Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

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The Role of the SWPC in the Southeast

Two recent developments are operating, if not to give the small and individual manufacturer the share he conceivably might have had in the war effort, at least to take the little plants off starvation rations and better their position and prospects. The great mass-production tasks have been largely conquered, so that the agencies of procurement may now pay greater attention to those refinements and variations of product that are often most efficiently and appropriately put forth in the smaller units. Concurrently, the special-purpose organization, established by Congress in June 1942 "to mobilize the productive facilities of small business in the interests of successful prosecution of the war," has wheeled into vigorous action after a somewhat halting start.

The agency referred to is the Smaller War Plants Corporation. In the District, even more than in the nation as a whole, the SWPC of late is making its presence felt. The preponderant centralization of the war production effort cannot now be greatly changed, but more "bits and pieces" of work are being routed to the little manufacturing enterprises than ever before. More than a thousand small plants in the District have received contracts through the instrumentality of the SWPC. In addition, the expanding activities of this corporation as a credit agency have placed the Southeast second only to New York among regions of the nation in the amount of financial credits extended to the small manufacturer.

The SWPC, of which Maury Maverick of Texas has been the national chairman since January 1944, is somewhat to be distinguished from other war-connected agencies because it is purely Congressional in its origin. It was established through passage of the Murray-Patman Act in 1942. The corporation marked time for several months after its creation, but began to gain traction in 1943 and has progressed recently at an accelerating rate, both in the nation and the District. In the nation as a whole in October and November 1943, the SWPC placed with the small manufacturers 4,336 contracts and subcontracts, amounting in total value to $222,300,000. In the following two-month period, the SWPC placements numbered 6,008 and amounted to a total of $319,000,000.

In February and March 1944, the SWPC placed 6,897 contracts amounting to $495,000,000. Thus, in six months' time, the SWPC was instrumental in obtaining 17,241 items of work, amounting to $1,036,300,000, for the "little men" in industry. The figures indicate a rising curve of small-business activity, just when the larger units of production were becoming concerned over the prospect of contract termination.

The percentage of SWPC business allotted to the Southeast has been considerably greater than the District's share in the national manufacturing capacity. Region 4 of the SWPC covers the state areas of Alabama, Florida, Georgia, Mississippi, and Tennessee, as well as the two Carolinas. District offices are located in Atlanta, Georgia; Birmingham, Alabama; Charlotte, North Carolina; Columbia, South Carolina; Jackson, Mississippi; Jacksonville and Miami, Florida; and Chattanooga, Knoxville, Memphis, and Nashville, Tennessee. All SWPC activities excepting those of the loan agency are under the direction, in the Southeast, of Frank G. Etheridge, whose offices are in the Candler Building, Atlanta.

In the eight-month period from October 1, 1943, to June 1, 1944, in Region 4, 1,091 contracts and subcontracts amounting to $144,777,838 were placed by the SWPC. Of these, 329 contracts amounting to $46,831,000 were placed during the first quarterly period of 1944, and the value of these contracts was 9.5 per cent of the national total value of placements for that quarter. In May, 103 additional contracts, amounting to $7,896,771, were let in this region. Accordingly, though ranking sixth among SWPC regions in number of its manufacturing plants, the Southeast has ranked fourth among regions in dollar value of contract placements.

The contracts placed by the SWPC are, for the most part, solicited from the Army, Navy, and other procurement agencies. The continuance of the flow of small-plant work depends upon the status of the war procurement itself. No doubt, some decline in placements is to be expected with time, but as long as procurement is active, the small plants may be expected to continue to share in the contracts.

Of particular significance, because of its potentialities for the future, is the SWPC Loan Agency, the youngest of all Government institutions in the financial field and in recent months the most rapidly expanding. In the Southeast, the credit operations of the SWPC are directed by Edward H. Mayer, Regional Loan Agent, with headquarters in Atlanta.

The loan agency operates as a supplemental credit institution in an area which it regards as falling outside that covered by the banking system. It makes loans for war production purposes to companies that do not present an acceptable credit risk to banks. Capital loans are made to personally owned and operated enterprises for terms frequently as long as three years and at times as long as five years.

These loans are authorized in connection with war contracts and production of items on the essential civilian list as well. By no means all the smaller plants in these types of production require SWPC financing; some have their own reserves and a yet greater number enjoy bank standing adequate for their needs. The SWPC makes credit authorizations only when other financing is unavailable, but in such cases, in the interests of production, it authorizes either loans of operating capital or loans for purchase of basic manufacturing facilities and supplies. Loans of operating capital have accounted for 80.4 per cent of SWPC activity in this region thus far; loans for facilities and supplies, for the remaining 19.6 per cent.

These loans bear 4 per cent interest. The loans of operative capital are self-liquidating, and the facility loans are retired, as a rule, by "straight-line" monthly payments of principal and interest. The total amount of such loans to date has been about $14,500,000 in the region.

The loan agency also makes purchases of needed machinery, which is placed in small plants under lease. The monthly rental is 1.5 per cent of the purchase cost of such machinery. These purchases in the region to date amount to more than $2,000,000.

SWPC loan activities in the nation have increased, like the contract placements, at an accelerating rate; and in the Southeast, the national rate of acceleration of loans has been outstripped. From January 1, 1943, to June 1, 1944, the national total of loans and leases was $120,662,401, and the Region 4 total was $16,628,731, or 13.8 per cent of the national total. Up to the end of February 1944, the national total was $74,422,982 and the regional total, $7,787,269, or 10.5 per cent. But in March, April, and May, while the SWPC nationally made an additional $46,239,419 in loans and leases, Region 4 made an additional $8,895,462, or 19.2 per cent of the national total, thus more than doubling its previous 14-month record in three months' time.

In the nation to date, 1,959 small plants have received SWPC loans and leases. In the Southeast, the number has been 199. The SWPC has made 23 loans and leases amounting to $1,323,552 in Alabama, 22 amounting to $5,315,414 in Florida, 43 amounting to $2,048,660 in Georgia, 11 amounting to $2,222,906 in Mississippi, and 74 amounting to $4,682,167 in Tennessee (including the area of Memphis). As to the size of the borrowing enterprises, no breakdown for the Southeast is available, but the region roughly follows the national distribution of 84.3 per cent of loans and leases made to companies with 100 workers or less, 14.7 per cent to companies with 101 to 500 workers, and 1 per cent to companies with more than 500 workers.

In authorizing its credits, the SWPC loan agency follows appraisal standards that are based primarily upon the necessity of obtaining the desired production. The principal points upon which the authorization of credit is based are the present or potential efficiency of the given plant and the willingness and personal ability of its management. Other customary elements in credit rating are to some extent subordinated: the past history of an enterprise may be disregarded at times, the market for the products is an assured one and need not be considered, and a poor capital position, instead of becoming a basis of credit denial, may in fact have the contrary effect of operating as a claim upon an SWPC loan. What is most wanted, in short, is output, and this philosophy of credit broadens the concept of credit worth and enables the SWPC to operate at times along lines that amount to the capitalization of personal ability in enterprise.

The desire to obtain production, as the primary object, also somewhat affects the attitude of the SWPC toward loan collateral. Many loans are made upon security of plant property, but the ratio of loan to the value of such security may be higher than the usual ratio. Additional security ordinarily consists in assignment of the contract to the SWPC, and at times, the contract is the only security. Inventory, also, is sometimes hypothecated, as are accounts receivable. So far, the repayment record of the SWPC is excellent, since the returns upon contract ordinarily support the retirement. Presumably, if this type of lending were protracted into a period of noncontractual markets, repayment troubles would increase.

Some SWPC loans have produced unusually constructive consequences. Merely as the result of an SWPC contract and loan agency financing, a good many small enterprises, previously lacking in credit worth and bank standing, have been rehabilitated to the point where they have become acceptable banking risks. In one instance within the District, a very small manufacturer with a past record of difficulty and resultant limitation upon his ability to command credit, came

Announcement

On June 1, 1944, the Security Banking Company, a nonmember state bank, in Alexandria, Louisiana, was granted a national charter by the Comptroller of the Currency and authorized to begin business as the Security National Bank. It thus becomes a new member of the Federal Reserve System.

The Security Banking Company was originally organized and opened for business on March 15, 1927, at Pineville, Louisiana, just across the Red River from Alexandria. On February 24, 1942, it moved from Pineville to Alexandria. The Security National Bank has a capital of $150,000, a surplus of $100,000, and deposits in excess of $4,000,000.

Q. T. Hardtner is chairman of the board; H. D. Murchison is president; J. W. Hawthorn and J. T. Murchison are vice presidents; R. Lee Hopkins is cashier; and E. E. Bennett, W. D. Tindol, and David Crockett are assistant cashiers.

In addition to Messrs. Hardtner, Hawthorn, and H. D. Murchison, the board of directors includes J. E. Caldwell, J. T. Cappel, W. A. Coon, and A. H. Petrie.

On June 5, 1944, the Commercial Bank and Trust Company, of Knoxville, Tennessee, was also granted a national charter by the Comptroller of the Currency and authorized to begin business as the Commercial National Bank.

The Commercial Bank and Trust Company, of Knoxville, was organized and opened for business April 29, 1925. On July 1, 1935, it was admitted to the Federal Reserve System, as a state member bank. The Commercial National Bank has a capital of $300,000, a surplus of $200,000, and deposits amounting to nearly $8,500,000.

William Rule, Jr., is president of the bank; Fred H. Cagle is active vice president; H. E. Christenberry is vice president; R. C. Brown is cashier; and B. H. McMahan is assistant cashier.

In addition to Messrs. Rule, Cagle, and Christenberry, the board of directors includes W. L. Ambrose, Roy H. Brown, G. M. Camp, R. H. Cole, T. G. McConnell, A. G. Murphy, J. P. Roddy, J. P. Roddy, Jr., B. R. Staley, and James VanDeventer.

out of an SWPC deal not only with his plant expanded, but with ownership of stock in a bank. This instance is admittedly extreme, but it serves to illustrate the ability of needed capital to strengthen the position of a personal enterprise and lift it at times to the status of a credit-worthy risk.

It is the declared policy of the SWPC not to compete with banks. When an application for financing is received, the invariable first step of the loan agency is that of ascertaining whether or not the desired credit can be obtained from banking sources. If bank credit is not available in sufficient amount, the second step is to explore the possibility of a loan in participation with a bank. Participating loans during January and February 1944 in this region amounted to only 0.6 per cent of the total loans made, but in March, April, and May the banks took 7.0 per cent of the total.

As one method of eliciting bank credit, the SWPC offers its "Repurchase Bank Loan Plan." Under this plan, applying only to loans of $25,000 or less, the loan is authorized by the SWPC, but is made, closed, and serviced by a bank designated by the borrower. The bank holds the collateral and receives the 4 per cent rate of interest. One fourth of this interest is paid by the bank to the SWPC, in return for its agreement to repurchase the loan or its remaining balance in full, on 15 days' demand.

By avoiding competition with the established credit agencies, while at the same time improving the status of the small concerns, the SWPC has probably tended thus far to increase rather than diminish potential banking operations. Continuance of this policy of maintaining a purely supplemental position among credit agencies becomes the more important because legislation to continue and amplify the operations of the corporation is pending in Congress at the present time. The proposal is embodied in Senate Bill No. 1913, introduced by Senator Murray of Montana and referred to the Banking and Currency Committee of the Senate.

The proposed measure changes the name of the SWPC to "Small Business Corporation" and extends its life from June 30, 1945, to June 30, 1947. "The preservation and expansion of independent small business are hereby declared to be essential to an economy of free enterprise," states the opening sentence of the bill. The corporation's sphere of activity is extended to include small business in trade, service, construction, and mining, as well as in manufacturing.

Title V of the measure is designed to safeguard the present banking system. In general, the title reiterates the present policy of utilizing bank funds wherever possible. Its subsections provide for the guaranteeing and insuring of bank loans by the corporation, the making of participating loans with banks, the liquidation by the corporation of slow bank accounts arising from these loans, and the employment of banks by the corporation as its agents. Beyond these provisions, the powers of the corporation are extremely broad, including, in the following language, the power to capitalize personal ability in the small business field:

"No application . . . shall be rejected solely upon the basis of the collateral offered or the lack of any collateral, or the status of the balance sheet or financial statement, whenever the Corporation shall be otherwise reasonably satisfied in respect of the soundness of the loan by information concerning the character and competence, past performance and business prospects of the applicant."

ERNEST J. HOPKINS

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	Number Reporting	Per Cent Change April 1944 to May 1944	
		Volume	Oustandings
Federal Credit Unions	46	+ 24	— 1
State Credit Unions	26	+147	+ 6
Industrial Banking Companies	43	+ 10	+ 2
Personal Finance Companies	52	+ 4	— 1
Commercial Banks	34	+ 4	— 1

CASH INCOME FROM FARM MARKETINGS*
(In Thousands of Dollars)

	April 1944	March 1944	April 1943	January-April	
				1944	1943
SIX STATES	113,103	111,019	98,461	482,699	405,649
Alabama	10,335	11,146	8,883	50,981	38,179
Florida	43,578	43,326	36,675	155,612	136,688
Georgia	14,751	13,796	11,706	64,809	51,381
Louisiana	13,612	10,861	11,960	54,571	44,442
Mississippi	13,182	12,027	11,706	57,789	52,115
Tennessee	17,645	19,866	17,531	98,937	82,844

*Government payments not included

RESERVES AND RELATED ITEMS OF SELECTED SIXTH DISTRICT MEMBER BANKS
(In Thousands of Dollars)

For reserve city banks figures are averages of seven-day period ending June 2, 1944; for country banks they are averages of sixteen-day period ending May 31, 1944.

Group*	No. of Banks	Deposits of Banks	Balances Due from Other Banks	War Loan Deposits	Actual Reserves	Per Cent Actual to Required
A	9	0	1,255	44	503	172
B	27	728	5,951	593	2,943	145
C	54	1,172	19,352	3,487	11,269	130
D	74	6,171	56,233	13,536	32,197	125
E	52	31,417	71,196	31,282	60,194	118
F	29	177,077	152,147	75,171	157,748	117
G	12	403,290	110,527	94,558	249,420	103
Total	257	619,855	416,661	218,671	514,274	111

* Group A : 1943 average deposits up to $500,000; Group B : $500,000 to $1,000,000; Group C : $1,000,000 to $2,000,000; Group D : $2,000,000 to $5,000,000; Group E : $5,000,000 to $15,000,000; Group F : $15,000,000 to $75,000,000; Group G : over $75,000,000.

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES
(In Thousands of Dollars)

Item	June 14 1944	May 17 1944	June 16 1943	Per Cent Change June 14, 1944, from	
				May 17 1944	June 16 1943
Loans and Investments—Total	1,528,246	1,522,055	1,398,686	+ 0	+ 9
Loans—Total	283,560	294,896	285,011	— 4	— 1
Commercial, industrial and agricultural loans	166,052	172,750	171,973	— 4	— 3
Loans to brokers and dealers in securities	4,888	5,826	4,683	— 16	+ 4
Other loans for purchasing and carrying securities	22,494	23,398	8,952	— 4	+151
Real estate loans	26,795	26,748	25,487	+ 0	+ 5
Loans to banks	348	724	330	— 52	+ 5
Other loans	62,983	65,450	73,586	— 4	— 14
Investments—Total	1,244,686	1,227,159	1,113,675	+ 1	+ 12
U. S. direct obligations	1,111,005	1,092,329	948,714	+ 2	+ 17
Obligations guaranteed by U. S.	23,842	25,358	52,405	— 6	— 55
Other securities	109,839	109,472	112,556	+ 0	— 2
Reserve with F. R. Bank	319,623	297,433	285,714	+ 7	+ 12
Cash in vault	26,667	25,143	23,576	+ 6	+ 13
Balances with domestic banks	170,375	160,432	187,646	+ 6	— 9
Demand deposits-adjusted	1,134,360	1,073,049	946,672	+ 6	+ 20
Time deposits	279,308	273,078	222,146	+ 2	+ 26
U. S. Gov't deposits	94,300	136,277	165,967	— 31	— 43
Deposits of domestic banks	441,047	427,049	482,992	+ 3	— 9
Borrowings	100	200	......	— 50	...

Some Problems of Foreign Trade

On July 1, the United Nations Monetary and Financial Conference will convene at Bretton Woods, New Hampshire. While this conference will presumably direct its attention primarily toward the problem of international currency stabilization, it will naturally have to touch on basic problems of foreign trade as well. In April, technical experts of the major United Nations agreed upon a draft proposal for the establishment of an International Monetary Fund to be used in controlling exchange fluctuations. The July conference will presumably take this draft as a starting point. It will also consider the organization of a World Capital Bank, proposed by the American Treasury for public discussion some time ago.

The whole field of foreign economic relationships is of particular importance to the Sixth Federal Reserve District. The District is geographically a peninsula jutting out into the Atlantic Ocean and the Gulf of Mexico. Of the six District states, five have important deep-water ports. Further, Tennessee, through the development of the Tennessee River, is looking for an expanded postwar water-borne trade down the Tennessee and Mississippi Rivers, with trans-shipment on ocean-going freighters at New Orleans. If the Alabama rivers are developed in accordance with current proposals, some Tennessee commodities will move over these rivers through the Port of Mobile as well. Cotton, lumber, naval stores, tobacco, petroleum, and sulphur, among District products, have at various times moved on an important scale through District ports.

In the fairly normal prewar year from July 1, 1936, through June 30, 1937, three District ports, New Orleans, Mobile, and Tampa, each handled a million tons or more of imports and exports. Movement through New Orleans in that year totaled 4.7 million tons; through Mobile, 1.1 million tons; and through Tampa, 1.0 million tons. The same year, foreign trade moved through Baton Rouge in the amount of 929,000 tons, while Savannah's foreign trade totaled 853,000 tons. Other important District ports in that year were Jacksonville with 516,000 tons of goods passing through, Lake Charles with 453,000 tons, Pensacola with 267,000 tons, Gulfport with 212,000 tons, Boca Grande with 158,000 tons, and Port Everglades with 157,000 tons. In addition, Brunswick, Fernandina, Miami, Panama City, and Port Sulphur were listed in the foreign trade statistics of the United States Maritime Commission for that year.

Historically, foreign trade has played a considerable role in the Sixth District economy. Presumably, in the postwar years, foreign trade will be on an even larger scale. Several of the District's ports, for example, are strategically located for the Latin-American and African trade. This trade promises to be far greater after this war than in the past because of the fact that these continents are being opened up under the stress of wartime necessity and are acquiring substantial amounts of dollar exchange for the first time. In Jacksonville, for instance, there is some talk of importing foreign woods from South America and Africa, developing a furniture industry, and shipping the finished product by water to distant markets. A great deal of activity is under way in New Orleans, where plans are being made for construction of a ship canal through to the Gulf to avoid the present tortuous river passage.

The statement is often made that foreign exchange differs from domestic exchange only in the jargon of bankers. This is true in a certain sense. Foreign exchange operations are after all simply methods of paying for goods and services purchased across national boundaries. So far as the purely business aspect of the matter is concerned, a bill of exchange used to pay for goods purchased in Britain is not essentially different from a check issued to pay for goods purchased within the United States. In a broader sense, however, there are essential differences, involving matters of high economic and political policy, between buying and selling within a national boundary and buying and selling across national boundaries.

Rates of exchange reflect the demand for and supply of the various national currencies. On any given day, for example, persons in the United States have payments to make in England and many in England have payments to make in the United States. Cutlery importers in New York buy cutlery from England and sell it in the United States. As a result, the New York importer has balances in New York banks and bills to pay in England. He exchanges his dollars in New York for sterling in London. Similarly, on any given day, British importers of American cotton have balances in London banks and bills to pay in the United States. The mechanism of foreign exchange enables the British cotton importer to turn over a certain amount of his sterling balance in London for a certain number of dollars in New York. If no control is exerted on the exchange rate between the pound sterling and the dollar, the price of sterling in dollars and the price of dollars in sterling is determined by the relative demand for and the supply of the currencies at a given time.

The relationship between the American importer of British cutlery and the British importer of American cotton must be multiplied by thousands of trading transactions. These transactions in the foreign exchange markets are known as current account transactions. The other major factor in the foreign exchange market is capital transfers. In ordinary times, foreign investment by creditor nations such as the United States is in large volume. American automobile companies may be building branch plants abroad and American investors may be purchasing shares of stock in foreign railroads, for instance. Such operations increase the supply of dollars to foreign countries. When a creditor nation has made large investments abroad, return flow of funds from the debtor nations for the retirement of principal occurs. Obviously, the necessity of making such payments is a demand factor in the market for dollars in the same fashion as the purchase of American cotton abroad gives rise to a demand for American dollars abroad.

Up until World War I, the United States was on balance a debtor nation. That is to say, Americans had, on balance, borrowed more money from foreign investors than they sent abroad. A "favorable" balance of trade—selling more abroad than was bought—enabled this country to pay interest and amortization on the indebtedness which it had incurred. When the United States became a creditor nation, however, and continued to sell more abroad than it was buying from the foreign countries, the demand for dollars tended greatly to exceed the supply of dollars on the foreign exchange markets.

Throughout the 1920's, this situation was balanced by large American loans to foreign governments and business firms. When those loans declined in volume in the late 1920's and then ceased after 1929, it became difficult and later impossible for foreign countries to service their debts owed the United States and it became impossible for them to continue to purchase large quantities of American goods for the simple reason that the dollar exchange was not available.

At the same time that American investment abroad came gradually to a standstill, the United States increased tariffs on foreign goods under the Hawley-Smoot Act of 1930. This action further reduced the supply of dollars available to foreigners for the purchase of American goods or for the service of debts owed in the United States. It is true that a large volume of dollars was made available to foreign countries during the 1930's through American purchases of gold—and to a less extent of silver—but a large proportion of these dollars was used up in financing the flow of "hot money" to this country from abroad.

In the decade prior to World War II, competitive depreciation of currencies was widespread in the world as nations attempted to increase their shares in world trade at the expense of their neighbors. Direct interferences with international trade multiplied, as well. Tariffs were raised, import quotas were established, and exchange controls were instituted over wide areas of the globe.

The International Monetary Fund will, it is hoped, promote exchange stability between the various national currencies and facilitate multilateral payments. If the fund should succeed in these tasks, the expansion of international trade would be encouraged and growth of employment and real incomes in member countries would result. The fund would further serve to foster future growth of international cooperation in monetary matters by providing permanent consultative machinery.

The details of the proposals advanced by the United Nations experts in April 1944 will probably be modified somewhat in the forthcoming conference. Nevertheless, an understanding of the purpose of the proposed fund is important. The international fund of gold and national currencies will be used to provide foreign exchange to member countries in exchange for their local currencies so that those countries may bridge a period of unbalance in their international payments on current account.

Within limits as to time and amount—which can be waived at the fund's discretion—member countries will exchange local currency for other currencies to support the exchange rate between the local currency and the other currencies at the agreed par. If Brazil, for example, has more payments to make abroad on current account than it has receipts, there will tend to be a bidding up of foreign currencies in Brazil. Unless Brazil can borrow abroad or liquidate existing gold or foreign exchange reserves, she would have to restrict imports or allow the cruzeiro to depreciate in the foreign exchange market in Rio de Janeiro. The International Monetary Fund, by providing Brazil with an additional source of international reserves, would obviate the necessity for precipitate action in the field of trade and exchange policy. The Bank of Brazil could buy foreign currencies at par from the fund, sell them on the foreign exchange market in Rio de Janeiro, and thus keep the exchange value of the cruzeiro at par for an additional period of time. Using the period of grace thus obtained,

Sixth District Indexes

DEPARTMENT STORE SALES*

	Adjusted**			Unadjusted		
	May 1944	Apr. 1944	May 1943	May 1944	Apr. 1944	May 1943
DISTRICT	233	222	195	228	228	192
Atlanta	233	214	180	236	224	183
Baton Rouge	224	215	183	241	229	197
Birmingham	229	219	191	225	214	188
Chattanooga	232	217	182	239	225	187
Jackson	219	205	178	227	219	186
Jacksonville	279	301	235	295	299	248
Knoxville	266	272	175	278	276	183
Macon	227	223	197	237	246	205
Miami	222	216	185	182	212	152
Montgomery	208	217	165	214	214	170
Nashville	234	242	191	251	243	204
New Orleans	207	195	178	203	206	174
Tampa	292	262	269	276	290	255

DEPARTMENT STORE STOCKS

	Adjusted**			Unadjusted		
	May 1944	Apr. 1944	May 1943	May 1944	Apr. 1944	May 1943
DISTRICT	185	167	152	186	174	153
Atlanta	244	231	174	248	246	177
Birmingham	138	137	130	142	142	133
Montgomery	203	193	182	206	209	185
Nashville	272	255	218	276	280	221
New Orleans	143	133	111	147	142	115

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	May 1944	Apr. 1944	May 1943	May 1944	Apr. 1944	May 1943
TOTAL	149	153	172	169	165	156
Alabama	152	157	172	177	174	166
Georgia	149	154	173	...	...	...
Tennessee	126	127	150	152	152	133

MANUFACTURING EMPLOYMENT***

	Apr. 1944	Mar. 1944	Apr. 1943
SIX STATES	157	160r	155
Alabama	182	188r	196
Florida	175	181r	163
Georgia	148	150r	142
Louisiana	166	167r	146
Mississippi	146	146r	142
Tennessee	136	138r	140

	CONSTRUCTION CONTRACTS			GASOLINE TAX COLLECTIONS***		
	May 1944	Apr. 1944	May 1943	May 1944	Apr. 1944	May 1943
DISTRICT	94	113r	192	95	104	88
Residential	131	79	115	...	...	...
Others	75	130r	230	...	...	...
Alabama	114	81	133	96	106	103
Florida	82	150	373	89	98	81
Georgia	71	119	110	95	101r	87
Louisiana	161	133	138	94	99	91
Mississippi	30	65	116	79	98	78
Tennessee	38	21	90	113	125	91

COST OF LIVING

	Apr. 1944	Mar. 1944	Apr. 1943
ALL ITEMS	128	127	128
Food	140	139	148
Clothing	136	135	129
Rent	114	114	114
Fuel, electricity, and ice	109	109	106
Home furnishings	133	126	123
Miscellaneous	124	123	117

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	May 1944	Apr. 1944	May 1943
Unadjusted	194	193	189
Adjusted**	196	190	191

ELECTRIC POWER PRODUCTION*

	Apr. 1944	Mar. 1944	Apr. 1943
SIX STATES	262	260	236
Hydro-generated	310	285	277
Fuel-generated	199	228	182

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	May 1944	Apr. 1944	May 1943
Unadjusted	15.5	16.9	18.5
Adjusted**	16.7	17.2	19.9
Index**	64.5	66.4	77.0

*Daily average basis
**Adjusted for seasonal variation
***1939 monthly average = 100; other indexes, 1935-39 = 100
r=Revised

Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores	Per Cent Change May 1944 from	
		April 1944	May 1943
Total Sales	108	+ 15	+ 3
Cash Sales	95	+ 11	+ 14
Instalment and Other Credit Sales	95	+ 17	+ 4
Accounts Receivable, end of month	106	+ 2	— 19
Collections during month	106	+ 6	— 11
Inventories, end of month	82	— 9	— 39

CONDITION OF FEDERAL RESERVE BANK OF ATLANTA
(In Thousands of Dollars)

Item	June 14 1944	May 17 1944	June 16 1943	Per Cent Change June 14, 1944, from	
				May 17 1944	June 16 1943
Bills discounted	1,150	1,414	......	— 19	...
Industrial advances	48	82	249	— 41	— 81
U. S. securities	650,007	586,733	274,996	+ 11	+136
Total bills and securities	651,205	588,229	275,245	+ 11	+137
F. R. note circulation	1,080,177	1,049,319	696,099	+ 3	+ 55
Member bank reserve deposits	565,223	537,785	499,199	+ 5	+ 13
U. S. Gov't deposits	2,197	10,317	596	— 79	+269
Foreign bank deposits	47,549	48,512	32,089	— 2	+ 48
Other deposits	6,801	6,294	2,158	+ 8	+215
Total deposits	621,770	602,908	534,042	+ 3	+ 16
Total reserves	1,035,212	1,051,122	940,281	— 2	+ 10

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Area	May 1944	April 1944	May 1943	Per Cent Change May 1944 from	
				Apr. 1944	May 1943
ALABAMA					
Anniston	17,156	16,330	12,071	+ 5	+ 42
Birmingham	177,225	167,027	164,341	+ 6	+ 8
Dothan	6,283	6,186	5,696	+ 2	+ 10
Gadsden	9,515	9,265	9,475	+ 3	+ 0
Mobile	111,112	102,415	114,272	+ 8	— 3
Montgomery	37,115	34,361	33,759	+ 8	+ 10
FLORIDA					
Jacksonville	182,381	159,991	162,901	+ 14	+ 12
Miami	119,778	122,712	90,646	— 3	+ 32
Greater Miami*	162,406	170,718	116,402	— 5	+ 40
Orlando	29,602	28,340	23,702	+ 4	+ 25
Pensacola	20,359	22,401	19,814	— 9	+ 3
St. Petersburg	24,910	25,334	18,461	— 2	+ 35
Tampa	80,033	78,709	75,198	+ 2	+ 6
GEORGIA					
Albany	8,600	8,540	7,608	+ 1	+ 13
Atlanta	454,048	428,895	404,303	+ 6	+ 12
Augusta	32,762	33,305	30,264	— 2	+ 8
Brunswick	14,594	13,404	13,936	+ 9	+ 5
Columbus	32,201	32,696	33,048	— 2	— 3
Elberton	1,736	1,875	1,495	— 7	+ 16
Macon	38,451	37,920	37,445	+ 1	+ 3
Newnan	4,271	4,318	4,343	— 1	— 2
Savannah	79,383	76,410	73,122	+ 4	+ 9
Valdosta	6,609	5,924	5,449	+ 12	+ 21
LOUISIANA					
Baton Rouge	38,306	38,546	41,392	— 1	— 7
Lake Charles	20,961	22,805	20,703	— 8	+ 1
New Orleans	404,515	386,257	348,987	+ 5	+ 16
MISSISSIPPI					
Hattiesburg	12,183	12,091	11,558	+ 1	+ 5
Jackson	45,339	52,148	41,451	— 13	+ 9
Meridian	16,142	14,838	15,974	+ 9	+ 1
Vicksburg	16,329	17,027	18,752	4	— 13
TENNESSEE					
Chattanooga	79,399	77,016	77,197	+ 3	+ 3
Knoxville	103,405	94,926	55,520	+ 9	+ 86
Nashville	179,373	154,848	164,501	+ 16	+ 9
SIXTH DISTRICT					
32 Cities	2,404,074	2,287,860	2,137,384	+ 5	+ 12
UNITED STATES					
334 Cities	67,269,000	66,700,000	64,246,000	+ 1	+ 5

* Not included in totals

the experts of the fund would recommend modifications in monetary and tariff policies and international investment policies calculated to bring Brazilian international payments back into balance.

Creditor nations such as the United States, which have a "favorable" commodity balance of trade and large investments abroad, so that there is a continuing inflow of payments of interest and principal by foreign debtors, must continue to invest large sums abroad if exchange stabilization is to be attained by any sort of international currency stabilization plan. The United Nations experts recognize this, of course. They further recognize that private investors in the creditor nations will hesitate to transfer large sums abroad because of the tremendous losses suffered on foreign investments in recent years. They therefore propose the establishment of a World Capital Bank.

This bank, as it is described in the draft proposal of the American Treasury, would attempt to supplement private investment rather than to supplant it. It would be financed by the countries participating in the international currency stabilization fund and would have a capital of 10 billion dollars. The World Capital Bank would deal only with governments or with their agencies. By making loans directly to member governments or by guaranteeing loans made to member governments by private capital, it would provide working capital for reconstruction of the industry and agriculture of devastated countries, help to stabilize prices of essential raw materials, and perform other tasks of a similar nature involving large transfers of capital from one part of the world to another.

The plan for a World Capital Bank is an essential complement to the proposal to establish an international currency stabilization fund. Unless long-term international lending is revived, the large credit balances accumulated by the United States, in particular, in the international stabilization fund will eventually endanger the proposed system.

Should the United States co-operate with other nations in international monetary arrangements such as the proposed fund and the proposed World Capital Bank? This question cannot be answered solely by reference to economic principles. The United States is the dominant financial power in the world today and its dominance will be even more pronounced after the war than it was before. Probably, therefore, the United States through export subsidies, tariffs, pre-emptive buying, and other devices could operate an independent exchange and trade policy fairly successfully. On purely economic grounds, however, the United States probably has more to gain through encouragement of world trade than it has to gain through economic isolation.

The most powerful argument for United States participation in some such plan lies outside the realm of economics. American foreign policy after the war is presumably to be directed toward making a postwar rather than a prewar world. Even if participation in international economic cooperation should be more costly to the United States in terms of dollars than economic isolation would be—and this is unlikely to be true—the annual cost would certainly not exceed the weekly cost of waging war.

It remains true, of course, that this whole range of economic problems should be viewed as completely subsidiary to the essential military and political problems that must be solved if world stability is to be attained.

BUFORD BRANDIS

District Business and Agriculture

PRELIMINARY figures for the first half of June indicate a summer drop in department store sales smaller than usually occurs for the period. May textile activity declined to the lowest level since December 1940, but coal output was slightly larger than in April and substantially greater than a year ago.

Retail Trade: Department store sales in the Sixth District in the first half of June appear to have been about 16 per cent greater than in the corresponding period a year ago, judging from weekly reports made to this Bank by about 25 firms in most of the larger cities of the District. If this comparison should prove to be true of the whole month of June, when monthly reports from a larger number of firms are received, it will mean that sales declined about 11 per cent from May, when there is usually a drop of 14 per cent because of seasonal influences, and the adjusted index would rise 4 per cent from May to June.

May sales, on a daily average basis, reported by 84 stores in the District were the same as in April and were 19 per cent greater than in May 1943. All reporting cities had increases over May last year.

At those reporting stores that classify their sales, cash sales in May accounted for 61 per cent of the total, open book credit account sales for 36 per cent, and instalment sales for 3 per cent. The May percentages were the same as those for April.

Inventories at the end of May averaged 6 per cent larger than for the end of April and 27 per cent greater than for the end of May 1943. Increases over April at Atlanta, New Orleans, and "Other Cities" were more than sufficient to offset small decreases at Macon, Montgomery, and Nashville; compared with May last year increases ranged from 6 per cent at Birmingham and Macon to 41 per cent at Atlanta.

Finance: At the middle of June, the total of this Bank's Federal Reserve notes in actual circulation stood at $1,080,-177,000. Between December 31 and the middle of June, the increase in net circulation was 125 million dollars, while in that period last year, net circulation rose by 149 million dollars. The total on June 14 was larger by 384 million dollars, or 55 per cent, than on the corresponding report date a year ago and was more than three times the total at the same time in 1942. In May, the rise in net circulation was 31 million dollars, against an increase of 25 million dollars in April. While notes of the 5-, 10- and 20-dollar denomination account for nearly three fourths of the total in circulation, the increase in these lower denominations in the January-May period was about 50.5 million dollars, while the increase in 50-dollar notes and larger denominations in the same period was about 66 million dollars.

Demand deposits (adjusted) at the District's 20 weekly reporting member banks reached a new high level, at 1,134 million dollars, on June 14. This total compares with 1,073 million dollars at the middle of May and with the low point for 1944, reached on February 23, of 860 million dollars. Time deposits reported by these banks, 279 million dollars on June 14, were also the largest on record, having risen 29 million dollars since December and 54 million dollars in the last twelve months. Investments on June 14 were larger than ever before reported, because of increased holdings of United States securities. Total investments were up 10 per cent and holdings of United States securities were up 17 per cent, compared with the corresponding report date last year. Loans have continued to decline and are at the lowest level reported since last September. Deposits held for foreign accounts have increased in recent months. At mid-June, they amounted to 5.6 million dollars, while at the beginning of the year, they totaled 3.5 million dollars, and a year ago they were 3 million dollars.

Industry: The rate of textile activity in this District declined further by 3 per cent in May, reaching a rate 13 per cent below the level a year ago and the lowest rate in about three and one-half years. Actually, cotton mills in Alabama, Georgia, and Tennessee consumed 283,626 bales of cotton in May, as compared with 269,830 bales in April; but May had two more working days than April, and so the daily rate was lower.

Coal production in both Alabama and Tennessee was at a higher rate in May, by 2 per cent, than in April, and was 8 per cent above the May 1943 rate of output.

In spite of favorable weather, Southern pine lumber mills have been unable to increase output because of the increasing shortage of labor. From some areas reports indicate some relief in the matter of equipment shortages. Mills are hoping to have more help when crops have been harvested. The Government and its various agencies continue to take most of the available lumber, with retail firms taking what is left. Some hardwood mills have been able, during recent good weather, to increase their log supply to some extent, but the scarcity of labor is still interfering with log production.

According to reports of the United States Maritime Commission, Sixth District shipyards delivered 30 merchant vessels during May, 19 of them Liberty ships. These launchings compared with 33 in April and 22 in May last year. For the entire country, the totals for May and April this year were, respectively 155 and 154, and for May last year, 175.

Cotton: According to the New York Journal of Commerce, a decrease is indicated in the cotton acreage this year of 8.2 per cent from that of 1943. The Journal states that this year's acreage is probably the smallest in 52 years. The acreage estimates for the six states of this District indicate decreases from last year of 4.3 per cent in Mississippi, 4.5 per cent in Louisiana, 5.9 per cent in Tennessee, 9.1 per cent in Alabama, 14.3 per cent in Florida, and 20.5 per cent in Georgia. Parts of Tennessee, Mississippi and Louisiana are, of course, situated in other Federal Reserve Districts.

Weather Bureau reports indicate that at the middle of June cotton in Alabama and Georgia was in good condition, with cultivation progressing. The Alabama crop is somewhat late. In Louisiana, planting had not been completed, but fairly good progress was reported. In Mississippi and Tennessee, good progress was indicated, and the crop was in fairly good condition. Above normal temperatures in most sections have been favorable to growth.

D. E. MONCRIEF

The National Business Situation

INDUSTRIAL activity and employment declined slightly further in May. Value of retail trade was maintained in May and the first three weeks of June and commodity prices showed little change.

Industrial Production: Industrial production continued to decline in May and the Board's seasonally adjusted index was 237 per cent of the 1935-39 average as compared with 239 in April. Small declines in output of metal products and nondurable goods accounted for most of the decrease in the total index.

Steel production was maintained at a high rate. Supplies of aluminum and magnesium continued to exceed military requirements after further curtailment of output in May, and relaxation of restrictions on the use of these metals in civilian products was announced on June 18. Activity in munitions industries declined slightly in May. Aircraft production was at approximately the same daily average rate as in the preceding month. Deliveries of merchant ships declined somewhat from the April rate, reflecting curtailment of Liberty ship construction; the number of Victory ships delivered rose further in May.

Output of lumber and of stone, clay, and glass products declined further in May. Additional Federal control was established over lumber consumption, effective in the third quarter, in order to assure sufficient supplies for essential requirements.

Production of most nondurable goods was likewise somewhat lower in May than in April. Cotton consumption declined 6 per cent from the rate prevailing earlier this year to a level 16 per cent below May 1943. Output of manufactured dairy products showed a large seasonal rise in May while manufacture of most other food products declined somewhat, after allowance for seasonal changes.

Output of crude petroleum and coal continued to rise and iron ore production reached an exceptionally high level for this season of the year.

Distribution: Department store sales in May were maintained at the April level, and the Board's seasonally adjusted index, as recently revised, was 173 per cent of the 1935-39 average. During the first half of June sales continued at about the April-May rate and were 4 per cent larger than in the corresponding period last year.

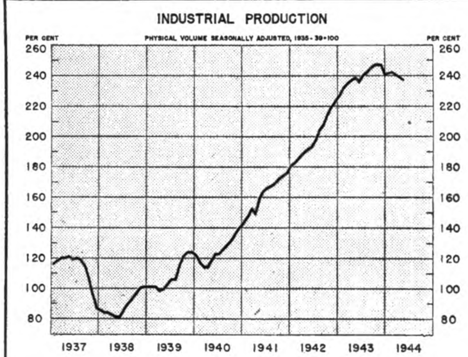
Commodity Prices: Wholesale commodity prices continued to show little change in May and the early part of June. Retail prices showed a further slight increase in May. The wholesale price index and the cost of living index of the Bureau of Labor Statistics were both at the same level as they were in May 1943.

Agriculture: Crop prospects on June 1 were better than on the same date in the last 10 years except 1942. The total wheat crop appeared likely to exceed a billion bushels as compared with a harvest of 836 million bushels in 1943 and 974 million in 1942. Prospects for other grains, however, were not as favorable and, with grain stocks reduced, it is expected that total supplies available to meet food, feed, and industrial needs will continue short. In recent months the feed situation has been eased by generally good condition of the hay crops and pastures.

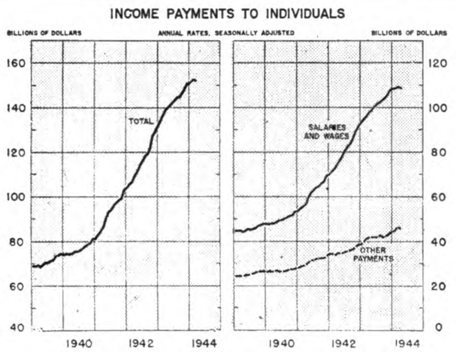
Bank Credit: In the five months from the beginning of the Fourth War Loan Drive to the beginning of the Fifth Drive, Federal Reserve Bank holdings of U. S. Government securities increased by more than 3 billion dollars. Member bank borrowings at Federal Reserve Banks also increased somewhat during the period, and at times exceeded 200 million dollars for the first time in more than a decade. These additions to Reserve Bank credit supplied the market with funds to meet a growth of nearly 2 billion dollars in money in circulation, an increase of 700 million in member bank required reserves, and a loss of gold of 700 million. Excess reserves, which declined to as low as 600 million dollars during the period, amounted to 1.1 billion on June 14.

During the drive, purchases of Government securities by businesses and individuals will shift deposits to reserve-exempt Government war-loan accounts and reduce the amount of reserves that member banks are required to hold. This will result in some further increase in excess reserves and some repurchases of Government securities by member banks from the Reserve Banks.

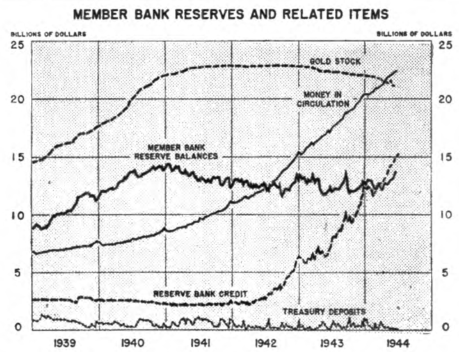
(This page was written by the staff of the Board of Governors of the Federal Reserve System)



Federal Reserve index. Monthly figures, latest shown is for May.



Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for April.



Wednesday figures, latest shown are for June 14.