

# Monthly Review

## FEDERAL RESERVE BANK OF ATLANTA

Volume XXVII

Atlanta, Georgia, September 30, 1942

Number 9

### Sixth District Business Conditions

The war economy took further shape in this Federal Reserve District during September. Additional contracts were let by the War and Navy Departments in fulfillment of the war production program; the transportation situation tightened further; and the continued induction of men into the Army brought the area nearer the bottom of its labor pool.

**Agriculture:** On September 1 a cotton crop of 5.2 million bales was indicated, an increase of 39 per cent over the Six States' 1941 crop, which amounted to 3.8 million bales. Not only is the crop itself far larger this year than last, but the price situation is also somewhat more favorable. The ten-market average price for Middling 15/16 was 18.74 cents on September 18. On the corresponding date of 1941, this price stood at 17.13 cents. Evidently, additional price rises are anticipated so long as the price of cotton remains uncontrolled. The United States Agricultural Marketing Administration notes a reluctance on the part of farmers to sell Middling and better at present prices.

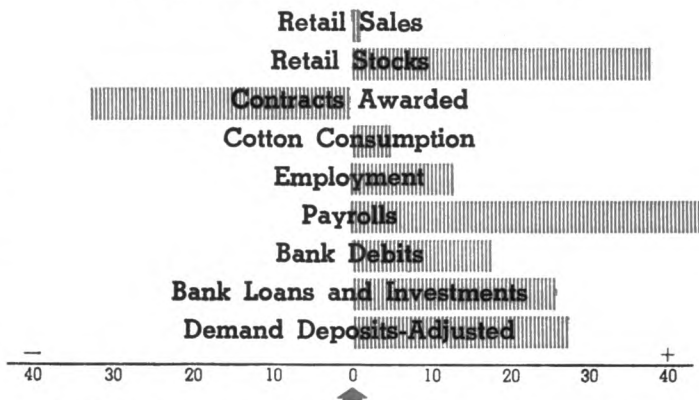
The change in the cotton outlook is noteworthy. A few years ago a crop of the size now indicated would have depressed prices tremendously. Today, however, despite the crippling of the cotton export market as a result of the war, domestic demand, together with the Federal loan program, is sufficient to sustain current high prices. The explanation is, of course, the large military orders for uniforms and other cotton materials, coupled with a very active civilian demand resulting from the current high levels of income throughout the country. In addition, the loan rate is now substantially higher.

The opening of the tobacco marketing season has been very auspicious for the growers. The tobacco crop in Georgia—a very important source of money income in this area—during four weeks of sales at 15 markets brought \$19.2 million. This return should be compared with sales during the same period of 1941 of \$11.3 million. Not only were higher prices received on the 1942 markets, but 63 million pounds of tobacco were marketed this year as compared with 56 million pounds in 1941. The 1940 crop brought an average price of 15.6 cents per pound; the 1941 crop yielded 20.38 cents; while the 1942 crop averaged 30.25 cents—doubling in a two-year period.

Here again the explanation of the currently favorable situation is the high rate of income disbursements resulting from Federal war expenditures. In September, such expenditures were at an annual rate somewhat in excess of \$60 billion. These huge disbursements have sent the national income up to an annual rate of about \$115 billion. The overall agricultural situation in the Sixth District is reflected in Table I which gives cash farm income data for each of the

### Reconnaissance

PER CENT DECREASE  PER CENT INCREASE



Sixth District statistics for August 1942 compared with August 1941.

### Regarding Holidays

To the Public and Others Concerned:

The Federal Reserve Bank of Atlanta believes it desirable to inform the public and members of the financial community that for the duration of the war the number of legal holidays observed by the Bank will be stringently limited. This statement of policy relates to the Head Office in Atlanta and also to the Branches in Birmingham, Jacksonville, Nashville, and New Orleans; and, in specific explanation, it is the present intention of the Bank and Branches to observe only New Year, the 4th of July, Thanksgiving and Christmas. On all other legal holidays customarily observed by the Bank, therefore, all departments of the Bank will remain open and handle all business that can legally be transacted.

The Bank now adopts the foregoing announced policy because no other policy seems defensible in a situation in which it has become ever clearer that a total war-effort will be required. The services of the Federal Reserve Bank, of course, are a vital factor in facilitating the war program; but, in the face not only of our own but of the nation's rapidly growing requirements for manpower, it appears no less than a patriotic duty for us to utilize our available resources of officer and employee time to the fullest. Our feeling is that the men and events commemorated in the legal holidays that we have in peacetime observed are now, in the time of the nation's peril, the better honored by our remaining conscientiously on our jobs.

Sincerely,

W. S. McLARIN, JR.,  
President.

states that lie partly or wholly within the Sixth Federal Reserve District.

TABLE I  
CASH INCOME FROM FARM MARKETINGS  
(Thousands of Dollars)

	July 1942	June 1942	July 1941	Year to Date 1942	1941
SIX STATES.....	56,662	59,961	36,226	485,172	342,393
Alabama.....	6,250	6,524	5,182	53,908	33,516
Florida.....	5,028	12,269	2,794	127,654	87,748
Georgia.....	19,138	10,866	8,256	75,352	48,787
Louisiana.....	4,175	7,304	3,820	63,222	48,958
Mississippi.....	6,866	9,090	5,086	62,524	44,843
Tennessee.....	15,205	13,908	11,088	102,512	72,541

**Industry:** The accelerating war production program continues to dominate industrial prospects in this area. Since the inception of the armament program in May 1940, industrial pay rolls in this District have increased by 95 per cent and industrial employment has risen 33 per cent. Electric power production has expanded by 46 per cent and cotton consumption has jumped 66 per cent.

In the past, small industrial establishments have been characteristic of this area although, to be sure, many very large enterprises are located within the District. The fact, however, that so much of the District's industry has been small scale in organization has meant that it has not been able to participate in the war production effort so fully as would otherwise have been possible. At the present time, the Atlanta Regional Office of the War Production Board is encouraging the pooling of industrial facilities, thus enabling manufacturers who are not individually equipped to produce war goods to combine their resources of equipment, factory space, managerial talent, and labor skills in order to qualify themselves cooperatively for large war orders. More than 20 such groups of manufacturers have now been organized in the Southeast, according to the War Production Board.

War production contracts awarded in the six states of the District have been tabulated by the *Manufacturers' Record* as shown in Table II.

TABLE II  
MAJOR WAR SUPPLY AND FACILITY CONTRACTS AND ALLOCATIONS  
IN SIXTH DISTRICT STATES  
June 1940 — June 1942  
(Thousands of Dollars)

(Thousands of Dollars)						Other	Total
Army, Navy and Maritime Commission					Agencies		
	Supply Contracts			Facilities			
State	Aircraft	Ships	Miscell.	Indus.	Non-Indus.		
Alabama.....		316,397	193,762	363,180	132,703	48,476	1,054,788
Florida.....	950	222,551	31,231	34,581	345,782	58,342	693,437
Georgia.....		130,418	168,296	88,056	209,292	32,407	628,689
Louisiana.....	68,496	314,979	55,402	295,287	189,496	33,089	956,749
Mississippi.....		123,983	26,945	60,119	162,497	18,688	392,232
Tennessee.....	79,167	14,030	203,794	287,412	156,494	16,274	757,171
TOTAL.....	148,613	1,122,358	679,430	1,128,635	1,196,264	207,546	4,482,846

(Source : *Manufacturers' Record*, August 1942, page 33)

**Money and Credit:** Circulation of notes issued by this Bank continued to increase during September, and on September 16 amounted to \$417.6 million, an increase of 77 per cent over the corresponding date a year ago. The causes of this continued increase in circulation, which is taking place all over the country, were summarized in this place last month. Continued increase in note circulation is to be expected as pay roll disbursements increase and the other war-time factors previously described continue to operate.

For some months now the Federal Open Market Committee has been making large scale purchases of Federal obligations, and as a result this Bank's holdings of United States Government obligations have increased. Table III pictures the change in the past year in this respect.

TABLE III  
UNITED STATES GOVERNMENT OBLIGATIONS HELD BY THE FEDERAL  
RESERVE BANK OF ATLANTA

	Sept. 16, 1941	Sept. 16, 1942
Bonds.....	\$57,484,000.00	\$ 73,149,000.00
Notes.....	34,576,500.00	28,596,500.00
Bills.....	None	25,036,000.00
Certificates of indebtedness.....	None	27,286,000.00
	\$ 92,060,500.00	\$154,467,500.00

The action of the Federal Open Market Committee in purchasing United States Government obligations has provided additional reserve funds to the banking system. In addition, the action of the Board of Governors of the Federal Reserve System in lowering reserve requirements on demand deposits at central reserve city banks in New York and Chicago first from 26 to 24 per cent and then to 22 per cent, has somewhat modified the reserve stringency in those cities.

As currency circulation increases and deposits increase, excess reserves of member banks decline, of course, unless reserve balances increase enough to counteract these factors. Because of the virtual cessation of the gold inflow which increased reserve balances rapidly and steadily over a period of several years prior to 1941, reserve balances have not increased in recent months. Indeed, they declined \$568 million in the year ending September 16, 1942, in the System as a whole.

Member banks in the Sixth District still have a considerable volume of excess reserves.

Over the past year the accelerating war production program, and the accompanying need for large scale debt operations by the United States Treasury have been reflected in the balance sheets of Sixth District banks. Total loans of the weekly reporting member banks in the Sixth District have been declining over the past year and their holdings of United States Government obligations have been rising. The increased investment in Federal obligations has far more than offset the decline in loans and discounts so that the total loans and investments figure has risen substantially over the past 12 months. Table IV compares significant balance sheet items of the weekly reporting member banks.

The combined effects of the Federal Reserve regulation of consumer credit and the declining stocks of durable civilian goods to be sold whether on credit or otherwise are resulting in further decreases in the amount of consumer instalment credit outstanding. This tendency is reflected in Table V.

**Treasury Issues:** Under date of September 25, 1942, the Secretary of the Treasury offered for subscription 1.25 per cent Treasury Notes, Series C-1945. Subscriptions in the Sixth District were \$252.2 million. Of this amount \$123.3 million was allotted. An issue of 0.65 per cent Treasury Certificates of Indebtedness, Series C-1943, dated September 21, resulted in subscriptions through this Bank of \$56.2 million. Allotments totaled \$42.8 million.

Treasury bills continue to be offered weekly. Table VI summarizes activity in the Sixth District with respect to bill offerings between the middle of August and the middle of September.

**TABLE IV**  
**ASSETS AND LIABILITIES OF WEEKLY REPORTING MEMBER BANKS IN THE SIXTH FEDERAL RESERVE DISTRICT**  
(In Thousands of Dollars)

	Sept. 16 1942	Aug. 19 1942	Sept. 17 1941	Per Cent Change Sept. 16, 1942, from	
				Aug. 19 1942	Sept. 17 1941
Loans and Investments—Total	941,032	943,793	739,612	— 0	+ 27
Loans—Total	331,930	340,054	382,922	— 2	— 13
Commercial, industrial and agricultural loans	187,554	188,887	191,748	— 1	— 2
Open market paper	5,521	6,405	5,654	— 14	— 2
Loans to brokers and dealers in securities	4,565	3,875	6,079	+ 18	— 25
Other loans for purchasing and carrying securities	7,533	7,865	11,319	— 4	— 33
Real estate loans	28,895	29,264	40,723	— 1	— 29
Loans to banks	1,216	1,212	1,634	+ 0	— 26
Other loans	96,646	102,546	125,765	— 6	— 23
Investments—Total	609,102	603,739	356,690	+ 1	+ 71
U. S. direct obligations	452,496	448,655	171,124	+ 1	+ 164
Obligations guaranteed by U. S.	46,250	46,184	69,828	+ 0	— 34
Other securities	110,356	108,900	115,738	+ 1	— 5
Reserve with F. R. Bank	257,464	242,367	197,417	+ 6	+ 30
Cash in vault	19,518	19,393	16,112	+ 1	+ 21
Balances with domestic banks	208,508	202,869	277,725	+ 3	— 25
Demand deposits—adjusted	726,041	691,252	542,865	+ 5	+ 34
Time deposits	197,209	195,783	192,656	+ 1	+ 2
U. S. Gov't deposits	15,493	66,473	51,589	— 77	— 70
Deposits of domestic banks	409,306	379,173	380,288	+ 8	+ 8
Borrowings	1,000				

**TABLE V**  
**CONSUMER INSTALLMENT CREDIT OPERATIONS OF 15 MEMBER BANKS IN THE SIXTH FEDERAL RESERVE DISTRICT**

	VOLUME			OUTSTANDINGS		
	July 1942	August 1942	Per Cent Change	July 1942	August 1942	Per Cent Change
1. Retail instalment paper purchased						
(a) Automobile	\$ 290,365	\$ 214,395	—26.2	\$ 6,497,338	\$ 5,644,842	—13.1
(b) Other	104,761	93,567	—10.7	2,976,737	2,755,668	—7.4
2. Direct retail instalment loans						
(a) Automobile	154,555	98,550	—36.2	1,497,454	1,417,771	—5.3
(b) Other	3,348	643	—80.8	15,094	14,523	—3.8
3. Repair and modernization loans						
(a) FHA, Title I, Class I	56,354	61,153	+ 8.5	3,123,784	2,939,138	—5.9
(b) Other	1,248	761	—39.0	26,573	25,740	—3.1
4. Personal instalment cash loans	656,272	553,450	—15.7	4,879,791	4,583,479	—6.1
5. TOTAL	\$1,266,903	\$1,022,519	—19.3	\$18,995,309	\$17,381,161	—8.5

**TABLE VI**  
**UNITED STATES TREASURY BILLS: TENDERS, ALLOTMENTS AND APPROXIMATE AVERAGE YIELDS IN THE SIXTH FEDERAL RESERVE DISTRICT OF ISSUES DATED AUGUST 19 THROUGH SEPTEMBER 9, 1942**

Dated	Tenders	Allotments	Approximate Average Yield
August 19, 1942	\$13,830,000	\$10,438,000	.372%
August 26, 1942	12,160,000	5,470,000	.369%
September 2, 1942	15,315,000	8,154,000	.367%
September 9, 1942	10,075,000	7,851,000	.368%
TOTAL	\$51,380,000	\$31,913,000	

**Transport:** Until the present time, only Georgia and Florida of Sixth District states have been subject to gasoline rationing. In the near future, however, gasoline rationing will no doubt be extended throughout the United States. In August, gasoline tax collections in each of the Sixth District states fell below collections in August 1941. It is to be expected that the extension of rationing will further accelerate this decline. Table VII shows the decline in gasoline tax collections as measured by index numbers computed by this Bank.

While the rationing program will no doubt have important ramifications throughout the southern economy, it seems likely that Florida will be affected most adversely of all. This

**TABLE VII**  
**GASOLINE TAX COLLECTIONS**  
Average Monthly Collections 1939 = 100

	August 1942	July 1942	August 1941
Alabama	127	123	136
*Florida	86	84	116
*Georgia	97	95	130
Louisiana	105	104	128
Mississippi	108	101	109
Tennessee	125	108	139
SIX STATES	106	101	126

\*Rationed States

Note: The increase in collections from July to August of this year is not significant, being merely a seasonal phenomenon.

is true because the Florida economy is highly dependent upon the tourist trade, and a large part of this trade will be lost for the duration of the war. To some extent the stationing of large bodies of troops in the state will offset this loss of tourist revenue.

Within the next few weeks southern passenger rail rates are going to be raised to the national level of 2.2 cents per mile in coaches. It seems doubtful, however, that this will reduce passenger traffic in the south.

**Retail Trade:** Department store sales in the District are just about holding their own. In four weeks ending September 12, twenty-six department stores in the Sixth District reported sales only 3 per cent above the corresponding period of 1941. However, in August 1941 there was a large amount of forward buying by consumers anticipating shortages and the coming into effect of the Consumer Credit Regulation. Sales were 6 per cent higher in Atlanta; 8 per cent higher in Birmingham; up 6 per cent in Nashville; and down 4 per cent in Miami. When price changes are taken into account, it is apparent that the total volume of goods moving through department stores is beginning to decline. Furthermore, the types of goods being sold are changing as the hard lines become unobtainable.

Retail furniture sales in the Sixth District continue to be far below last year's totals. While cash sales are up by large amounts, the decline in instalment sales—always the dominant part of retail furniture sales in this area—shows drastic declines from 1941 levels. This change is the result of a number of factors. In the first place, the operation of the Federal Reserve Consumer Credit Regulation has importantly tightened retail furniture sales terms. In the second place, certain types of furniture products are becoming unavailable due to the conversion of manufacturing facilities to armament output, although total inventories are higher than last year. A third factor of some importance is the disinclination of many to purchase home furnishings on the traditional scale for the reason that household units continually face the possibility of being broken up because of the entrance of some member into the armed services or into war employment in another locality.

Table VIII pictures changes in the principal operating accounts of reporting furniture stores in the Sixth District between August 1941 and August 1942.

**TABLE VIII**  
**OPERATING DATA OF RETAIL FURNITURE STORES IN THE SIXTH FEDERAL RESERVE DISTRICT**  
August 1942 compared with August 1941

	Number of Stores	August 1941	August 1942	Per Cent Change
Total Sales	107	\$3,031,411	\$1,689,293	—44.3
Cash Sales	92	95,203	157,602	+65.5
Instalment and Other Sales	92	2,415,239	1,223,930	—49.3
Accounts Receivable	107	16,373,098	11,711,518	—28.5
Collections	107	1,914,590	2,094,280	+ 9.4
Inventories	80	5,872,392	7,567,532	+28.9

**TABLE IX**  
RETAIL FURNITURE SALES IN LARGE CITIES OF THE SIXTH FEDERAL  
RESERVE DISTRICT  
August 1942 compared with August 1941

	Number of Stores	August 1941	August 1942	Per Cent Change
Atlanta.....	6	\$268,133	\$129,805	-51.6
Birmingham.....	3	143,453	85,686	-40.3
Columbus.....	4	128,201	58,482	-54.4
Nashville.....	5	115,067	62,072	-46.1
New Orleans.....	4	246,184	140,557	-42.9
Tampa.....	5	91,048	58,042	-36.3

Table X records the sales of War Savings Bonds in the Sixth District during the first 23 days of September.

**TABLE X**  
SALES OF UNITED STATES WAR SAVINGS BONDS IN THE SIXTH FEDERAL  
RESERVE DISTRICT  
Sales Reported in Period  
September 1-September 23, 1942

	Series E	Series F and G
TOTAL.....	\$19,219,406.25	\$10,199,086.50
Alabama.....	4,143,656.25	
Florida.....	3,340,068.75	
Georgia.....	4,015,181.25	
Louisiana.....	2,892,468.75	
Mississippi.....	1,183,200.00	
Tennessee.....	3,644,831.25	

#### SIXTH DISTRICT BUSINESS INDEXES

##### Department Store Sales\*\*

(1935-39 Average = 100)

	Adjusted***			Unadjusted		
	Aug. 1942	July 1942	Aug. 1941	Aug. 1942	July 1942	Aug. 1941
DISTRICT.....	169	162	167	144	116	142
Atlanta.....	148	141	154	143	100	149
Baton Rouge.....	170	165	174	148	128	151
Birmingham.....	164	143	158	150	111	145
Chattanooga.....	187	176	181	154	124	149
Jackson.....	198	191	213	159	133	171
Jacksonville.....	218	191	188	182	153	157
Knoxville.....	167	163	178	150	117	160
Macon.....	229	189	188	161	134	132
Miami.....	134	153	146	91	86	98
Montgomery.....	219	198	207	171	141	162
Nashville.....	138	124	146	117	87	124
New Orleans.....	157	156	158	145	119	146
Tampa.....	197	180	206	154	132	162

##### Department Store Stocks

(1935-39 Average = 100)

	Adjusted***			Unadjusted		
	Aug. 1942	July 1942	Aug. 1941	Aug. 1942	July 1942	Aug. 1941
DISTRICT.....	195	207	141	188	186	136
Atlanta.....	229	239	176	224	231	172
Birmingham.....	177	196	137	178	177	138
Montgomery.....	155	196	126	154	157	124
Nashville.....	217	240	131	217	207	131
New Orleans.....	211	200	134	198	183	126

##### Payrolls

(1932 Average = 100)

	Aug. 1942	July 1942	Aug. 1941	Aug. 1942	July 1942	Aug. 1941
SIX STATES.....	361	343	249	174	172	154
Alabama.....	612	569	376	216	214	169
Florida.....	158	143	103	111	108	96
Georgia.....	349	332	284	184	181	176
Louisiana.....	347	342	198	186	182	143
Mississippi.....	333	286	197	144	139	128
Tennessee.....	324	319	248	157	156	154

##### Cotton Consumption\*\*

(1923-25 Average = 100)

	Aug. 1942	July 1942	Aug. 1941	Aug. 1942	July 1942	Aug. 1941
TOTAL.....	255	276	243	162	163	152
Alabama.....	300	335	294	168	171	155
Georgia.....	240	254	223			
Tennessee.....	210	241	228	146	146	146

##### Coal Production\*\*

(1935-39 Average = 100)

	Aug. 1942	July 1942	Aug. 1941	Aug. 1942	July 1942	Aug. 1941
SIX STATES.....				203	203	175
Hydro-generated.....				156	156	140
Fuel-generated.....				266	266	222

##### Wholesale Sales

(1923-25 Average = 100)

	Aug. 1942	July 1942	Aug. 1941		Aug. 1942	July 1942	Aug. 1941
DISTRICT.....	91	87	96	SIX STATES.....			
Drugs.....	149	146	128	Hydro-generated.....			
Dry Goods.....	116	79	105	Fuel-generated.....			
Groceries.....	79	85	70				
Hardware.....	116	118	171				

#### BANK DEBITS TO INDIVIDUAL ACCOUNTS

(In Thousands of Dollars)

	Aug. 1942	July 1942	Aug. 1941	Per Cent Change	
				Aug. 1942 from July 1942	Aug. 1941 from July 1941
<b>ALABAMA</b>					
Anniston.....	13,724	15,000		— 9	
Birmingham.....	149,676	152,242	128,569	— 2	+ 16
Dothan.....	5,806	5,992	4,725	— 3	+ 23
Gadsden.....	7,354	8,499		— 13	
Mobile.....	110,329	103,798	65,550	+ 6	+ 68
Montgomery.....	35,913	33,983	28,667	+ 6	+ 25
<b>FLORIDA</b>					
Jacksonville.....	126,897	124,665	104,831	+ 2	+ 21
Miami.....	60,148	63,669	51,541	— 6	+ 17
Orlando.....	12,398	13,398		— 7	
Pensacola.....	16,325	18,976	13,495	— 14	+ 21
St. Petersburg.....	9,888	12,010		— 18	
Tampa.....	50,367	51,279	38,893	— 2	+ 30
<b>GEORGIA</b>					
Albany.....	7,123	6,917	7,404	+ 3	— 4
Atlanta.....	310,120	317,733	281,089	— 2	+ 10
Augusta.....	28,148	29,115	25,227	— 3	+ 12
Brunswick.....	7,752	6,370	3,393	+ 22	+ 128
Columbus.....	28,641	30,881	24,891	— 7	+ 15
Elberton.....	1,288	1,366	1,370	— 6	— 6
Macon.....	34,133	33,635	25,785	+ 1	+ 32
Newnan.....	3,274	3,613	2,907	— 9	+ 13
Savannah.....	56,106	53,483	39,055	+ 5	+ 44
Valdosta.....	11,928	5,921	10,296	+ 101	+ 16
<b>LOUISIANA</b>					
Baton Rouge.....	36,200	36,879		— 2	
Lake Charles.....	10,081	11,910		— 15	
New Orleans.....	305,756	326,468	288,159	— 6	+ 6
<b>MISSISSIPPI</b>					
Hattiesburg.....	11,668	13,557	10,164	— 14	+ 15
Jackson.....	39,521	37,810	34,931	+ 5	+ 13
Meridian.....	18,493	19,881	19,397	— 7	— 5
Vicksburg.....	12,461	11,254	7,187	+ 11	+ 73
<b>TENNESSEE</b>					
Chattanooga.....	72,254	75,313	58,441	— 4	+ 24
Knoxville.....	40,480	43,090	38,158	— 6	+ 6
Nashville.....	137,683	143,350	110,913	— 4	+ 24
<b>SIXTH DISTRICT</b>					
26 Cities.....	1,682,290	1,714,361	1,425,038	— 2	+ 18
<b>UNITED STATES</b>					
274 Cities.....	49,180,000	50,087,000	42,853,000	— 2	+ 15

#### Construction Contracts

(1923-25 Average = 100)

	Aug. 1942	July 1942	Aug. 1941
DISTRICT.....	164	460	293
Residential.....	71	156	141
Others.....	226	663	394
Alabama.....	104	335	580
Florida.....	125	262	197
Georgia.....	401	145	533
Louisiana.....	397	456	338
Mississippi.....	1840	738	147
Tennessee.....	86	1294	229

\* Not included in totals.

\*\* Indexes of department store sales, electric power and coal production and of cotton consumption are on a daily average basis.

\*\*\* Adjusted for seasonal variation.

Back figures for department store sales and stocks in the new series will be furnished upon request.

## The National Business Situation

(Prepared by the Board of Governors of the Federal Reserve System)

Industrial output continued to rise in August and the first half of September and retail distribution of commodities also increased. Prices of farm products and foods advanced further.

**Production:** Industrial output increased in August and the Board's seasonally adjusted index rose 3 points to 183 per cent of the 1935-1939 average. There were further marked increases in activity in the machinery, transportation equipment, and other armament industries. Crude petroleum production increased considerably from the reduced level of recent months and output of manufactured food products rose more than is usual at this time of year. Production of

materials, such as steel, nonferrous metals, coal, and lumber, continued in large volume.

Value of construction contracts awarded in August declined from the record high levels of June and July, according to figures of the F. W. Dodge Corporation. The extent to which the continuing large volume of construction reflects the war program is indicated by the fact that in the first eight months of this year 84 per cent of total awards have been for publicly financed projects and in recent months the percentage has been higher.

**Distribution:** Distribution of commodities to consumers increased considerably in August, reflecting particularly marked increases in department store sales and in sales of general merchandise in small towns and rural areas. Dollar value of sales to consumers in August was somewhat lower than the unusually large sales a year ago, when there was a considerable amount of anticipatory buying, while average prices were about 12 per cent higher. On the basis of physical volume, therefore, sales were smaller than a year ago.

Railroad freight-car loadings were sustained at a high level during August and the first half of September, reflecting continued large shipments of most classes of freight.

**Commodity Prices:** During August and the first half of September the general wholesale price index advanced about half a point to 99.2 per cent of the 1926 average, reflecting chiefly increases in prices of livestock products. Prices of wheat, flour, and some other uncontrolled commodities also advanced. New crop tobacco prices showed sharp increases over last year and a temporary ceiling at current levels was established for flue-cured types.

Retail food prices continued to rise from the middle of July to the middle of August and further increases are indicated in September. Prices of uncontrolled foods in August were 10 per cent higher than in May.

**Agriculture:** Crop prospects improved considerably during August and aggregate production this year is expected to be about 15 per cent greater than in 1941, which was close to a record year for crops. Unusually high yields per acre

are indicated for most major crops and for some others, like oil-seed crops, substantially increased acreages are expected to be harvested. Feed grain supplies are expected to be of record proportions, but owing to the growing number of livestock on farms the supply per animal will probably be about the same as last season.

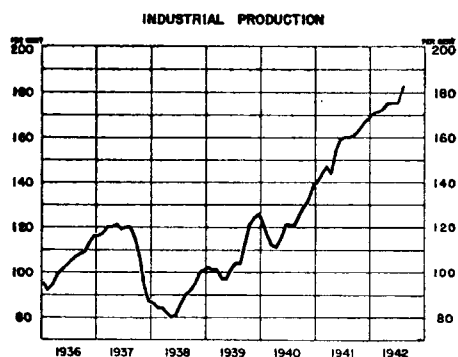
**Bank Credit:** Excess reserves of member banks, which have generally fluctuated between 2.0 and 2.5 billion dollars in recent months, rose temporarily to over 3 billion on September 16. This increase was due partly to a further reduction in reserve requirements on demand deposits at central reserve city banks from 24 to 22 per cent and partly to Treasury disbursements out of its balances with the Reserve Banks in connection with September 15 tax collections and fiscal operations. Funds for these disbursements arose in part from the issuance of special one-day certificates to the Reserve Banks.

Excess reserves of New York City banks have been declining for a number of months owing principally to the excess of funds raised in that city by the Treasury over amounts expended there. The effect of this drain has been offset in part by purchases of Government securities by the Federal Reserve System and by the two successive reductions in reserve requirements.

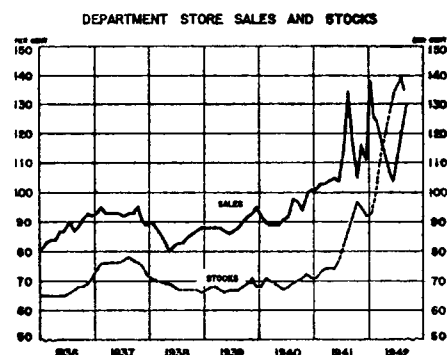
At banks outside New York City excess reserves have shown little change in recent months. These banks have lost reserves through currency drain and their required reserves have increased owing to growth of their deposits; both these factors, however, have been largely offset by transfers of funds from New York.

Holdings of Government securities at New York City banks, which increased substantially in July and August, declined somewhat in the first half of September. At banks outside New York City holdings have continued to increase.

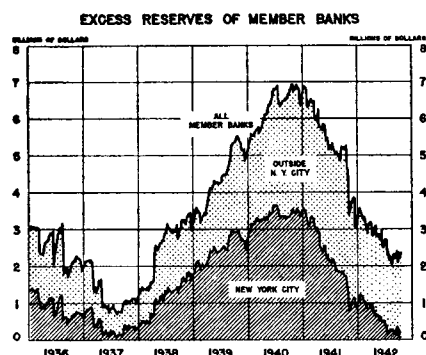
**United States Government security prices:** The recent 3 billion dollar Treasury cash financing operation had little effect on the Government securities market, and prices continued steady.



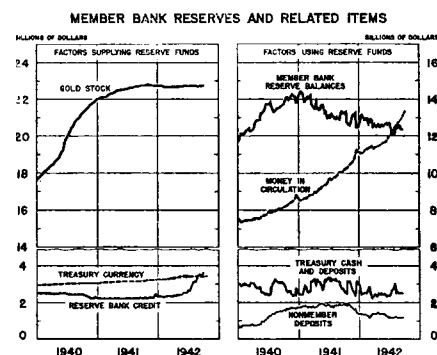
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation. 1935-39 average = 100. Latest figures shown are for August 1942.



Federal Reserve monthly index of value of sales and stocks, adjusted for seasonal variation. 1923-25 average = 100. Latest figures shown are for August 1942.



Wednesday figures, partly estimated. Latest figures shown are for September 9, 1942.



Wednesday figures. Latest figures shown are for September 9, 1942.

## State Tax Revenues in the Sixth District

The expanded activities of the Federal government in recent years, together with the problems involved in financing the war program, have tended to focus attention upon problems of Federal finance to the neglect of the fiscal situation of state and local governments. Yet in 1941, out of the total general government revenue of \$18.6 billion, Federally collected revenue amounted to less than half of the total, or 44.4 per cent. It was only during the fiscal year ending in June 1942 that Federal tax revenue exceeded both state and local tax revenue. State revenue alone, amounting to \$4.9 billion, was 26.6 per cent of all American public revenue collected by American governments in 1941.

► State tax collections, not only in the District but throughout the United States, have risen steadily during the last decade. From a total of \$135 million in 1932, state tax collections in the six states of the District rose to \$366 million in 1941 and to \$403 million in 1942, an increase of 197 per cent from 1932 to 1942. Tax collections in all states rose 202 per cent. Per capita state tax collections of the District states averaged \$10.13 in 1932. By 1936 the average had risen to \$14.13; by 1941 to \$24.57; and by 1942 to \$27.10. Details are shown in the accompanying charts.

While collections of state taxes from 1932 to the present time have been rising steadily, local tax revenues have been comparatively stable. From 1932 to 1941, the latest year for which data are available, local tax revenue in the six states of the District increased from \$242 million to \$264 million, an increase of 8.8 per cent. Collections by local governments for all states, in contrast, decreased 0.9 per cent. The extent to which the state governments of the District have overshadowed the local governments in revenue raising is demon-

strated by the fact that local tax revenues in the District in 1932 were larger than state tax revenues, \$242 million as compared with \$135 million. In 1941 this order was reversed; state tax collections amounted to \$366 million while local tax collections amounted to \$264 million.

► The comparative stability of local tax revenues and the upward trend of state revenues is explained in part by the character of the taxes levied by the two types of governments. With the development of various forms of state sales taxes and income taxes, the states have progressively given up property tax collections as a chief source of revenue. For the year 1941, 33 state governments still levied the general property tax, but they derived only 5 per cent of their revenue from this source. On the other hand, 80 per cent of local revenue was derived from general property taxes. With the exception of Florida, all the states of the District levy some form of general property tax, but only 6.6 per cent of all District state tax revenue, exclusive of unemployment compensation taxes, was accounted for by this tax in 1942.

In the District, as indicated in Table I, 63 per cent of all tax revenue, exclusive of unemployment compensation taxes, was accounted for by various forms of sales and gross receipts taxes compared with 58 per cent for the United States as a whole. Motor fuel taxation, amounting to 39 per cent of all taxes, was the most important form of sales taxation in the District, while in the United States it made up 24 per cent of the total. License and privilege taxes constituted the second most important source of state tax revenue in the District, amounting to 15 per cent of the total, the most important form being motor vehicle license taxes. Corporate and individual income taxes accounted for 9 per cent of the total, contrasted with 14 per cent for the United States as a whole. Property taxes constituted the fourth most important form of tax revenue in the District.

Conditions vary, of course, from state to state within the District. In only two states, Alabama and Mississippi, is a general sales or gross receipts tax in effect at the present time. Florida levies no income tax and has also eliminated property tax levies as a source of state revenue. Despite these qualifications, the states of the District as a whole place considerable reliance upon so-called consumption taxes.

► Because of the heavy reliance upon forms of taxes that are comparatively sensitive to changes in economic conditions, state tax collections for the latest fiscal year, ending in five of the states on June 30, 1942, and in Alabama on September 30, 1941, reflected improved economic conditions. Excluding unemployment compensation taxes, the increase in taxes collected in the six states amounted to \$35 million, an increase of 10 per cent as compared with a national increase of 7.7 per cent. The largest part of the increase in the Six State total was in individual and corporate income tax collections, an increase of \$9.9 million or 44 per cent. State income tax collections for all states in the United States in contrast increased only 23 per cent. Other increases reported were \$7.4 million in motor fuel taxation, \$4.3 million in revenue from the sale of alcoholic beverages, \$2.6 million from severance taxes, and \$2.4 million from taxes on the sale of tobacco products. A de-

TABLE I  
PER CENT DISTRIBUTION  
STATE TAX COLLECTIONS  
FISCAL YEAR ENDING JUNE 30, 1942

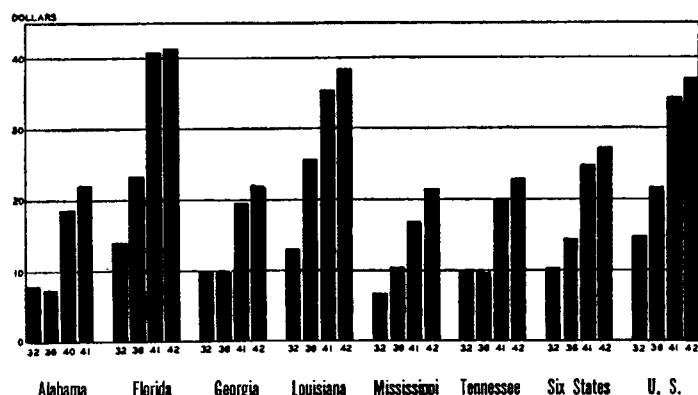
	Ala.*	Fla.	Ga.	La.	Miss.	Tenn.	Six States	U. S.
Total Collections—excluding unemployment compensation.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sales and gross receipts tax.....	65.7	67.6	65.0	49.7	71.0	68.2	63.3	57.6
General sales, use, or gross receipts tax.....	18.1	...	...	2	23.4	...	5.6	16.2
Motor fuels.....	34.5	45.1	45.4	26.3	34.0	49.3	38.5	24.2
Alcoholic beverages.....	1.1	9.0	9.5	6.1	3.1	4.8	5.9	6.5
Tobacco products.....	7.0	...	6.3	8.0	7.3	7.1	5.9	3.4
All other sales.....	5.0	13.5	3.8	9.1	3.2	7.0	7.4	7.3
License and privilege taxes and permits.....	15.0	25.1	6.3	11.9	9.8	19.2	14.6	17.0
Alcoholic beverages.....	3	2.6	...	6	...	2	7	...
Chain stores.....	2	1.8	3	2	2	...	5	...
Motor vehicle licenses.....	6.7	16.2	4.1	1.3	3.6	11.1	10.7	7.0
Hunting and fishing.....	5	5	4	2	7	5	5	4
All other licenses.....	7.3	4.0	1.5	9.6	5.3	7.2	6.0	...
Individual and Corporate Income Tax.....	7.6	...	20.0	9.6	11.9	8.1	9.4	13.6
Property Taxes.....	10.1	3.0	6.9	10.0	6.3	2.4	6.6	6.7
Death and Gift Taxes.....	2	3.1	9	1.0	2	1.8	1.3	2.9
Severance of Natural Products.....	9	...	...	17.8	8	...	1.3	1.5
All Other Taxes.....	5	1.2	9	...	...	3	5	6

\* Fiscal year ending September 30, 1941

\*\* No estimate

Source: U. S. Department of Commerce, *State Finances 1942*

## PER CAPITA STATE TAX COLLECTIONS



crease in collections was reported from motor vehicle license taxation of \$2.2 million, the loss being accounted for by the large decrease in Louisiana collections, although other states reported only moderate increases. Decreases also occurred in chain store taxes of \$1.3 million, and property tax collections of \$1.7 million. Details of collections by states together with the per cent changes from 1941 to 1942 are presented in Table II.

► Increased tax collections bring with them the temptation to expand governmental services and to eliminate or reduce unpopular taxes. Were it not for the war, it might be assumed that the usual course might be taken. Under the stress of war-time conditions, however, it would seem to be the duty of

state government officials to integrate their fiscal programs carefully with that of the Federal government.

The problem of fitting state revenue programs to the Federal government's fiscal program assumes particular importance. The war program has created a large volume of purchasing power and at the same time has curtailed the supply of goods available for ordinary consumption. All forms of ordinary civilian activity, including that carried on by state governments, are feeling the impact of the war program more and more as the program develops. In order to bring about a reduction in the purchasing power in the hands of consumers to the level of available consumer goods, the national government has instituted policies of increased taxation, control of credit, the sale of war bonds, and direct price controls. The reduction of state taxes at this time runs contrary to this general program since it increases rather than decreases the amount of available purchasing power. On the other hand, the expansion of services, no matter how desirable, places an additional strain upon the limited supply of civilian goods.

Instead of reducing taxes or expanding services, state governments are in a position to adopt a role in harmony with the government anti-inflationary policy. Such a policy calls for (1) the postponement of public works not directly connected with the war effort, (2) the decrease of expenditures, (3) the maintenance of tax rates, (4) the repayment of debt, and (5) the building up of surpluses for post-war use. All parts of the program are anti-inflationary. In addition, the reduction in outstanding debt or the accumulation of surpluses by state governments will be helpful in the post-war period when accumulated surpluses or newly borrowed funds can be

TABLE II  
STATE TAX COLLECTIONS  
Latest Fiscal Year  
(In Thousands of Dollars)

	Alabama 1941*	% Change 1940-41	Florida 1942	% Change 1941-42	Georgia 1942	% Change 1941-42	Louisiana 1942	% Change 1941-42	Mississippi 1942	% Change 1941-42	Tennessee 1942	% Change 1941-42	Six States 1942	% Change 1941-42	United States 1942	% Change (mil- lions) 1941-42
Total collections including unemployment compensation.....	62,048	12.5	68,933	1.4	68,322	14.0	90,790	7.2	46,360	27.4	66,719	20.8	359,350	12.2	4,952	10.1
Total collections excluding unemployment compensation.....	51,404	12.5	60,586	-0.1	56,624**	11.3	79,866	4.0	42,324	26.4	53,998	17.3	344,802	10.0	3,873	7.7
Sales and gross receipts tax***	33,751	...	40,956	...	36,833	...	39,704	...	30,034	...	36,822	...	218,100	...	2,228	...
General sales, use, or gross receipts tax.....	9,312	20.0	...	...	...	...	131	-74.8	9,907	33.8	...	...	19,350	-4.0	627	10.8
Motor fuels.....	17,744	15.9	27,300	-4.6	25,711	4.4	21,006	-1.1	14,390	9.9	26,607	11.8	132,758	5.9	938	2.6
Alcoholic beverages.....	566	57.6	5,486	15.6	5,365	31.7	4,893	20.8	1,314	81.9	2,597	29.6	20,221	26.7	251	16.2
Tobacco products.....	3,578	6.9	...	...	3,576	16.9	6,378	13.3	3,080	10.7	3,820	18.6	20,432	13.3	131	22.4
All other sales.....	2,551	...	8,170	...	2,181	...	7,296	...	1,343	...	3,798	...	25,339	...	281	...
License and privilege taxes and permits***	7,690	...	15,226	...	3,554	...	9,544	...	4,161	...	10,379	...	50,554	...	658	...
Alcoholic beverages***	126	...	1,597	...	...	...	495	...	...	...	114	...	2,332	...	N.E.	...
Chain stores.....	105	5.0	1,061	-24.8	180	-6.8	141	3.7	69	32.7	88	2.3	1,644	-16.8	4	-33.3
Motor vehicle licenses.....	3,460	-3.9	9,797	7.2	2,309	-19.1	1,060	-69.7	1,520	8.8	5,987	2.6	24,133	-9.2	416	-.2
Hunting and fishing.....	236	19.7	345	35.3	199	6.9	191	24.8	313	28.8	280	10.2	1,564	21.4	20	-13.0
All other licenses***	3,763	...	2,426	...	866	...	7,659	...	2,259	...	3,910	...	20,881	...	N.E.	...
Individual and corporate income tax.....	3,894	45.8	...	...	11,308	55.2	7,648	27.7	5,024	90.4	4,381	86.0	32,265	44.1	529	22.7
Property taxes.....	5,207	2.0	1,805	-49.7	3,896	-17.2	7,997	9.2	2,674	3.5	1,317	6.0	22,896	-6.8	257	.4
Death and gift taxes.....	125	52.3	1,893	99.0	543	-3.4	764	23.4	87	190.0	967	2.9	4,379	28.0	113	-6.6
Severance of natural products.....	469	8.5	...	...	...	...	14,199	20.2	344	67.0	...	...	15,012	20.5	59	.0
Unemployment compensation.....	10,644	12.7	8,347	14.5	11,698	29.3	10,924	37.9	4,036	40.1	12,721	38.0	58,370	27.5	1,079	19.8
All other taxes.....	268	-1.2	706	-13.8	490	89.2	...	...	...	...	132	-91.5	1,596	-45.2	26	-7.1

\* Fiscal year ending September 30, 1941.

\*\* Not final.

\*\*\* A change made from the 1941 classification of sales and gross receipts taxes and license and privilege taxes and permits makes percentage comparisons between 1941 and 1942 impossible.

NE—No estimate.

Source : U. S. Department of Commerce, State Finances 1942.

applied to the construction of the public works that were postponed. By providing employment for workers formerly employed in the war industries, the adjustment from a wartime to a peacetime basis will be much facilitated. In the event that state tax revenues decline after the conclusion of the war, any accumulated surpluses will be available as well in financing ordinary expenditures and avoiding the expansion of debt.

▶ Although present indications point to a continued expansion of income in the District, which in normal times might be reflected in increased tax collections, war conditions alter the picture. Wartime conditions seriously affect state tax revenues from at least two directions: (1) the sales of commodities upon which taxes are levied are affected by war controls and (2) increased Federal taxes preclude increases in state taxes in many fields.

The behavior of gasoline tax collections, upon which the District states relied for 39 per cent of their tax revenue in 1942, illustrates the first tendency. With gasoline rationed in only two states of the District, the gasoline tax collections for August in the District were 16 per cent below collections a year ago. If the extension of rationing to all states exerts the same influence as it has in the rationed states, Florida and Georgia, collections for 1942 will be at least 25 per cent below the 1941 level.

Although less dramatically affected, the sales of other commodities upon which taxes are levied are feeling the impact of war conditions. Many commodities, especially durable goods such as automobiles, refrigerators, and radios, are becoming unobtainable. Consumer credit controls are restraining sales in many fields. Rationing of many additional items is probable. The reduction of consumer purchasing power through taxation and through the sale of war bonds means the reduction of spending and in turn a smaller volume of sales. The possibility of increasing state tax rates on the sale of tobacco products and alcoholic beverages is one that must be judged in relation to what the Federal taxes may be on these commodities.

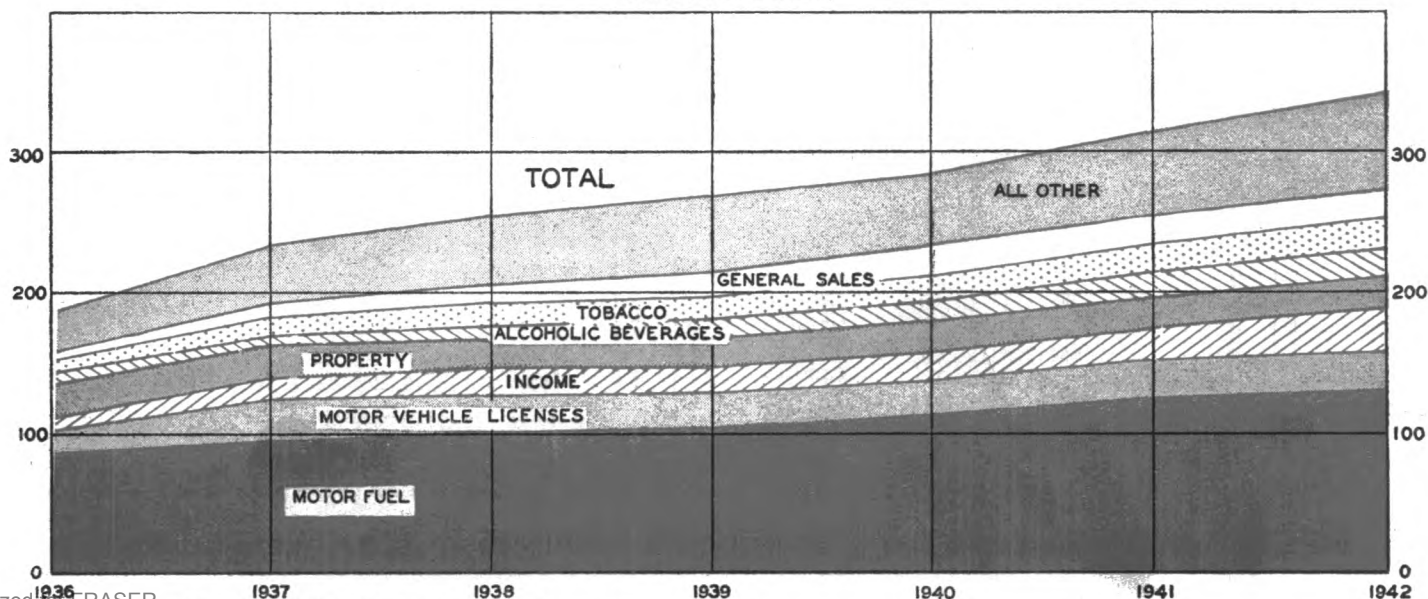
Restrictions upon automobile transportation seriously threaten state collections from license and privilege taxes. These taxes, of which vehicle and license taxes constituted the greater part of the collections in 1942, are the second most important form of state tax revenues in the District. As motor vehicle registrations decline so will collections from this source.

The impact of the war program will be particularly reflected in state income tax collections. All state income tax laws of the District, with the exception of that of Mississippi, allow the deduction of Federal income tax payments in computing taxable income. When combined with the already existing high exemptions and low rates, deductions of the high Federal income taxes may prevent large increases in revenue from state income taxes.

Since property tax collections constitute the chief source of local governmental revenue, increases in rates by those states that levy property taxes cannot be expected. In the absence of rate changes, revenues from property taxes are comparatively stable from year to year. However, at present large areas of land in the various states of the District have been taken over by the United States government and are thus being removed from the tax rolls. This fact may offset to some degree any expected increase in property tax collections resulting from better economic conditions.

▶ To wage a total war successfully the United States must leave unexplored no path that might lead to a more efficient prosecution of the war. Inter-governmental financial relationships in the United States have been rather haphazard in the past. In the present period when fiscal policies are so important to the successful prosecution of the war, we must be particularly careful not to allow lack of a common policy to hamper the war financing program. To mobilize most effectively financial resources it is necessary to view the related problems of Federal, state, and local governmental expenditure and revenue as a whole.

### STATE TAX COLLECTIONS IN THE SIXTH DISTRICT Exclusive of Unemployment Compensation Taxes Millions of Dollars



Source: TAX SYSTEMS; U. S. Dept. of Commerce