent more in 1948 than they did in 1941.

Almost without exception, the stores reported that their cash sales were lower in 1948 than in 1947. For the stores as a group, they were down 8 percent. Charge account sales were up 13 percent and instalment sales 17 percent.

The increase in instalment sales probably reflected increased sales of such merchandise as household appliances. Nevertheless, instalment sales in 1948 amounted to only 5 percent of total sales, and they did not reach the relative importance they had in 1942 when they amounted to 9 percent of total sales.

Growth of charge accounts receivable between the end of 1947 and the end of 1948 for all the stores amounted to 17 percent and in instalment receivables to 73 percent. Credit extended on charge accounts was outstanding for a comparatively short time, according to the reports. At the end of 1948 as well as the end of 1947, these accounts amounted to only 14 percent of annual charge account sales. Instalment receivables at the end of 1948 amounted to 21 perof instalment sales in the preceding year.

About a third of the stores reported sale of instalment paper to financial institutions. Paper sold in 1948 amounted to 13 percent of instalment sales compared with 9 percent in 1947. At these stores, of course, instalment receivables at the end of 1948 were lower in relation to instalment sales than at the stores that sold no paper – 12 percent compared with 31 percent.



HARDWARE STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash		Charge Account		Instalment	
						1948	1947	1948	1947	1948	1947
ALL REPORTING STORES	125	+ 7	- 8	+ 13	+ 71	31	36	64	61	5	3
Small	13	- 5	- 13	+ 5	+ 32	58	63	38	34	4	3
Medium	31	- 4	- 12	+ 3	+ 47	45	50	52	48	3	2
Large	6	+ 5	- 13	+ 10	+ 32	21	25	75	72	4	3
ALABAMA	14	- 6	- 16	- 4	*	54	61	37	36	9	3
Medium	7	- 7	- 15	+ 0	+ 0	52	57	46	43	2	--
Birmingham Area	4	- 18	- 23	- 5	- 3	70	75	23	19	7	6
Mobile Area	5	+ 2	- 16	- 6	*	41	49	44	47	15	4
FLORIDA	17	+ 1	- 17	+ 14	+ 8	35	43	64	56	1	1
Small	4	- 15	- 26	- 4	----	42	49	58	51	--	--
Medium	3	- 17	- 30	- 7	+ 1	40	47	57	51	3	2
Jacksonville Area	3	- 12	- 14	- 9	+ 25	49	50	51	50	0	0
Miami	3	+ 4	- 18	+ 14	----	24	30	76	70	--	--
Tampa-St. Petersburg Area	6	- 10	- 30	+ 13	----	41	53	59	47	--	--
GEORGIA	11	- 3	- 4	- 3	*	33	34	66	66	1	0
Medium	7	+ 1	+ 0	+ 0	*	49	49	50	51	1	0
LOUISIANA	9	+ 25	- 2	+ 24	*	18	23	67	68	15	9
New Orleans Area	3	+ 10	+ 0	+ 18	+ 65	62	58	27	25	11	7
MISSISSIPPI	6	+ 8	- 10	+ 22	+ 45	39	47	54	48	7	5
Medium	6	+ 8	- 10	+ 22	+ 45	39	47	54	48	7	5
Meridian Area	3	+ 1	- 15	+ 19	+ 15	43	51	52	44	5	5
TENNESSEE	15	- 8	+ 83	- 3	+ 17	39	43	54	51	7	6
Small	5	+ 12	+ 0	+ 52	+ 16	68	76	31	23	1	1
Medium	6	- 10	- 19	- 3	- 19	39	43	58	54	3	3
Chattanooga Area	7	- 15	- 18	- 14	- 9	38	39	58	57	4	4
Chattanooga Area (Tenn.)	5	- 17	- 19	- 17	- 9	34	35	61	60	5	5
Nashville Area	5	+ 1	- 6	+ 7	- 0	40	43	60	57	0	0
Nashville Area (Tenn.)	3	- 8	- 15	+ 2	- 0	57	61	43	39	0	0
Tri-Cities Area	3	+ 1	- 19	+ 20	+ 32	43	54	38	32	19	14

HARDWARE STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year		
		Percent Change, 1947–1948	As Percent of Annual Charge Account Sales		Percent Change, 1947–1948	As Percent of Annual Instalment Sales	
			1948	1947		1948	1947
ALL REPORTING STORES	114	+ 17	14	14	+ 73	21	21
Small	6	- 13	17	18	*	41	40
Medium	29	- 2	14	15	+ 77	23	20
Large	6	+ 12	14	14	+ 41	40	38
ALABAMA	12	+ 5	17	16	+ 36	12	27
Medium	7	+ 5	16	16	+ 50	10	50
Mobile Area	5	+ 3	17	16	+ 37	10	33
FLORIDA	14	+ 11	15	15	+100	1	1
Small	3	- 7	16	17	----	--	--
Medium	3	- 83	16	18	+100	1	1
Miami	3	+ 16	17	17	----	--	--
Tampa-St. Petersburg Area	6	+ 23	13	12	----	--	--
GEORGIA	11	- 11	12	13	*	32	13
Medium	7	- 8	14	16	*	29	21
LOUISIANA	8	+ 41	23	20	*	13	10
MISSISSIPPI	4	+ 13	11	13	*	26	15
Medium	4	+ 13	11	13	*	26	15
TENNESSEE	12	+ 5	15	13	+ 34	42	37
Medium	6	+ 9	13	11	- 4	37	31
Chattanooga Area	7	+ 1	13	11	+ 24	50	36
Chattanooga Area (Tenn.)	5	- 5	12	11	+ 24	50	36
Nashville Area	3	+ 12	10	9	----	--	--
Tri-Cities Area	3	+ 18	25	25	+ 39	40	38

*Increase of over 100 percent.

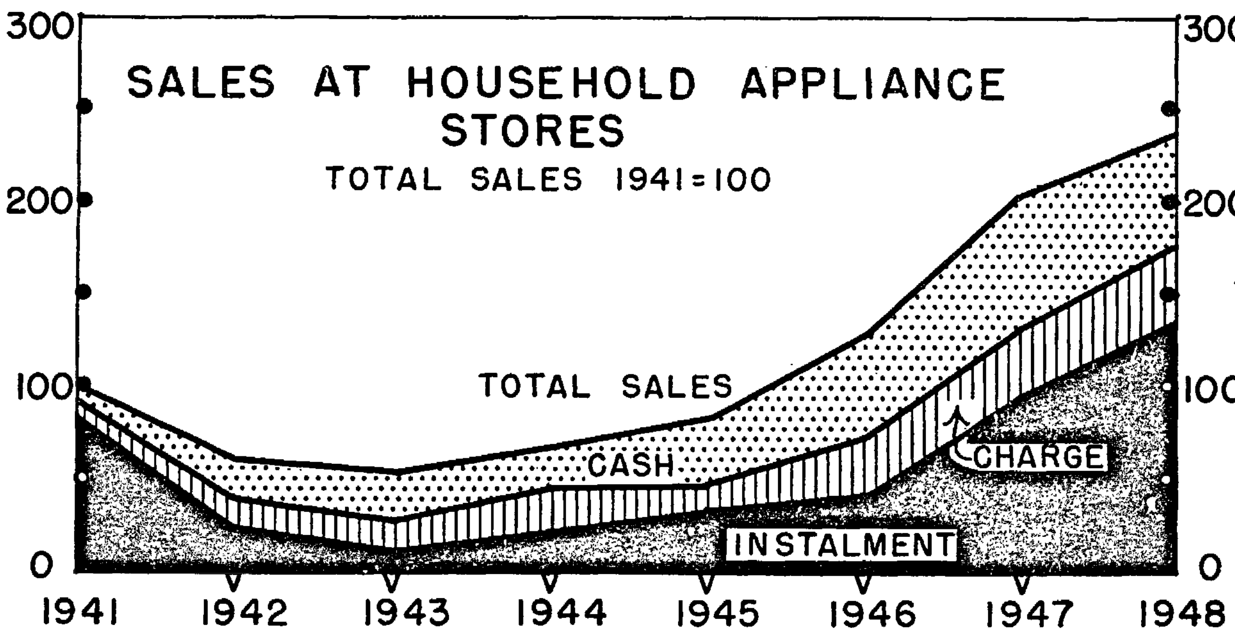
For footnotes, see page 26.

HOUSEHOLD APPLIANCE STORES

Although lower sales were reported in 1948 than in 1947 by the household appliance stores with annual sales of less than $250,000, increases at the larger stores brought total sales for the District up 16 percent. Sales of household appliance stores throughout the nation were up 11 percent. The rate of increase in sales from 1947 to 1948 was considerably less than the gain of 60 percent from 1946 to 1947, principally because of a slowdown in sales beginning in October 1948. Sales in 1948, however, are estimated to be 135 percent higher than in 1941. The rate of increase in sales at the household appliance stores was second only to that of the automobile dealers in the District.

As would be expected, instalment sales continued to expand faster in 1948 than either cash or charge account sales. At all the reporting stores, instalment sales increased 44 percent and charge account sales, 6 percent; whereas cash sales declined 18 percent. As a result, the proportion of total sales made on the instalment plan increased from 47 percent in 1947 to 58 percent in 1948. Although the 1948 ratio exceeded that reported for any of the preceding six years, it was still less than the proportion of 84 percent reported for 1941.

About nine out of every 10 household appliance stores sold at least part of their instalment paper to financing institutions during 1948 limiting the increase in instalment receivables from 1947 to 1948. Nevertheless, total instalment receivables held by the stores increased 64 percent. Instalment paper sold during 1948 by all the stores that sold paper amounted to 26 percent of 1948 sales, compared with 24 percent in 1947. For the stores selling instalment paper, instalment receivables at the end of 1948 amounted to only 9 percent of sales during the preceding year. At the stores not selling paper, the ratio was 39 percent.



HOUSEHOLD APPLIANCE STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948				Percent of Total Sales					
		Total	Cash	Charge Account	Instalment	Cash 1948	Cash 1947	Charge Account 1948	Charge Account 1947	Instalment 1948	Instalment 1947
ALL REPORTING STORES	169	+ 16	- 18	+ 6	+ 44	25	35	17	18	58	47
Small	15	- 4	- 19	- 11	+ 39	49	58	18	20	33	22
Medium	10	+ 11	- 9	+ 14	+ 34	33	40	26	26	41	34
Large	7	+ 15	- 11	+ 26	+ 39	34	44	15	14	51	42
ALABAMA	10	+ 9	- 12	- 8	+ 18	16	20	9	11	75	69
Birmingham	7	- 1	----	----	----	--	--	--	--	--	--
FLORIDA	8	+ 11	- 6	+ 23	+ 29	43	50	17	16	40	34
Small	3	- 23	- 55	- 2	+ 13	29	49	17	13	54	38
Medium	3	+ 18	- 8	+ 27	*	45	57	34	32	21	11
Miami Area	5	+ 23	+ 6	+ 45	+ 64	55	64	20	17	25	19
Outside Miami	3	+ 4	- 34	+ 45	+ 18	29	46	53	38	18	16
GEORGIA	107	+ 18	- 21	+ 2	+ 50	22	34	14	16	64	50
Small	5	- 18	- 24	- 19	+ 3	46	50	31	32	23	18
Medium	3	- 10	- 13	- 4	- 19	34	35	47	44	19	21
Atlanta Area	5	+ 1	- 10	+ 19	+ 1	38	43	28	24	34	33
Atlanta	4	+ 0	- 9	+ 29	+ 0	43	47	18	14	39	39
LOUISIANA	4	+ 17	- 10	+ 27	*	47	61	24	22	29	17
Lafayette-Iberia Area	3	+ 40	----	----	----	--	--	--	--	--	--
MISSISSIPPI	33	----	----	----	----	--	--	--	--	--	--
TENNESSEE	7	+ 13	- 20	+ 8	+ 64	26	38	32	33	42	29
Small	3	+ 2	- 9	+ 35	+ 24	59	56	4	3	37	31

HOUSEHOLD APPLIANCE STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year			Instalment Receivables, End of Year		
		Percent Change, 1947–1948	As Percent of Annual Charge Account Sales 1948	As Percent of Annual Charge Account Sales 1947	Percent Change, 1947–1948	As Percent of Annual Instalment Sales 1948	As Percent of Annual Instalment Sales 1947
ALL REPORTING STORES	163	+ 10	12	12	+ 64	17	15
Small	13	+ 21	17	13	- 7	14	21
Medium	7	+ 65	14	10	+ 65	40	30
Large	6	+ 64	14	11	+ 72	46	37
ALABAMA	10	+ 65	18	10	+ 61	39	28
FLORIDA	5	+ 50	17	14	+ 37	44	37
Miami Area	3	+ 62	16	14	+ 4	11	13
GEORGIA	105	- 8	9	10	+ 80	8	7
Small	4	+ 9	18	14	- 5	5	6
Atlanta Area	5	*	12	6	*	43	19
Atlanta	4	*	10	4	*	43	19
LOUISIANA	3	+ 6	13	14	*	33	26
MISSISSIPPI	33	----	--	--	----	--	--
TENNESSEE	7	+ 9	15	15	+ 60	28	29
Small	3	+ 63	41	34	- 53	14	37

*Increase of over 100 percent.

For footnotes, see page 26.

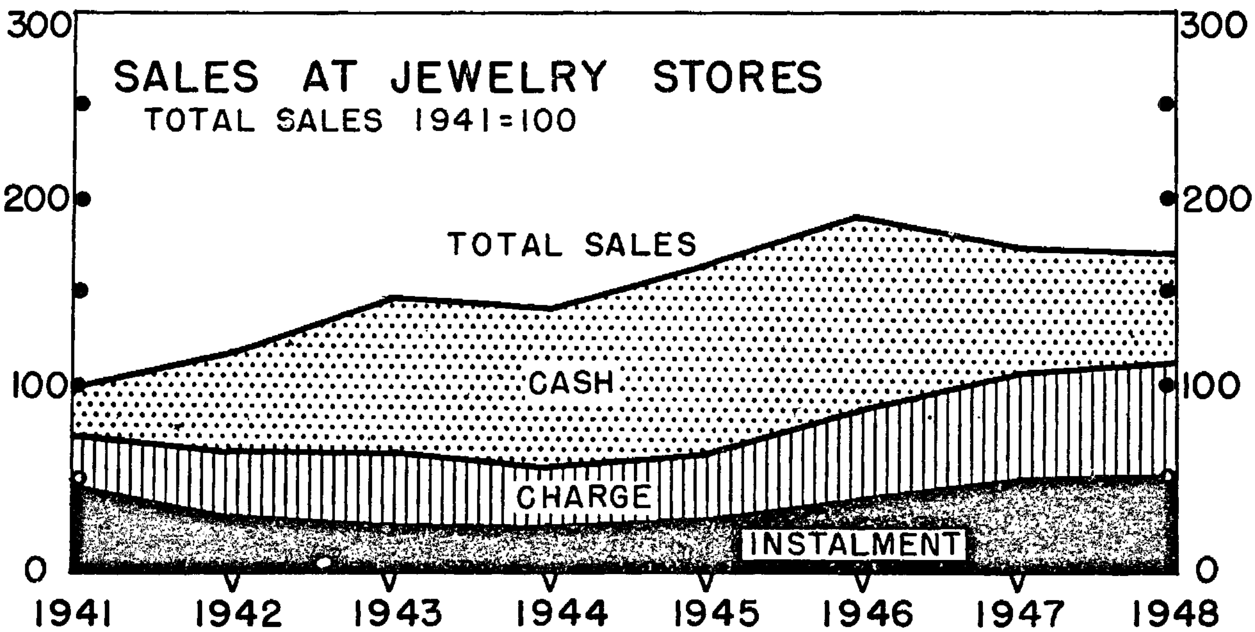
JEWELRY STORES

In 1948, for the second consecutive year, Sixth District jewelry stores reported that their sales were lower than during the preceding year. For the District as a whole, total sales were down 2 percent and at the small and medium-size stores they were down 4 percent. There were, however, some exceptions to the general trend. Throughout the United States, jewelry store sales in 1948 were 8 percent less than in 1947. Despite the declines of the last two years, 1948 sales are estimated to be 69 percent above those of 1941.

Cash sales declined 12 percent between 1947 and 1948. Credit sales increased, however, charge accounts, 4 percent and instalment accounts, 6 percent. The proportion of total sales accounted for by cash purchases was 35 percent in 1948, considerably smaller than that of 1944, when it was 61 percent, but far greater than the 28 percent ratio for 1941.

For all District reporting stores, charge accounts receivable at the end of 1948 were 22 percent greater than at the end of 1947, whereas instalment receivables increased 15 percent. Although the increase in charge accounts receivable was the greatest at the large stores, 29 percent, the small stores reported the greatest rate of increase in instalment receivables, 23 percent. At practically all the stores, accounts were outstanding for a longer period at the end of 1948 than at the end of 1947. Charge accounts receivable at the end of last year amounted to 31 percent of the annual charge account sales, compared with 26 percent at the end of 1947.

Apparently, the smaller the size of the store the greater was the proportion of total sales made on the instalment plan. At the small stores, those with sales below $250,000 a year, instalment sales accounted for 33 percent of total sales in 1948, compared with 23 percent at the large stores, those with annual sales of $500,000 or more. Instalment credit was also evidently outstanding for a longer period at the small stores than at the others.



JEWELRY STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1948	Cash 1947	Charge Account 1948	Charge Account 1947	Instalment 1948	Instalment 1947
ALL DISTRICT STORES	57	- 2	- 12	+ 4	+ 6	35	39	35	33	30	28
Small	25	- 4	- 13	+ 6	+ 4	48	53	19	17	33	30
Medium	16	- 4	- 16	- 2	+ 15	39	44	30	30	31	26
Large	5	- 2	- 11	+ 3	+ 2	31	34	46	44	23	22
ALABAMA	17	+ 1	- 10	+ 9	+ 3	33	37	57	53	10	10
Small	8	- 7	- 9	- 6	- 5	45	46	19	19	36	35
Birmingham Area	6	- 2	+ 11	+ 3	+ 5	29	32	61	58	10	10
Birmingham	5	- 1	- 11	+ 3	+ 8	29	32	61	59	10	9
Mobile	3	- 3	+ 23	+100	- 2	35	43	16	8	49	49
FLORIDA	11	- 12	- 19	- 4	- 7	40	44	28	26	32	30
Small	6	- 9	- 21	+ 9	- 0	41	48	19	16	40	36
Medium	4	- 12	- 23	+ 2	- 4	45	51	27	24	28	25
Jacksonville	3	- 12	- 13	- 12	- 12	35	35	30	30	35	35
Miami	3	- 11	- 21	+ 55	- 11	45	51	14	8	41	41
Pensacola Area	4	- 6	- 24	+ 8	+ 15	40	49	16	15	44	36
GEORGIA	13	+ 1	- 11	+ 22	+ 9	36	41	4	3	60	56
Small	8	+ 2	- 13	+ 22	+ 25	52	60	17	15	31	25
Atlanta Area	3	- 5	- 6	- 4	+ 0	52	53	29	29	19	18
South Georgia Area	3	+ 18	- 7	+ 17	+ 26	32	40	6	2	62	58
LOUISIANA	4	+ 4	- 5	+ 11	+ 7	27	29	17	16	56	55
MISSISSIPPI	5	- 8	- 19	- 22	+ 59	46	52	28	33	26	15
Medium	3	- 8	- 18	- 22	+ 59	46	52	28	33	26	15
Meridian Area	4	- 9	- 15	+ 3	- 8	52	55	31	27	17	18
TENNESSEE	7	+ 0	- 7	+ 1	+ 13	36	39	41	41	23	20
Medium	5	+ 1	- 6	+ 0	+ 15	34	37	42	42	24	21

JEWELRY STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change, 1947–1948	As Percent of Annual Charge Account Sales: 1948	1947	Instalment Receivables, End of Year: Percent Change, 1947–1948	As Percent of Annual Instalment Sales: 1948	1947
ALL DISTRICT STORES	46	+ 22	31	26	+ 15	38	36
Small	22	+ 13	43	38	+ 23	50	42
Medium	16	+ 13	36	31	+ 12	35	36
Large	4	+ 29	27	22	+ 21	33	29
ALABAMA	11	+ 27	31	26	- 0	41	42
Small	7	+ 24	81	63	+ 3	50	46
Birmingham Area	6	+ 28	32	26	+ 0	36	37
Birmingham	5	+ 28	32	26	+ 5	32	33
Mobile	3	+ 54	51	66	+ 6	54	50
FLORIDA	10	+ 5	23	22	+ 13	51	44
Small	6	- 7	26	31	+ 32	51	39
Medium	4	+ 1	22	20	+ 6	51	46
Miami	3	+ 66	15	14	+ 8	52	43
Pensacola Area	4	- 7	26	31	+ 29	53	47
GEORGIA	12	+ 10	24	21	+ 18	42	39
Small	7	+ 10	24	21	+ 78	50	31
Atlanta Area	3	- 8	17	18	+ 12	34	31
LOUISIANA	3	+ 59	11	8	+ 25	32	28
MISSISSIPPI	3	- 2	14	11	+ 19	37	50
Medium	3	- 2	14	11	+ 19	37	50
TENNESSEE	7	+ 14	52	46	+ 9	20	21
Medium	5	+ 14	54	47	+ 12	18	18

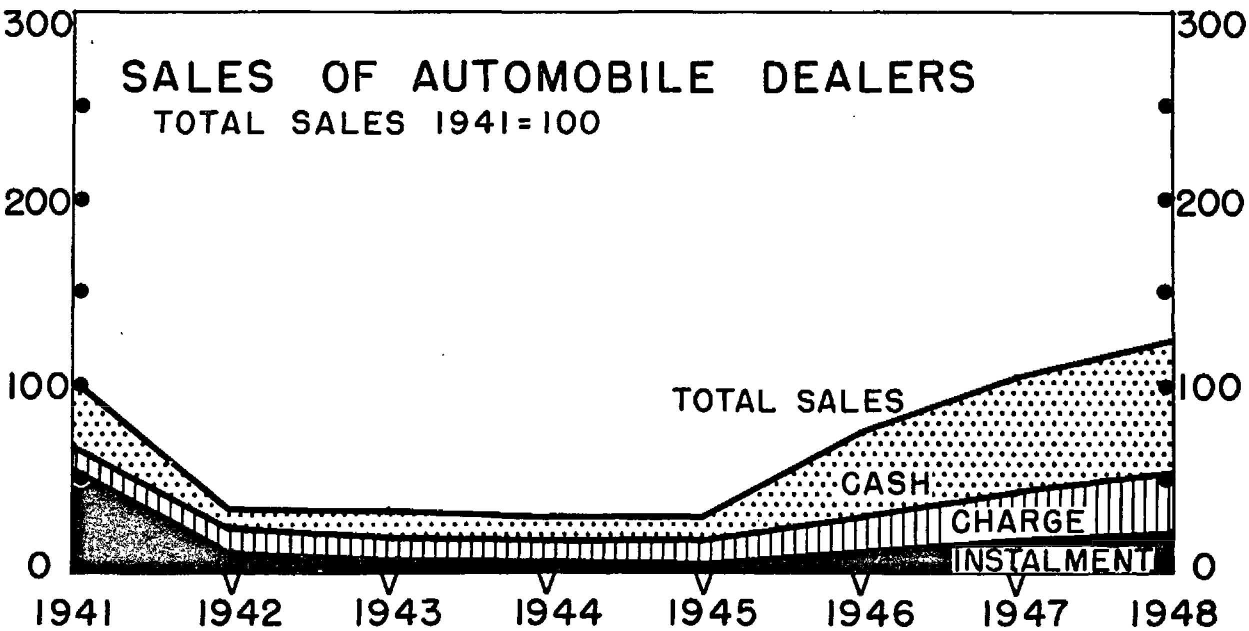
For footnotes, see page 26.

AUTOMOBILE DEALERS

Of approximately 130 billion dollars worth of merchandise that American consumers bought from all retail stores in the United States during 1948, they bought almost 16 billion dollars worth from automobile dealers. Automobile dealers, however, had much greater importance in respect to dollar sales among the lines of credit-granting businesses surveyed than these figures would indicate. Consequently, the 19-percent increase in the sales of the reporting dealers in the Sixth District was one of the principal explanations for the growth in credit buying during 1948. Throughout the Sixth District, the rate of sales growth exceeded that of any other business.

Although the dealers' cash sales were 13 percent greater in 1948 than in 1947, credit sales expanded so much — charge account, 19 percent an instalment, 43 percent — that the proportion of sales made for cash declined from 60 percent in 1947 to 57 percent in 1948. Only 5 percent of the dealers carried their own instalment paper. The remaining dealers sold paper during 1948 that amounted to 62 percent of their instalment sales, about the maximum amount that could be sold when consideration is taken of down payments received. Consequently, instalment receivables outstanding at the end of 1948 at these stores amounted to only 6 percent of the year's instalment sales. At the stores not selling instalment paper, instalment receivables at the end of 1948 were 28 percent of the year's instalment sales.

The sale of instalment paper has, of course, been reflected in the growth of automotive instalment paper held by financial institutions. At the commercial banks throughout the District, for example, purchased automotive paper outstanding at the end of 1948 was 7.7 million dollars greater than at the end of the preceding year. Part of the cash purchases at automobile dealers was, no doubt, financed by loans made by the banks and other institutions directly to the purchasers. Direct automotive instalment loans outstanding at the District's commercial banks increased 14.6 billion dollars during 1948.



AUTOMOBILE DEALERS
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1948	Cash 1947	Charge Account 1948	Charge Account 1947	Instalment 1948	Instalment 1947
ALL REPORTING STORES	73	+ 19	+ 13	+ 19	+ 43	57	60	25	25	18	15
Small	11	+ 26	+ 25	+ 17	+ 52	56	56	30	32	14	12
Medium	15	+ 13	+ 4	+ 19	+ 42	56	61	27	26	17	13
Large	44	+ 21	+ 15	+ 20	+ 45	57	60	25	25	18	15
ALABAMA	10	+ 21	+ 18	+ 6	+ 53	56	58	22	25	22	17
Small	3	+ 21	+ 12	+ 36	+ 43	63	68	20	18	17	14
Large	7	+ 21	+ 18	+ 5	+ 54	56	57	22	26	22	17
Birmingham Area	6	+ 18	+ 17	+ 17	+ 22	58	58	24	24	18	18
Birmingham	5	+ 19	+ 19	+ 18	+ 23	57	57	24	25	19	18
FLORIDA	12	+ 17	+ 1	+ 44	+ 30	50	58	28	23	22	19
Large	7	+ 20	+ 6	+ 44	+ 32	51	58	29	24	20	18
Jacksonville Area	3	+ 22	- 17	+ 48	+ 39	25	37	58	48	17	15
Miami	3	+ 12	+ 4	+ 40	+ 57	78	84	5	4	17	12
GEORGIA	17	+ 21	+ 20	+ 19	+ 30	58	59	25	25	17	16
Small	6	+ 28	+ 39	+ 9	+ 62	51	47	36	42	13	11
Medium	5	+ 17	+ 13	- 1	+ 49	65	67	11	14	24	19
Large	6	+ 22	+ 20	+ 23	+ 23	58	58	27	27	15	15
Atlanta Area	6	+ 23	+ 24	+ 21	+ 25	65	64	29	30	6	6
Outside Atlanta	4	+ 24	+ 46	- 2	+ 29	59	50	35	44	6	6
Columbus	3	+ 16	+ 9	+ 13	+ 23	45	48	1	2	54	50
South Georgia Area	3	+ 19	+ 7	+ 28	+ 24	35	39	37	35	28	26
LOUISIANA	11	+ 19	+ 13	+ 20	+ 75	65	69	25	24	10	7
Medium	4	+ 16	+ 16	+ 12	+ 30	70	70	23	24	7	6
Large	7	+ 20	+ 13	+ 22	+ 87	64	69	25	24	11	7
Alexandria-Lake Charles Area	5	+ 18	+ 10	+ 13	*	61	66	27	28	12	6
Alexandria Area	3	+ 20	+ 8	+ 7	+ 43	55	61	26	30	19	9
Lafayette-Iberia Area	3	+ 22	+ 15	+ 28	+ 89	55	59	40	38	5	3
New Orleans Area	4	+ 16	+ 14	+ 26	+ 17	72	74	17	15	11	11
New Orleans	3	+ 18	—	—	—	—	—	—	—	—	—
MISSISSIPPI	10	+ 5	- 8	- 5	+ 67	50	57	24	26	26	17
Medium	3	+ 11	+ 5	+ 13	+ 22	46	48	34	34	20	18
Large	6	+ 3	- 12	- 10	+ 75	51	59	21	25	28	16
Jackson Area	5	+ 4	- 6	+ 8	+ 25	48	52	37	35	15	13
Jackson	3	+ 5	- 8	+ 8	+ 85	48	56	37	36	15	8
Meridian Area	3	+ 13	- 9	- 9	+ 96	42	52	22	27	36	21
TENNESSEE	11	+ 18	+ 17	+ 23	+ 11	62	62	26	25	12	13
Large	9	+ 19	+ 19	+ 22	+ 10	63	62	25	24	12	14
Chattanooga Area	3	+ 17	+ 4	+ 35	+ 49	54	62	31	27	15	11
Knoxville Area	5	+ 16	+ 26	+ 19	- 29	65	60	26	25	9	15
Knoxville	4	+ 15	+ 26	+ 17	- 32	65	59	26	26	9	15
Nashville Area	3	+ 29	+ 6	- 1	*	54	65	17	23	29	12

*Increase of over 100 percent.

For footnotes, see page 26.

AUTOMOBILE DEALERS
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change, 1947–1948	Charge Accounts Receivable: As Percent of Annual Charge Account Sales, 1948	Charge Accounts Receivable: As Percent of Annual Charge Account Sales, 1947	Instalment Receivables, End of Year: Percent Change, 1947–1948	Instalment Receivables: As Percent of Annual Instalment Sales, 1948	Instalment Receivables: As Percent of Annual Instalment Sales, 1947
ALL REPORTING STORES	70	+ 19	9	9	+ 27	6	7
Small	11	+ 19	13	13	*	7	3
Medium	14	+ 20	10	10	+ 27	8	9
Large	42	+ 19	9	9	+ 26	6	7
ALABAMA	10	- 3	8	9	- 21	4	8
Small	3	- 7	10	15	*	16	7
Large	7	- 2	8	9	- 31	3	8
Birmingham Area	6	- 6	7	9	- 31	5	9
Birmingham	5	- 9	6	8	- 39	4	7
FLORIDA	11	+ 26	5	6	+ 18	2	2
Large	6	+ 29	5	6	+ 20	2	2
Jacksonville Area	3	+ 36	5	5	+ 13	4	5
GEORGIA	17	+ 8	8	9	+ 48	4	4
Small	6	+ 26	14	12	*	4	2
Medium	5	+ 11	15	12	*	8	6
Large	6	+ 4	7	8	+ 13	3	4
Atlanta Area	6	+ 2	7	8	----	—	--
Outside Atlanta	4	+ 27	16	13	----	—	--
Columbus	3	+ 25	24	21	----	1	1
South Georgia	3	+ 28	10	10	+ 9	12	13
LOUISIANA	10	+ 38	11	10	+ 25	2	2
Medium	3	+ 38	10	8	----	--	--
Large	7	+ 37	11	10	+ 25	2	3
Alexandria-Lake Charles Area	5	+ 47	13	10	+ 41	2	3
Alexandria Area	3	+ 1	8	9	*	2	2
New Orleans Area	4	+ 8	8	9	- 9	2	2
MISSISSIPPI	11	+ 30	12	9	*	2	1
Medium	3	+ 35	11	9	- 9	2	3
Large	7	+ 29	12	9	*	2	1
Jackson Area	5	+ 29	10	9	+ 17	2	2
Jackson	3	+ 37	10	8	+ 21	3	4
Meridian Area	3	+ 41	15	10	----	2	--
TENNESSEE	10	+ 27	10	10	+ 7	11	11
Large	8	+ 30	10	9	+ 14	10	9
Knoxville Area	5	+ 35	12	10	- 7	8	7
Knoxville	4	+ 43	12	10	- 7	10	7
Nashville Area	3	+ 5	7	7	+ 38	7	16

*Increase of over 100 percent
For footnotes, see page 26.

AUTOMOBILE TIRE AND ACCESSORY STORES

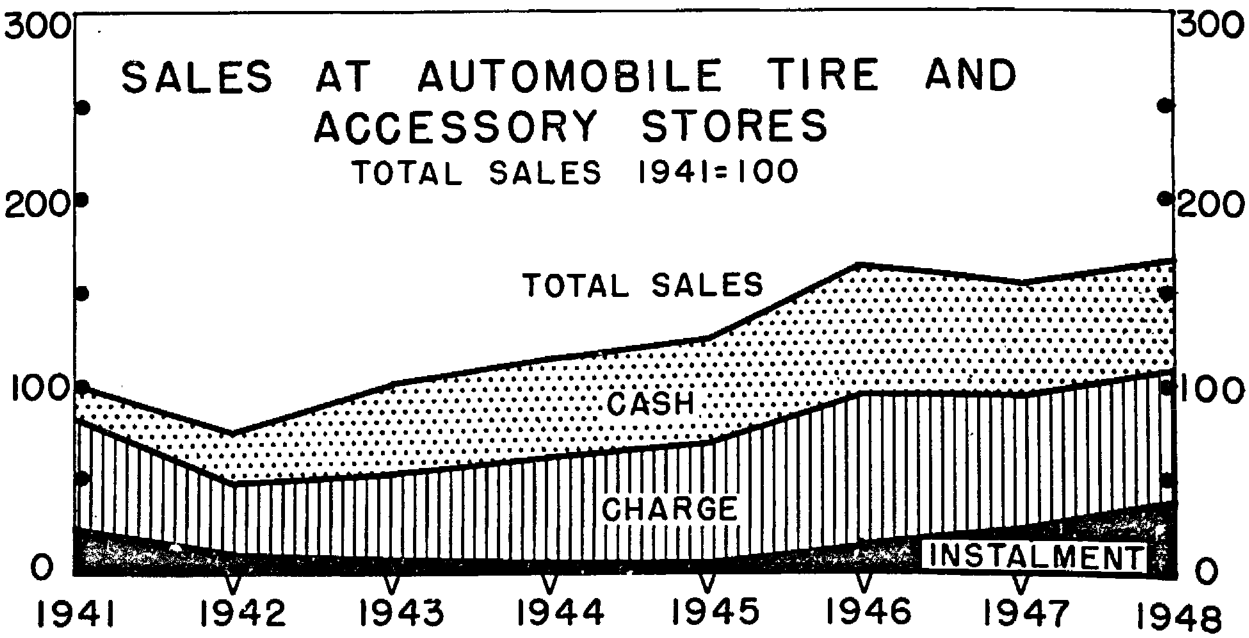
Sales at the automobile tire and accessory stores throughout the District in 1948 were great enough to set a new record. The 9-percent gain over 1947 not only offset the decline that had taken place from 1946 to 1947 but exceeded the 6-percent increase in sales throughout the nation during 1948.

Except at the small stores, greater instalment buying accounted for almost all the increased sales. Cash sales were down 4 percent. Charge account sales increased only one percent, but instalment sales were up 66 percent. The large stores sold 73 percent more on the instalment plan during 1948 than in 1947, whereas the small stores sold only 7 percent more. In 1948 instalment sales at all the stores accounted for 22 percent of total sales, compared with 14 percent in 1947.

Only 10 percent of the stores sold instalment paper in 1948, but at these stores the amount of paper sold was 98 percent greater than in 1947 and exceeded the rate of increase in instalment sales for the same period. The sale of instalment paper was more common at the small and medium-size stores than at the large ones. At the stores selling paper, instalment accounts outstanding at the end of 1948 amounted to 29 percent of total instalment sales for the preceding year. At the stores selling no paper, the ratio was 37 percent.

One result of the greater instalment selling in 1948 was that instalment accounts at the end of the year were about double the figure reported for the end of the preceding year. Despite the relatively modest gain in charge account sales, charge accounts receivable outstanding at the end of 1948 were 13 percent greater than at the end of 1947.

Charge accounts at the automobile tire and accessory stores at the end of 1948 amounted to 13 percent of the preceding year's charge account sales, compared with 12 percent at the end of 1947. These ratios were low, compared with similar ratios for many of the other lines of business surveyed. Evidently charge accounts are outstanding for a much shorter period of time at the small stores, however, than at the large and medium-size stores. The same relative comparison was characteristic of the stores in each state of the District. The variation in the charge account terms extended by the different size stores probably accounts for a great deal of the variation in the ratio from one area to another.



AUTOMOBILE TIRE AND ACCESSORY STORES
SALES BY TYPE OF TRANSACTION

By Classification[1] and Location[2]	No. Reporting Stores	Percent Change, 1947–1948: Total	Percent Change, 1947–1948: Cash	Percent Change, 1947–1948: Charge Account	Percent Change, 1947–1948: Instalment	Percent of Total Sales: Cash 1948	Percent of Total Sales: Cash 1947	Percent of Total Sales: Charge Account 1948	Percent of Total Sales: Charge Account 1947	Percent of Total Sales: Instalment 1948	Percent of Total Sales: Instalment 1947
ALL REPORTING STORES	91	+ 9	- 3	+ 1	+ 66	34	38	44	47	22	15
Small	11	+ 5	+ 5	+ 1	+ 7	81	81	7	7	12	12
Medium	28	+ 4	- 14	- 9	+ 50	43	52	21	23	36	25
Large	43	+ 12	- 0	+ 3	+ 73	30	33	48	53	22	14
ALABAMA	15	+ 13	+ 1	- 5	+ 92	28	31	44	52	28	17
Medium	3	+ 16	- 7	- 10	+ 89	25	31	34	44	41	25
Large	11	+ 13	+ 1	- 4	+ 95	28	31	46	54	26	15
Montgomery Area	4	+ 23	+ 25	+ 1	*	32	32	50	62	18	6
FLORIDA	22	+ 8	+ 0	- 11	+ 82	35	37	39	47	26	16
Medium	5	+ 5	- 7	- 17	+ 33	42	48	13	17	45	35
Large	10	+ 16	+ 6	- 12	*	32	35	35	46	33	19
Jacksonville	6	- 6	- 15	- 13	+ 73	22	25	61	66	17	9
Pensacola Area	4	+ 26	+ 34	+ 8	+ 27	55	52	19	22	26	26
GEORGIA	19	+ 9	- 3	+ 10	+ 42	35	39	49	49	16	12
Small	5	+ 7	+ 6	+ 4	+ 17	85	86	5	5	10	9
Medium	6	+ 6	- 1	- 6	+ 47	52	56	23	27	25	18
Large	8	+ 9	- 5	+ 11	+ 42	30	34	55	54	15	12
Atlanta Area	7	- 4	- 13	- 6	+ 26	33	36	47	48	20	16
Outside Atlanta	6	- 4	- 14	- 2	+ 24	39	43	45	44	16	13
Augusta Area	3	+ 6	- 12	+ 0	+ 43	42	50	23	24	35	26
Macon Area	3	+ 13	+ 1	+ 10	+ 58	27	30	55	57	18	13
South Georgia Area	3	+ 13	+ 3	- 13	+ 59	48	53	17	22	35	25
LOUISIANA	14	+ 3	- 5	- 1	+ 47	45	49	37	39	18	12
Medium	5	- 1	- 21	- 28	+ 43	51	63	4	6	45	31
Large	5	+ 1	+ 2	- 2	+ 52	36	37	50	53	14	10
Baton Rouge	5	+ 5	- 3	+ 6	+ 56	40	43	53	52	7	5
Lafayette-Iberia Area	4	- 4	- 9	+ 2	+ 45	73	77	16	15	11	8
Iberia Area	3	+ 0	- 3	+ 2	+ 46	74	76	18	18	8	6
MISSISSIPPI	7	+ 9	- 17	- 4	+ 58	26	34	33	38	41	28
Medium	4	+ 4	- 26	- 2	+ 40	22	30	34	37	44	33
Meridian-Hattiesburg-Laurel Area	5	+ 2	- 19	- 5	+ 39	27	34	36	39	37	27
Outside Meridian	4	+ 1	- 18	+ 5	+ 22	30	37	40	39	30	24
TENNESSEE	14	+ 10	- 7	+ 9	+ 61	33	39	47	47	20	14
Medium	5	- 4	- 19	- 7	+ 81	58	69	18	18	24	13
Large	7	+ 14	+ 1	+ 11	+ 59	26	30	55	57	19	13
Chattanooga Area	3	- 13	- 11	- 21	+ 2	38	37	41	45	21	18
Knoxville Area	3	- 2	- 27	+ 8	*	39	52	49	45	12	3
Nashville Area	5	+ 11	+ 2	+ 11	+ 39	32	35	55	54	13	11
Tri-Cities Area	5	+ 29	- 2	+ 19	+ 72	28	37	26	28	46	35

*Increase of over 100 percent.

For footnotes, see page 26.

AUTOMOBILE TIRE AND ACCESSORY STORES
ACCOUNTS RECEIVABLE

By Classification[1] and Location[2]	No. Reporting Stores	Charge Accounts Receivable, End of Year: Percent Change, 1947–1948	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales, 1948	Charge Accounts Receivable, End of Year: As Percent of Annual Charge Account Sales, 1947	Instalment Receivables, End of Year: Percent Change, 1947–1948	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales, 1948	Instalment Receivables, End of Year: As Percent of Annual Instalment Sales, 1947
ALL REPORTING STORES	85	+ 13	13	12	+ 93	36	32
Small	8	+ 19	14	11	+ 7	31	30
Medium	26	- 1	14	13	+ 87	35	29
Large	42	+ 15	13	12	+ 95	37	32
ALABAMA	14	+ 2	13	12	+ 85	32	34
Medium	3	- 10	10	10	*	36	34
Large	10	+ 2	14	13	+ 82	31	34
Montgomery Area	4	+ 12	16	14	+ 62	22	46
FLORIDA	21	+ 2	15	13	*	41	35
Medium	4	- 2	22	18	+ 67	37	33
Large	10	+ 7	16	13	*	42	37
Pensacola Area	4	+ 17	24	22	+ 6	33	40
GEORGIA	17	+ 22	10	9	+ 80	37	29
Small	3	- 20	10	9	+ 37	21	18
Medium	6	- 10	11	12	*	37	26
Large	8	+ 25	10	9	+ 76	37	30
Atlanta Area	7	+ 25	15	11	+ 74	38	27
Outside Atlanta	6	+ 14	12	11	+ 81	40	27
Macon Area	3	0	10	11	+ 82	30	26
LOUISIANA	13	+ 9	14	13	+ 70	33	29
Medium	4	*	16	5	+ 58	31	28
Large	5	- 4	12	13	+ 81	35	30
Baton Rouge Area	5	+ 14	15	14	+ 52	33	34
Lafayette-Iberia Area	3	+ 2	11	11	+ 65	30	26
Iberia Area	3	+ 0	11	11	+100	30	26
MISSISSIPPI	6	+ 25	15	12	*	40	32
Medium	4	+ 20	16	13	+ 84	41	31
Meridian-Hattiesburg-Laurel Area	4	+ 6	14	13	+ 90	39	29
Outside Meridian	3	+ 25	15	13	+ 71	41	29
TENNESSEE	14	+ 28	16	13	+ 88	34	29
Medium	5	- 13	16	17	*	30	20
Large	7	+ 32	16	13	+ 84	35	31
Chattanooga Area	3	- 21	11	11	+ 15	28	24
Knoxville Area	3	+ 30	16	13	*	34	39
Nashville Area	5	+ 9	13	13	+ 61	32	27
Tri-Cities Area	5	*	28	14	+ 98	36	31

*Increase of over 100 percent.

For footnotes, see page 26.

FOOTNOTES

1. Size Classification by Kind of Business

Kind of Business	Size Classification (1948 sales in thousands of dollars)		
	Small	Medium	Large
1. Automobile	Under 250	250 to 500	500 & Over
2. Automobile Tire & Accessory	" 50	50 to 100	100 " "
3. Department	" 1,000	1,000 to 10,000	10,000 " "
4. Furniture	" 200	200 to 500	500 " "
5. Hardware	" 100	100 to 500	500 " "
6. Household Appliance	" 100	100 to 250	250 " "
7. Jewelry	" 100	100 to 500	500 " "
8. Men's Clothing	" 250	250 to 1,000	1,000 " "
9. Women's Apparel	" 250	250 to 1,000	1,000 " "

Consolidated reports for two or more stores were not classified by size. District and state totals may, therefore, include data from stores not included in the size groups. Data for state totals may also include stores classified by size but not shown in the table. Where no classification is shown, data were withheld to prevent disclosure of the operations of individual stores.

2. Area totals include not only data from cities and parts of areas shown but may also include data from reports received from cities for which individual city data must be withheld to prevent disclosure of individual store operations. In some cases, boundaries or areas do not coincide with state lines. Counties included in areas are listed below.

Birmingham Area, Alabama: Bibb, Blount, Chilton, Clay, Colbert, Coosa, Cullman, Fayette, Franklin, Greene, Jefferson, Lamar, Lawrence, Marion, Marshall, Morgan, Pickens, Saint Clair, Shelby, Talladega, Tuscaloosa, Walker, Winston.

Dothan Area, Alabama: Barbour, Coffee, Covington, Dale, Geneva, Henry, Houston.

Anniston-Gadsden Area, Alabama: Calhoun, Cherokee, Cleburne, Etowah, Randolph.

Mobile Area, Alabama: Baldwin, Choctaw, Clarke, Conecuh, Escambia, Marengo, Mobile, Monroe, Sumter, Washington, Wilcox; Mississippi: Jackson.

Montgomery Area, Alabama: Autauga, Bullock, Butler, Crenshaw, Dallas, Elmore, Hale, Lowndes, Macon, Montgomery, Perry, Pike, Tallapoosa.

Jacksonville Area, Florida: Alachua, Baker, Bradford, Clay, Columbia, Duval, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Leon, Levy, Madison, Nassau, Putnam, St. Johns, Suwannee, Taylor, Union, Wakulla.

Miami Area, Florida: Broward, Collier, Dade, Hendry, Indian River, Martin, Monroe, Okeechobee, Palm Beach, St. Lucie.

Orlando Area, Florida: Brevard, Citrus, Flagler, Hernando, Lake, Marion, Orange, Osceola, Seminole, Sumter, Volusia.

Pensacola Area, Florida: Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Okaloosa, Santa Rosa, Walton, Washington.

St. Petersburg Area, Florida: Charlotte, De Soto, Glades, Hardee, Highlands, Hillsborough, Lee, Manatee, Pasco, Pinellas, Polk, Sarasota.

Atlanta Area, Georgia: Banks, Barrow, Bartow, Butts, Carroll, Cherokee, Clarke, Clayton, Cobb, Coweta, Dawson, De Kalb, Douglas, Fannin, Fayette, Floyd, Forsyth, Franklin, Fulton, Gilmer, Gordon, Greene, Gwinnett, Habersham, Hall, Haralson, Heard, Henry, Jackson, Jasper, Lamar, Lumpkin, Madison, Meriwether, Monroe, Morgan, Murray, Newton, Oconee, Pickens, Paulding, Pike, Polk, Putnam, Rabun, Rockdale, Spalding, Stephens, Towns, Union, Upson, Walton, White, Whitfield.

Columbus Area, Georgia: Chattahoochee, Harris, Muscogee, Talbot, Troup; Alabama: Chambers, Lee, Russell.

Augusta Area, Georgia: Burke, Columbia, Elbert, Glascock, Hancock, Hart, Jefferson, Jenkins, Lincoln, McDuffie, Oglethorpe, Richmond, Taliaferro, Warren, Washington, Wilkes.

Macon Area, Georgia: Baldwin, Ben Hill, Bibb, Bleckley, Crawford, Crisp, Dodge, Dooly, Emanuel, Houston, Jefferson Davis, Johnson, Jones, Laurens, Lee, Macon, Marion, Montgomery, Peach, Pulaski, Quitman, Randolph, Schley, Stewart, Sumter, Taylor, Telfair, Terrell, Toombs, Treutlen, Turner, Twiggs, Webster, Wheeler, Wilcox, Wilkinson.

Savannah Area, Georgia: Bryan, Bulloch, Camden, Candler, Chatham, Effingham, Evans, Glynn, Liberty, Long, McIntosh, Screven, Tattnall, Wayne.

South Georgia Area, Georgia: Appling, Atkinson, Bacon, Baker, Berrien, Brantley, Brooks, Calhoun, Charlton, Clay, Clinch, Coffee, Colquitt, Cook, Decatur, Dougherty, Early, Echols, Grady, Irwin, Lanier, Lowndes, Miller, Mitchell, Pierce, Seminole, Thomas, Tift, Ware, Worth.

Alexandria-Lake Charles Area, Louisiana: Avoyelles, Evangeline, Rapides, Vernon, Allen, Beauregard, Calcasieu, Cameron, Jefferson Davis.

Baton Rouge Area, Louisiana: Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, Saint Helena, West Baton Rouge, West Feliciana.

Lafayette-Iberia Area, Louisiana: Assumption, LaFourche, Terrebonne, Acadia, Iberia, Lafayette, Saint Landry, Saint Martin, Saint Mary, Vermilion.

New Orleans Area, Louisiana: Jefferson, Orleans, Plaquemines, Saint Bernard, Saint Charles, Saint James, Saint John the Baptist, Saint Tammany, Tangipahoa, Washington; Mississippi: Hancock, Harrison.

Jackson Area, Mississippi: Copiah, Hinds, Jefferson Davis, Lawrence, Leake, Lincoln, Madison, Marion, Pike, Rankin, Scott, Simpson, Walthall, Yazoo.

Meridian Area, Mississippi: Clarke, Covington, Forrest, George, Greene, Jasper, Jones, Kemper, Lamar, Lauderdale, Neshoba, Newton, Pearl River, Perry, Smith, Stone, Wayne.

Natchez Area, Mississippi: Adams, Amite, Claiborne, Franklin, Issaquena, Jefferson, Sharkey, Warren, Wilkinson.

Chattanooga Area, Tennessee: Bledsoe, Bradley, Franklin, Grundy, Hamilton, Marion, McMinn, Meigs, Monroe, Polk, Rhea, Sequatchie, Van Buren; Alabama: DeKalb, Jackson; Georgia: Catoosa, Chattooga, Dade, Walker.

Knoxville Area, Tennessee: Anderson, Blount, Campbell, Claiborne, Cocke, Cumberland, Grainger, Hamblen, Hancock, Jefferson, Knox, Loudon, Morgan, Roane, Scott, Sevier, Union.

Nashville Area, Tennessee: Bedford, Cannon, Cheatham, Clay, Coffee, Davidson, DeKalb, Dickson, Fentress, Giles, Hickman, Houston, Humphreys, Jackson, Lawrence, Lewis, Lincoln, Macon, Marshall, Maury, Montgomery, Moore, Overton, Perry, Pickett, Putnam, Robertson, Rutherford, Smith, Stewart, Sumner, Trousdale, Warren, Wayne, White, Williamson, Wilson; Alabama: Lauderdale, Limestone, Madison.

Tri-Cities Area, Tennessee: Carter, Greene, Hawkins, Johnson, Sullivan, Unicoi, Washington.