THE CHANGING WORLD OF BUSINESS

Business organizations do not emerge from an economic vacuum; they emerge from a particular economic environment, and that environment leaves its imprint upon them. They may be molded and shaped by the men who are responsible for their organization, but only part of their success results from those who guide and operate the business, no matter how hard working and ingenious they may be. There must be an economic opportunity. Generally, the success of the business depends upon its successfully meeting a challenge or economic opportunity to provide services or goods that the public needs or wants. However, no matter how skillful the businessmen may be, the challenge of an economic opportunity must first be there.

These challenges, of course, are different at different times and in different places. Many of you have been associated with the Plantation Pipe Line Company since the early days of its inception. You know the names of the men who conceived the idea of the company, those who reached a decision to incorporate on July 8, 1940, those who molded its original policies and who have taken care of the many details involved in this successful business operation. Thus, you probably know the kind of challenge that resulted in the organization of this company.

To refresh my own memory a little, I have had one of our staff economists look up the discussions of economic conditions in this part of the South that were being made by the Bank's economists at that time. In 1940, as you remember, war had broken out in Europe; and, although the United States had not formally entered the war, the impact was already being felt.
There were preparations for war, and the nation was stepping up its defense program. This part of the South was sharing in this increased economic activity. The expected further general expansion in economic activity throughout the nation presented an economic opportunity and a challenge by itself to the businessmen in this area. The declaration of war by the United States after Pearl Harbor, however, presented a challenge of the first magnitude.

Before World War II, bulk petroleum products in this area were moved primarily by tankers. After the war broke out, this method was no longer feasible because of the depredation of Axis submarines. This then was the challenge: How could petroleum products be moved with ocean shipping practically cut off and the railroads already overburdened with war-swollen traffic?

Fortunately, the Plantation Pipe Line Company started operations in January 1942, just a month after Pearl Harbor and at least partially met the challenge. Somehow or other, our petroleum products got transported.

Seldom does the challenge of change present itself in as dramatic a fashion. Changes go unnoticed from day to day although over time their accumulated total impact may be very great. It is these less dramatic changes that, if not recognized, can get us into trouble and, if recognized and met, may be met to the profit of all of us.

Let us examine briefly the economic changes in this area since this corporation started business. When the Plantation Pipe Line Corporation was formed in 1940, there were 28,263,000 persons living in the eleven Southeastern states, the area in which the Plantation Pipe Line operates.
Today, there are over 40 million people living here. This population growth of 11.6 million persons was one-sixth of the total growth for the United States of 60.6 million. To provide these additional 12 million persons with the goods and services they would need to maintain the standard of living prevailing at that time was a major challenge by itself, but the challenge to Southerners was much greater than that. How could the level of living in the area, a level far below the rest of the nation's, be improved? In 1940, Southerners, on an average, had to feed and clothe themselves, to secure some of the good things of life, to educate their children, to finance their governments, and to provide for capital investment out of a per capita income that was just about half of the average for the rest of the United States. Per capita personal income in the Southeastern states in 1940 was only 51 percent of that of the rest of the United States.

The basic challenge to Southerners was obvious. How could the South raise its income more nearly to that of the rest of the nation? If this goal was to be achieved, obviously changes had to be made. Thus, the challenge was not only to meet the conditions of the changing times; it was to stimulate changes. Southerners needed to change their ways of working, they needed to change their jobs, they needed to improve their productivity, and, in some cases, they needed to move to places other than where they were living.

All of these changes occurred. As a result, in the space of twenty-five years per capita income in the Southeast reached a figure that last year was 70 percent of the per capita income of the rest of the United States. Moreover, this was in comparison with a vastly expanded income for the nation generally.
These two figures--50 percent in 1940 and 70 percent in 1964--show what can result from economic changes. They conceal, however, the myriad variety of changes characterizing the last twenty-five years. We can touch on only some of them.

Population in the Southeast between 1940 and 1965 increased at just about the same rate as in the United States generally. It is when we look at the economic measures that the contrast is striking. From 1950 through 1964, the annual average rate of growth in the Southeast's personal income was 6.7 percent; for the United States, about 6.0 percent. Total nonfarm employment grew in the Southeast during this period at an average rate of 3.5 percent; for the United States, the increase was 1.9 percent. The value added by the region's manufacturing plants increased at an annual average rate of 8 percent; in the United States, 6.7 percent.

To make this growth in manufacturing output possible, new plants had to be built and equipped and the old ones refurbished. Thus, expenditures for new plants and equipment increased in this area at an annual average rate of 5.7 percent; the comparable figure for the United States was 4.2 percent.

Changes were also taking place in the South's financial position. In 1940, the total deposits of commercial banks in the Southeast were $4.5 billion, or 6.4 percent of the national total. Last year these had reached $35.5 billion, or 10.7 percent of the national figure. Along with this, of course, came a growth in the Federal Reserve Bank of Atlanta. In 1940, it was tenth from the top of the twelve Federal Reserve Banks ranked by their total assets. Today, with total assets of over $3.7 billion, it is sixth from the top.
Economic change in the Southeast has been rapid and more rapid than throughout the nation generally, as these figures testify. The figures only hint at the variety of changes that took place during this period. For these, I turn for illustrations to the area served directly by the Federal Reserve Bank of Atlanta, an area embracing Alabama, Georgia, Florida, the southern halves of Louisiana and Mississippi, and the eastern two-thirds of Tennessee. It is a typical Southern area with 55 percent of the Southeast's total population.

Back in 1940, this Federal Reserve District was predominately rural. The Census of Occupations shows that, of the total number of persons employed in 1940, just about 36 percent were employed in farm work. This contrasts sharply with the 20 percent employed as craftsmen and operators, including those in manufacturing. Ten years later, in 1950, the proportion of farm workers had dropped to 21.8 percent; and in 1960, the latest year for which we have data, only 8.9 percent of all workers in the Sixth District states, the area served by the Federal Reserve Bank of Atlanta, were working at farming. The other types of occupations, of course, had increased in importance correspondingly.

These figures highlight one of the major changes in the Southeast, the migration of Southern workers from the farm to the cities of the Southeast and to cities elsewhere in the country. Within this part of the South itself, urban population increased from about 35 percent of the total in 1940 to almost 60 percent in 1960.

While all these shifts were going on, the average Southerner was becoming better educated. As short a time ago as 1950, the proportion of
the adults over twenty-five years of age in this region who had completed high school was only 75 percent as great as throughout the nation. Only ten years later, in 1960, the ratio had increased to 87 percent. The increase in the number of the region's college graduates has been even more impressive. The 1950 total of 418,000 had jumped to 717,000 by 1960, an increase of 71 percent compared with the growth of 44 percent in the nation as a whole.

That the improvement in this part of the South's income meant that the average Southerner was able to buy more goods and thus raise his level of living is obvious. A couple of statistics about the favorite American durable consumer good, the automobile, provides a good illustration. In 1940, if every man, woman, and child in the Sixth District states had simultaneously gone for a ride in an automobile, there would have been an average of 7.8 persons in each car. The national traveler would have had more elbow room with an average of 4.8 persons per car. By 1962, the passengers in this part of the South would have had a much more comfortable ride with an average of about 3 persons per car. Private passenger cars in the Sixth District states had increased from about 4 million in 1940 to 7.5 million in 1962. What is striking about this change is that, as a result of a faster-than-national rate of growth in the South, these Southerners would have had just about as comfortable a ride in the 1960's as their national counterparts since the average number of persons per car for the nation was 2.9. If we measure our economic progress by our ownership of automobiles as many of us do, the South has indeed achieved a remarkable growth and, incidentally, provided a lot of business for those who transport petroleum products.
All of these statistics emphasize that Southerners have changed the ways by which they earn their livings, have become better prepared to do these things, have changed their places of living, and, because of their resulting higher productivity, are now receiving higher incomes. Economic change has meant economic growth; economic growth has meant better living.

Were these changes forced upon the Southeast? Did these people move because they had to? Did economic forces by some sort of an invisible hand direct Southerners to better ways of earning their living? This may have been what happened, but I think it is only partly so. Southerners themselves recognized the need for change and made efforts to stimulate change and direct it in the right direction. These efforts cannot be measured by any sort of statistics but are extremely important nevertheless.

I would be foolhardy indeed if I were to try to describe with precision what the South will be like in 1990, twenty-five years from now, or even what it will be like in 1975. As we look back and remember how little we knew about what would happen by 1965, we are impressed with our limitations in foretelling what will happen in the future.

Nevertheless, if the quotation from Shakespeare inscribed on the National Archives Building in Washington, "What's past is prologue," can be taken as true, we can expect that the South will continue to be faced with the challenge of change. We can also expect that the future will depend upon how well we meet the challenge. The kinds of changes that will occur between now and 1990 may differ from those occurring in the preceding twenty-five years, but the basic challenge of change will still be there.
A quotation from a publication issued by the Federal Reserve Bank of Atlanta a few years ago suggests a few of these challenges that we may have to face.

"Will the rest of the nation continue to absorb part of the South's expanding population or will jobs have to be found here for all who will enter the labor force in the 1960's? Is there no limit to the move away from the farm to nonfarm jobs? Can we keep attracting such a large part of the nation's capital investment to this area? Will the South's labor force be ready to meet the challenge of an increasingly technological and scientific productive process?"

Although the economic growth for the past quarter of a century that we have discussed measured indirectly at least how well we took advantage of the economic opportunities that we recognized, there is no measure of the opportunities that we missed. I am sure that there were some that were ignored or could not be taken advantage of because of the resistance of many persons to change. We may well ask, "Will economic opportunities be missed in the future because of the absence of leadership or because we will not be prepared to adapt ourselves to the rapidly changing sociological, political, and technological changes that are part of the present and future?"

We cannot find answers to questions such as this in the statistics ordinarily used to measure economic change. Perhaps the missed economic opportunities cannot be measured at all, but it will be the Southern businessman who recognizes that opportunities may be missed unless he makes a special effort to watch out for them and takes action when they arise that will make people in this part of the nation masters, to some extent, of their own destiny.
We cannot, of course, be specific about how businessmen will need to operate in the changing years that are ahead of us. The sentiment expressed by the inscription on the base of the column that supports the bronze eagle in front of the building of the Federal Reserve Bank of Atlanta, however, might well serve as a guide: "The Federal Reserve System through which our banks and government join hands to further the enduring prosperity of American commerce, industry, and agriculture." Meeting the challenge of change must be a co-operative endeavor.