



District Ports and Maritime Trade

SIGNS of a strong interest in port development are becoming increasingly apparent in the Sixth Federal Reserve District. Some of the states in the region are considering the construction, to be financed from state funds, of new facilities at certain ports. Because the building of modern docks and cargo-handling facilities at ports is an expensive undertaking, care needs to be exercised in estimating the probable future use of such facilities.

Total cargo movement through District ports provides a convenient basis for estimating future facility needs. Detailed figures on cargo movement through ports are not available for recent years because the circulation of such information is restricted by the Espionage Act. But, in any event, the present volume of shipments is definitely abnormal. The major portion of tonnages shipped abroad is financed under lend-lease or is composed of direct shipments to the Army and Navy. Both of these factors, of course, will be absent from the post-war foreign-trade situation. Coastwise trade, measured in tonnages, has traditionally been more important, however, to most District ports than foreign trade. The extensive wartime shipping shortage and the many other changes brought about by the war have distorted the domestic transportation picture in such a way that even if current information were available on coastwise trade it could in no way correctly illustrate the normal situation.

Perhaps 1936 was as nearly normal a year as any the District ports have experienced in the past 15 years. It was a time of fairly high prosperity in most of the world, and the development of war economies had not then seriously skewed world-trade trends. For these reasons, the 1936 figures afford a good basis for a descriptive statement of maritime trade passing through the District ports. For the purposes of this analysis, data are used from the Office of the Chief of Engineers in the War Department, which, before the war, annually published detailed commercial statistics of the water-borne commerce of the United States.

The Corps of Engineers breaks down the tonnages going through ports into three major categories: (1) foreign trade, (2) domestic trade, and (3) internal trade. The terms "imports" and "exports" (foreign trade) "apply to traffic between the United States and foreign ports, including the Philippine Islands and the Canal Zone." Coastwise receipts

and coastwise shipments (domestic trade) "apply to traffic receiving a carriage over the ocean, the Gulf of Mexico, or important arms of the oceans, or the Gulf of Mexico," from one United States port to another. Internal receipts and internal shipments "apply to traffic between a port and a tributary waterway." An example of internal movement is a shipment from Augusta to Savannah down the Savannah River.

Maritime Commission statistics, available on a fiscal-year basis, that give foreign-trade figures in considerable detail by commodities are also used in this analysis. These figures are for the fiscal year from July 1, 1936, to June 30, 1937, and thus overlap by six months the calendar-year figures of the Corps of Engineers.

Total tonnage using Savannah harbor in 1936 amounted to 3,107,000. Coastwise receipts accounted for 1,519,000 tons, or 49 per cent of the total, and coastwise shipments from Savannah represented 20 per cent. Imports and exports accounted for 16 per cent and 12 per cent, respectively, of the harbor's total traffic during that year, whereas internal receipts and shipments were of minor importance, amounting together to only 3 per cent of the total. Nonmetallic minerals received in the coastwise trade accounted for one third of the total tonnage going through Savannah in 1936, reaching 1,060,000 tons. Coastwise shipments from Savannah of wood and paper were the most important of such shipments in tonnage terms. Fertilizer, sugar, and crude petroleum accounted for the greater part of the imports. Iron and steel scrap, naval stores, lumber, and cotton were the chief exports.

A total of 514,000 tons of merchandise passed through Brunswick harbor, Georgia, in 1936. Of this, 76 per cent was coastwise trade, in which aggregate nonmetallic minerals was the dominant item.

The port of Jacksonville handled a total of 3,409,000 tons of cargo in 1936. Of this tonnage, 46 per cent was coastwise receipts and 22 per cent was coastwise shipments, while foreign trade and internal trade each accounted for 16 per cent of the total. In the fiscal year 1937, 271,000 tons of imports and 246,000 tons of exports passed through Jacksonville. Of the total imports, fertilizer accounted for 120,000 tons. The other major import items were bananas, provisions, paper and its manufactures, nonmetallic minerals, and creosote. Iron and steel scrap was the major export item in terms



of tonnage, with naval stores and lumber in second and third positions, respectively. A total of 31,000 tons of oyster shells were exported, chiefly to England.

The total cargo moving through Miami harbor (Biscayne Bay), Florida, in 1936 reached 925,000 tons. Of this, 629,000 tons, or 68 per cent, represented coastwise receipts, and the dominant item in this latter total was made up of receipts of nonmetallic minerals. Foreign trade, both imports and exports, accounted for 10 per cent or 88,000 tons of the total movement through Miami harbor in that year.

Tampa is the major Florida Gulf port. In all, 3,442,000 tons of maritime traffic were handled in Tampa harbor. Coastwise receipts and coastwise shipments accounted for 33 per cent and 32 per cent of the total, respectively, while exports accounted for another 32 per cent. Phosphate dominated the export picture at Tampa where it constituted 768,000 tons of a total of 925,000 tons of exports in fiscal 1937. The other major export items from Tampa in that year were lumber and iron and steel scrap. Fertilizer was the chief import item, accounting for 53,000 tons of the total of 123,000 tons. Vegetable products, sugar, and bananas were imported in appreciable quantities.

Of total tonnage reported in Pensacola harbor in 1936, 36 per cent consisted of exports, 27 per cent of coastwise receipts, 18 per cent of imports, 12 per cent of internal receipts, 6 per cent of coastwise shipments, and 1 per cent of internal shipments. Total movement through the harbor was reported at 575,000 tons. Lumber and naval stores were the major export items, while cabinet wood, creosote, and cement dominated the import trade.

Mobile harbor in Alabama handled 3,916,000 tons of cargo in 1936. Coastwise receipts accounted for just over a million tons of this, or 26 per cent, and internal receipts accounted for 24 per cent of the total. Internal shipments from Mobile constituted 7 per cent of total movement through the port. The port of Mobile during the year beginning July 1, 1936, handled an import tonnage of 481,000 and an export tonnage of 576,000. Corn, chemicals, manganese, bauxite, bananas, and sugar and molasses were the major import items. Lumber, metals and their manufactures, cotton, nonmetallic minerals, and naval stores were the chief export items.

Mississippi Harbors

The Mississippi harbors of Pascagoula, Biloxi, and Gulfport are of minor importance in the District's maritime trade. None of them handled as much as 250,000 tons of cargo in 1936. The largest, Gulfport (including Ship Island Pass), handled 245,000 tons, 45 per cent of which was exports and 38 per cent imports. Fertilizer, sulphate of soda, and creosote were the three leading import items, while lumber, naval stores, and iron and steel scrap were the leading export items.

The port of New Orleans is by far the largest in tonnage in the District. Total movement through the port in 1936 was 14,332,000 tons, divided rather evenly among foreign, coastwise, and internal trade. In that year, imports at New Orleans aggregated 2,693,000 tons, exports 1,933,000 tons, coastwise receipts 3,119,000 tons, coastwise shipments 3,438,000 tons, internal receipts 1,726,000 tons, and internal shipments 1,422,000 tons. The chief imports in tonnage terms were sugar and molasses, bananas, bauxite, petroleum and its products, and provisions. The five largest export items in

tonnage terms were lumber, petroleum products, cotton, iron and steel scrap, and metals and their manufactures.

Baton Rouge and Lake Charles, Louisiana, each reported large tonnages in 1936. In both of these ports, almost two thirds of total tonnage consisted of coastwise shipments. At Baton Rouge, 3,213,000 tons out of a total of 5,092,000 were coastwise shipments, and, at Lake Charles, 2,395,000 tons out of a total of 3,866,000 were coastwise shipments. Petroleum and its products accounted for all the imports and all the exports through Baton Rouge. Crude petroleum accounted for well over half of the exports from Lake Charles, the other major items being lumber and iron and steel scrap. The chief import item at Lake Charles was fertilizer.

Obviously, the Sixth District ports handle more coastwise and internal tonnage than foreign-trade tonnage. It is particularly difficult, however, to determine what the levels of coastwise and internal maritime traffic will be in the postwar period. The volume is chiefly dependent upon the level of national business activity and secondarily upon the competitive position of water transport in the whole network of domestic transportation facilities. This mode of transport is generally, of course, cheaper than transportation by land and much cheaper than that by air. It is also, of course, much slower. Bulk commodities that have a low dollar value per ton are the traditional items of maritime commerce.

The volume of tonnage carried in the country by all forms of transportation varies with economic output. Thus, the probability of a production level in the immediate postwar years greater than that in 1936 justifies an expectation of greater coastwise and internal maritime shipments. Furthermore, the increase probably will be shared in somewhat the 1936 proportions by District ports, for the major items of tonnage, coastwise and internal, have historically been shipments of bulky raw materials from the sources of supply to the manufacturing centers.

Future Foreign Trade

Outlines of future foreign-trade tonnage are not clear, although a reasonable assumption is that the volume of foreign trade for the country as a whole will be much greater than that handled in the immediate prewar years. For the foreign-trade position of Sixth District ports, however, the outlook is not so favorable. The export prospects for many of the District's raw materials are clouded.

Statistical projections of foreign-trade aggregates after the war, based on prewar trends, have given rise to a good deal of optimism about the prospects of District ports. Much of this optimism about foreign trade possibilities seems to be unwarranted, so far as most of these ports are concerned, chiefly because factors altering unfavorably prewar trade trends of several District foreign-trade commodities are discernible.

United States Department of Commerce calculations picture the structure of the country's export trade at a hypothetical seven-billion dollar level in 1948. The estimates are in no sense forecasts. They simply indicate the size of the export market that each of the various commodity groups will have if the total value of American export trade should be seven billion dollars per year after the war and if prewar relationships are not disturbed. The experience during World War I and the years immediately afterward indicates that, although

some changes in prewar trends are certainly to be expected, the basic trends of the period before World War II will probably re-emerge after the first few years of the postwar foreign-replacement boom.

These statistical projections indicate that the increases in certain exports in the hypothetical postwar year as compared with 1937 would be 62 per cent for fruits and nuts, 45 per cent for edible vegetable oils and fats, 67 per cent for naval stores, 93 per cent for inedible vegetable oils, 23 per cent for unmanufactured cotton, 86 per cent for cotton semi-manufactures, 157 per cent for cotton manufactures, and 159 per cent for rayon and other synthetic textiles. In the same way, unmanufactured wood exports would be up 25 per cent, sawmill products 48 per cent, wood manufactures 103 per cent, paper and its manufactures 91 per cent, clay and clay products 87 per cent, petroleum and its products 117 per cent, fertilizers and fertilizer materials 39 per cent, and industrial chemicals 35 per cent.

Present statistical indications are that most of the export items passing through District ports will experience an increase over 1937 but that this rise will be considerably less than the projected national increase of 112 per cent for exports as a whole.

Value and Tonnage

The percentages quoted here are, in all cases, derived from value figures and not from tonnage figures. Furthermore, the increase in tonnage terms is not as large in most cases, because the postwar values are based on an assumed price level similar to that of 1942, which was generally higher than the price level of 1937. A given percentage increase in value terms from 1937 to the postwar period in the foregoing projections therefore represents a smaller percentage increase in terms of tonnage.

Similar projections of prewar import trends into the postwar period have been made by other economists, with corrections based on nonstatistical factors. Their studies indicate that, in 1950, imports of cane sugar may amount to 7,500 million pounds, compared with 5,807 million pounds in 1939 and 9,777 million pounds in 1929. The importation of bananas is expected to be greater after the war than it was before, or 85 million bunches against 57 million bunches in 1939 and 65 million bunches in 1929. A complete change in the petroleum-import picture impends. The projection indicates that 1,000 million barrels of crude and semiprocessed petroleum may be imported in 1950, compared with 61 million barrels in 1939 and 100 million barrels in 1929.

According to the calculations, bauxite imports will be much greater after this war than they were before. Such imports are estimated at 2 million long tons, against 520,000 long tons in 1939 and 381,000 long tons in 1929. The United States will probably also need to increase its importation of manganese ore. Imports of this vital raw material may reach 1,750,000 long tons (gross weight), whereas they were no more than 658,000 long tons in 1939 and 664,000 long tons in 1929. The estimates indicate that the importation of lumber (sawmill products) in 1950 may be about twice as large as it was in 1929 and four times as large as the 1939 figure, or 3,000 million board feet in 1950 compared with 1,543 million board feet received in 1929 and 718 million board feet in 1939.

A marked decline in the importation of fertilizers and materials entering into fertilizer manufacture is expected.

Such imports reached 2,310,000 long tons in 1929 and 1,374,000 long tons in 1939. The estimating procedure used by these economists indicates imports of only 200,000 long tons in 1950. Certain of these estimates are almost surely entirely too high. In other words, the prewar trend in the particular commodity trade will not be re-established, because new factors have entered the picture.

Years ago, the export of cotton was, so far as tonnage was concerned, extremely important to many District ports. For some time, however, the export market for cotton has been declining. In view of the increasing production of this commodity in Brazil, India, Russia, and other countries, the export market for cotton has slight chance of ever again attaining its former size.

Turpentine and rosin, the chief naval-stores products, in bygone years made up an important portion of the export tonnages shipped through such ports as Savannah and Jacksonville. Germany, a decade ago, was the second largest taker of Southern naval stores. But, almost certainly, this market will be of no importance in the immediate postwar years. Furthermore, European manufacturers who at one time used turpentine and rosin in their production processes have, for years, been cut off from supplies of the natural product and as a result have turned to various substitutes. Some of these manufacturers probably will never return to the use of the natural product. An offsetting factor here, of course, is that during the war years new products have been developed on a rosin base. A preponderance of evidence, however, points to a naval-stores export market smaller than that of the 1920's.

The large exportation of scrap iron and steel from many District ports in the 1930's inflated the total tonnage figures of those ports. Most of this scrap iron and steel was shipped to Japan for use in the Japanese armament industry. This is an export trade that, fortunately, is permanently gone.

Phosphate Export Prospect

The export of phosphate rock to Europe was, before the war, an item extremely important for several of the District harbors. Postwar exports of this commodity to Europe seem unlikely to achieve the size of their prewar tonnage. Several reasons justify such a conclusion. In the first place—although this is a short-run consideration—fertilizer plants in western Europe have in many instances been seriously damaged or completely destroyed during the war, and some years will be required to replace the facilities. Secondly, the exports of phosphate rock from French North Africa to Europe conceivably may be larger after the war than they were before, when the French already dominated the European phosphate market. Furthermore, it seems likely that Russia will then be, for the first time, an important factor in supplying western Europe's phosphate needs.

Prior to the war, the importation of bananas was important, in tonnage terms, for several District ports. A substantial portion of the banana tonnage may be carried by air in the postwar years. To find other import items involving similar tonnages would pose a real problem for the banana ports. Some time may elapse before air cargo rates are lowered sufficiently to divert any important part of the banana import tonnage from the sea, but the possibility of such an eventual development must be taken into account.

Until World War II, the United States was a net exporter

of petroleum. Apparently, the country will be a net importer of this commodity after the war. In the middle 1930's, petroleum was imported to a limited extent through New Orleans, Baton Rouge, and Savannah and was exported in volume from Baton Rouge, Lake Charles, and New Orleans.

It may be possible to find for District ports exports that will replace in value terms the former exports of phosphate, cotton, naval stores, and scrap iron. That the tonnage lost can be replaced, however, seems improbable.

After World War I, in 1919 and 1920, foreign trade was in large volume, and the trends by commodities and by regions of the world were noticeably different from those of prewar days. In a few years, however, it became evident that the divergence from prewar trends was in great part temporary, and foreign-trade totals dropped. The present war has already lasted longer than World War I and has been on a much vaster scale. A reasonable assumption, therefore, is that the divergence from prewar trends will be more marked in the first year or two after this war. Probably, also, foreign trade in that first year or two will be in much larger volume than it was in the late 1930's. But the experience of the 1920's may be repeated; i.e., a short foreign-replacement boom followed by a decline in the total volume of foreign trade. In this case, however, the level maintained following the boom may well be much higher than the volume of the 1930's.

Present Situation Abnormal

That the present trade situation is highly abnormal and that the probable situation in the first two years after the end of the war will also be abnormal are indicated by the present high annual rate of exports. The rate is 14,300 million dollars, including lend-lease exports, which are currently running at an annual rate of 11,500 million dollars. Lend-lease exports alone now amount to about four times the average total exports from the United States in prewar years. Not only is the present trade situation abnormal so far as volume is concerned, but it is abnormal with respect to the relative proportions of total trade flowing over particular routes. Many important prewar foreign ports are still controlled by enemy nations, and the volume of trade going to various friendly ports abroad is largely determined by military requirements, so that the pattern of world trade today is a poor guide in many respects to the pattern of world trade tomorrow.

Though the general type of export boom and recession that followed World War I may be repeated after World War II, the experience of particular commodities entering into this country's trade is almost certain to be far different after the present war from what it was after the last. Exports of foodstuffs from the United States, for instance, increased 60 per cent from 1914 to 1919 and then dropped sharply. But no such immediate postwar boom in exportation of foodstuffs is now in view. The Director of War Mobilization in his "Report on Reconversion" issued in September 1944 estimated that in the first six months after the defeat of Germany, the Army and the United Nations Relief and Rehabilitation Administration would require 3.9 million tons of food. The estimate contemplates, however, that some six million tons of food will be available from reserve stocks during that period.

Of course, the foreign trade of the United States, both imports and exports, may be very different in a normal postwar year from the projections now being made. The level of business activity, both in the United States and abroad, the final

Reconnaissance

Sixth District Statistics for October 1944 compared with October 1943

PER CENT DECREASE ▼ PER CENT INCREASE

Department Store Sales

Department Store Stocks

Furniture Sales

Construction Contracts

Cotton Consumption

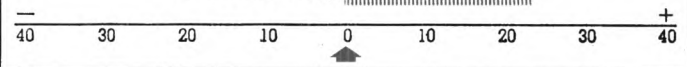
Gasoline Tax Collections

Bank Debits

Member Bank Loans

Member Bank Investments

Demand Deposits-Adjusted



settlement of lend-lease accounts, and the tariff policy, among other factors, will influence the volume and composition of the nation's postwar foreign trade. But it is difficult to escape the conclusion that an easy attainment of large increases in tonnage going through District ports over the levels of the 1920's seems unlikely.

Most of the country's port facilities, it is quite true, are technically outmoded. To service modern ships efficiently, docks should be, probably, at least 200 feet wide, and few of the docks in Sixth District ports are that large. It is also true that handling facilities in many District ports are obsolescent.

Many Factors Involved

If port modernization is not to be carried out on an un-economic scale, however, careful attention needs to be given to the tonnage that probably will pass through the port and the types of cargo that will compose that tonnage. Many additional factors enter into such a calculation. Among the more important are freight rates, plans of competitive ports, the availability of steamer services, and the access to financing services. Port development involves very large capital expenditures. Extremely careful studies should be made, therefore, of all the factors affecting tonnage if the size of the capital investment involved is to be reasonably well related to the actual use made of the new facilities.

To be sure, no precise judgment can be made as to the economic soundness of any particular port-development project. One reason for this is that port facilities are of an unusually durable nature and, therefore, the estimates of use must run a great many years into the future. Another difficulty results from the fact that any investment of public funds involves problems that are not purely economic. It is impossible, for example, to measure on the same scale the relative desirability of investing 10 million dollars of state funds in new docks and investing 10 million dollars in new high schools. These difficulties must be borne in mind in attempting to judge the worthwhileness of a particular state port-development project.

BUFORD BRANDIS

Port Development in Alabama

ANY STATE possessing a deep-water harbor is naturally likely to feel that, in such a possession, it has a potentially important economic asset. As a consequence, the state may be tempted to expend public funds in large amounts for port development. The expenditures may prove to be justified in some cases; the reverse may be true in others. At all events, states that are now interested in planning such projects may profitably consider the conditions under which Alabama has attained success in this respect.

Many years of planning preceded the finally successful efforts of the state to develop the Alabama State Docks, at Mobile. Legislation to authorize state improvement of the port was initiated in 1915. A declaration of Congress in the 1919 rivers and harbors appropriations act that public funds should be withheld from ports that did not provide adequate terminal facilities, open to all on equal terms, gave impetus to the movement. During the next year, however, an attempt of the state to obtain the right of developing the port by building docks and terminal facilities was defeated by the voters.

Conditions in 1922

A survey was made of the port in 1922 by the United States Army Corps of Engineers. The survey revealed the existence of some 32 piers and wharves owned by the city, by the Government, and by various railroads and private terminal companies. Of these, the railroad-owned piers were by far the most important. Although the railroad docks were adapted to the purpose for which they were intended at the time of their original construction and were suitable for handling low-grade freight, they were rapidly becoming obsolete and unsuited to the use of larger ships. Usually, no one of them was sufficient for the berthing of more than one ship at a time, and the slips between them were frequently so narrow that it was impossible to berth two steamers at adjacent piers with proper regard for navigation and for bunkering from barges alongside.

Not only was the port of Mobile hampered by a system of docks incapable of handling any large increase in exports and imports, but it was also hindered, as the army engineers' report showed, by a lack of warehouse and storage facilities at shipside. Such facilities are very important because they make possible the classification and proper assemblage of cargo, prior to its being loaded in vessels, and thus save the cost and inconvenience of storing cargo in railroad cars. In view of these handicaps, the army engineers strongly recommended the improvement of the docks. Improvement was necessary, according to their report, if Mobile was to offer better service to the nation, and especially to the shippers in the territory naturally tributary to the port.

It was also clear that unless the docks were rebuilt by some agency or other they could obtain no benefit of Federal appropriations for harbors. That the state rather than private capital had to provide modern port facilities was a necessity of the existing situation. The city was financially unable to carry out a project of such magnitude. The railroad docks had typically been operated at a loss and primarily in the interest of the roads' line-haul traffic. Just emerging, as they were, from Federal control during World War I, the rail-

roads had little inclination to expend large sums for the modernization and improvement of their docks property. Because of the competition of the railroad docks that were being operated at a loss, private terminal companies could ill afford further investment of this kind. The only interested body remaining that could carry out the recommendations of Congress and of the army engineers was the state of Alabama.

At the behest of Governor Kilby, the state legislature submitted to the people in 1922 a constitutional amendment, which they ratified, authorizing the state to engage in the work of port development and to lend its credit for such a purpose. An enabling act was passed in 1923. This act gave force to the amendment and authorized the state to finance the project by selling 50-year noncallable bonds that were to bear interest at not more than 5 per cent and that were, in a total amount, not to exceed 10 million dollars. The full faith and credit of the state was pledged to the payment of interest and principal on these bonds. The administration of the docks was placed in the hands of a three-man commission appointed by the governor.

Conditions in 1928

Spectators at the formal opening of the docks in 1928 saw the modern and improved docks, warehouses, and terminal facilities that were being rapidly completed under state auspices. These facilities have subsequently been expanded until the whole project now comprises more than 500 acres of land and three 1600-foot piers with a capacity for berthing 22 vessels at one time.

It also includes 42 acres of fireproof, covered warehouse and storage space at shipside, with additional space for open storage in the immediate vicinity. It embraces an extremely flexible coal and bulk-material handling plant capable of loading 600 tons of coal, or similar cargo, per hour into outbound ships and unloading 900 tons of inbound bulk materials per hour and, in addition, a terminal railway equipped with appropriate rolling stock, which makes connections with the docks and with all railroads entering Mobile. A cold-storage plant and large fruit shed, a shipside bonded cotton warehouse with a high-density cotton compress, and an industrial canal with sites for industries are other integral parts of the project. Finally, an adequate complement of modern and efficient mechanical equipment facilitates the handling of cargo in its movement to and from ships.

That the state of Alabama achieved a large measure of success in this enterprise is attested by the rapid progress of the state docks toward a self-sustaining position. From the first, they have been able, out of earnings, to pay operating expenses and to provide for additions and betterments, while paying substantial sums toward interest up to the fiscal year beginning in 1936. Since fiscal 1936, the docks have paid current interest charges on outstanding bonds in full; since 1939, they have charged full depreciation on their books; and, in 1943, they shared equally with the state in the burden of bond retirements. Net earnings in 1943 from original and leased units amounted to \$567,326 on an original investment of 10 million dollars.

All of this was achieved, moreover, during a period in

which the most disastrous economic collapse in modern times occurred; when some of the recovery measures, such as the restriction of cotton production, affected the docks adversely; and when United States neutrality legislation in the prewar period blacked out one foreign trade area after another.

Alabama's experience in port development leads to certain conclusions concerning the factors that are important to the success of such an enterprise.

Requirements for Success

As it does in any business, the success or failure of a port development project under public auspices depends in part upon the quality of the personnel both at the administrative and operating levels. In its personnel, the Alabama State Docks has been particularly fortunate. The project made a good beginning with the appointment of General William L. Sibert as chairman of the commission in November 1923. General Sibert was an engineer who had distinguished himself as a cobuilder of the Panama Canal, and the technical excellence of the state docks is to a large degree the result of his professional competence and vision. Furthermore, the state docks commission has invariably been manned by men of outstanding business capability and public spirit, so that the project has had the advantage of the same sort of ability so necessary for the success of a private business.

Not only is competence a necessary attribute of the commissioners, but both vigilance and diligence as well as competence are necessary characteristics of the men who assist in carrying on the day-to-day operation of the docks and terminals. Vigilance is necessary to protect the state's investment from loss of value arising from discriminatory and other harmful competitive practices at other ports and by other competing docks or terminal operators. Diligence is needed to keep the advantages of the port and its facilities before shippers and to create tonnage for the port by encouraging the growth of tonnage-producing or tonnage-consuming industries within the area. In this field, the success of the state docks is witnessed by the attraction of paper, aluminum, and chemical plants together with a number of satellite industries to the neighborhood of the docks, if not immediately on state docks property.

Success in a state project, such as a port development, depends, however, not only on the quality of the personnel but also on the way in which the business is organized. In the Alabama case, the original form of administration, that of the three-man commission appointed by the governor, extended from 1923 to 1927. The commission was then made a self-perpetuating body, and it retained this status up to 1935. From 1935 to 1939, the commission was again made appointive by the governor, but, from 1939 to the present, the conduct of the state's port facilities has been lodged in a state department under a director responsible to the governor, with the commission being given only an advisory function to perform.

Certain obvious defects are inherent in the commission form of administration. Where a commission is appointive, it can easily become a haven for political favorites. Where it is a self-perpetuating body, it can easily fall into the hands of a coterie of personal friends. In any event, the possibility of divided counsels is always present in a commission, and this condition may prove a hindrance to carrying out a consistent policy with dispatch. The departmental form of organization

coupled with the merit system solves most of these difficulties. That the state docks escaped the pitfalls of the commission form of organization before the departmental form had finally been achieved was a matter of good fortune.

The type of financing also has something to do with the successful conduct of any business, public or private. Alabama made what some authorities consider its most serious mistake with respect to the docks when it made its bonds non-callable. The effect of that particular provision was later to prevent the administrators of the docks from lightening the burden of interest charges by refunding operations when rates of interest were low. Thus, although the financial record of the docks has been good, it might have been better if the commission could have taken advantage of the falling interest rates.

By far, the most important condition of success for any business, however, is the general economic context in which that business must function. The existing context is particularly important to an enterprise, such as a port, the demand for whose facilities is ultimately derived from the supply and demand for the commodities that use the facilities. Whether or not any particular docks-and-terminals project is economically justified depends, therefore, on the long-run dimensions of foreign trade. More specifically, the project depends upon the fraction of such trade that may reasonably be expected to flow through the port. This dependence means that the location of the port with reference to sources of potential tonnage is of vital importance to the success of the enterprise.

Location Advantage

The Alabama State Docks have had the advantage of being located at a port to which a large tonnage-producing area had favorable freight rates. This area, in which Mobile has a freight-rate advantage over other ports, is bounded by a line running northward in Alabama just west of the Florida border, then northeast to Montgomery and West Point, thence in a more northerly direction to a point just west of Atlanta. From there the line swings northwest to Athens, Alabama, and then in a long arc southwest and then southeast, biting into eastern Mississippi and ending at the Gulf just east of Pascagoula. The heart of this area is the Birmingham-Anniston industrial region. Of the total outbound and inbound tonnage handled over the state's facilities in 1940, 40.8 per cent came from the Birmingham district or went to it, and 68 per cent originated in or was destined for points in the state of Alabama.

In the last year before World War II began to exercise its full effect, 1939, 30 per cent of the total outbound tonnage handled over the state's facilities consisted of iron and steel articles, pipe and fittings, pig iron and junk. Fifteen per cent of such tonnage consisted of bunker and cargo coal and coke; 19 per cent consisted of lumber, logs, ties, timber, and woodenware. The overwhelming influence of the coal and iron industries, as well as that of the state's lumber industry, is apparent.

The total inbound tonnage handled over the state's facilities in 1939 contained 56 per cent of bauxite ore and manganese ore; 13 per cent consisted of petroleum and its products. Seemingly, the predominant contributors to the inbound traffic were the aluminum industry and the iron and steel industry.

During the period 1916-20, blackstrap molasses for use in the manufacture of cattle feed had constituted 36.8 per cent of the imports and bananas 21.7 per cent, whereas lumber, iron, steel, and coal accounted for 70.8 per cent of the exports. Thus has come about a significant change in the character of imports, with the metal industries exercising a much more important influence percentagewise than they did in 1916-20. Largely because of the assiduous efforts of the state docks personnel in developing other cargo, the position

COMPLETE STUDY

A much more complete and detailed account of the Alabama State Docks will shortly be made available by this Bank in printed pamphlet form. The number of copies will be limited, and for the most part they will be sent out only upon specific request.

of the metal industries, coal, and lumber in this respect had declined somewhat in 1939, compared with that in the earlier period.

Although the responsible personnel of the state docks have done much to expand the area served by the port of Mobile and to vary the traffic going through the port, the coal, metals, and lumber industries continue to provide the bulk of the business. Without these industries in the immediate background, the Alabama State Docks project would hardly have been economically justified on anything like its present scale.

Widespread Benefits

Benefits arising from the favorable position of the state docks in relation to their industrial hinterland have accrued both to the city of Mobile and to diverse interests throughout the state. Even though not always measurable in statistical terms, such benefits are nevertheless real. The city of Mobile has profited from the increase in steamship services that followed the building of the docks. Between 1924 and 1928, 20 steamship lines provided regular service at Mobile. As of April 6, 1939, 37 lines were giving regular service and 32 were giving irregular service to the port. Such an increase in steamship service involves large expenditures for fueling, chandlery, repairs, and other services to ships in port. These expenditures go far to stimulate the commercial life of the city.

The state also profits by the industries that have been attracted by the docks—industries that furnish to some extent markets for the products of Alabama farms and factories and also provide employment for considerable numbers of citizens of the state. All parties in Alabama agree as to the reality of such benefits. The possibility of achieving them, however, rests, as has been said, upon the peculiarly favorable location of the docks with respect to the Birmingham industrial region.

Southern states contemplating port development in the post-war period should bear in mind that the Alabama experience may not necessarily be duplicated elsewhere, for the simple reason that the Birmingham industrial region is not duplicated elsewhere in the South. Upon the presence of such an area, the success of an enterprise of this type depends to a very great extent.

EARLE L. RAUBER

Sixth District Statistics

WHOLESALE SALES AND INVENTORIES—OCTOBER 1944						
	SALES Percent Change from			INVENTORIES Percent Change from		
	No. of Firms	Sept. 1944	Oct. 1943	No. of Firms	Sept. 1944	Oct. 1943
Automotive Supplies.....	10	+ 0	+ 13	8	- 2	+ 11
Clothing.....	3	+ 34	+ 7	..	.....	.....
Drugs and Sundries.....	6	+ 6	+ 10	..	.....	.....
Dry Goods.....	11	+ 9	+ 2	5	- 11	- 5
Electrical Goods.....	4	+ 9	+ 12	3	- 1	+ 28
Fresh Fruits and Vegetables.....	6	+ 6	+ 3	..	.....	.....
Farm Supplies.....	3	+ 16	+ 12	..	.....	.....
Confectionery.....	6	+ 5	+ 12	..	.....	.....
Groceries—Full Line Wholesalers.....	35	+ 2	- 3	16	+ 3	- 9
Groceries—Specialty Line Wholesalers.....	12	+ 6	+ 10	4	.....	.....
Beer.....	4	+ 8	- 24	..	.....	.....
Hardware—General Hardware.....	12	+ 6	+ 4	4	- 3	+ 7
Hardware—Industrial Supplies.....	7	+ 7	+ 19	3	+ 1	+ 7
Lumber and Building Materials.....	4	- 10	- 10	..	.....	.....
Paper Products.....	3	+ 1	- 9	..	.....	.....
Tobacco Products.....	9	- 5	- 10	4	- 3	- 13
Miscellaneous.....	14	+ 8	- 0	16	- 9	- 18
Total.....	149	+ 3	+ 2	63	- 3	- 5

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)					
Area	Oct. 1944	Sept. 1944	Oct. 1943	Per Cent Change Oct. 1944 from	
				Sept. 1944	Oct. 1943
ALABAMA					
Anniston.....	18,549	19,626	15,082	- 5	+ 23
Birmingham.....	189,721	187,777	178,423	+ 1	+ 6
Dothan.....	10,198	7,641	10,003	+ 33	+ 2
Gadsden.....	12,009	11,555	10,669	+ 4	+ 13
Mobile.....	123,301	122,170	113,135	+ 1	+ 9
Montgomery.....	43,505	38,494	40,493	+ 13	+ 7
FLORIDA					
Jacksonville.....	157,698	158,049	151,279	- 0	+ 4
Miami.....	108,934	104,131	96,177	+ 5	+ 13
Greater Miami*.....	145,009	137,438	119,554	+ 6	+ 21
Orlando.....	23,402	23,453	23,175	- 0	+ 1
Pensacola.....	22,954	24,366	21,646	- 6	+ 6
St. Petersburg.....	22,405	20,431	18,284	+ 10	+ 23
Tampa.....	69,261	71,002	73,072	- 2	- 5
GEORGIA					
Albany.....	10,905	8,907	10,159	+ 22	+ 7
Atlanta.....	492,164	462,732	468,591	+ 6	+ 5
Augusta.....	35,286	34,108	38,184	+ 3	- 8
Brunswick.....	13,010	13,888	16,697	- 6	- 22
Columbus.....	34,409	32,779	35,182	+ 5	- 2
Elberton.....	2,471	2,105	2,245	+ 17	+ 10
Macon.....	46,366	43,828	41,571	+ 6	+ 12
Newnan.....	5,318	4,483	4,927	+ 19	+ 8
Savannah.....	86,001	90,831	77,466	- 5	+ 11
Valdosta.....	6,905	7,124	7,159	- 3	- 4
LOUISIANA					
Baton Rouge.....	42,154	37,562	38,761	+ 12	+ 9
Lake Charles.....	15,803	16,391	20,579	- 4	- 23
New Orleans.....	450,468	444,240	406,731	+ 1	+ 11
MISSISSIPPI					
Hattiesburg.....	13,511	13,742	12,606	- 2	+ 7
Jackson.....	52,877	56,270	50,472	- 6	+ 5
Meridian.....	18,529	17,390	16,523	+ 7	+ 12
Vicksburg.....	23,598	18,715	26,813	+ 26	- 12
TENNESSEE					
Chattanooga.....	83,533	82,084	84,470	+ 2	- 1
Knoxville.....	109,218	108,279	80,055	+ 1	+ 36
Nashville.....	174,656	172,509	168,093	+ 1	+ 4
SIXTH DISTRICT					
32 Cities.....	2,519,119	2,456,662	2,358,722	+ 3	+ 7
UNITED STATES					
334 Cities.....	73,861,000	70,389,000	66,266,000	+ 5	+ 11

* Not included in totals

The District Business Situation

COTTON growers in the six states situated wholly or partly within the Sixth Federal Reserve District are harvesting a crop that, according to the November 1 estimates of the United States Department of Agriculture, will amount to 5,042,000 bales. This estimate reflects an increase of 3 per cent over that made in October and of 17 per cent over the first of the season's estimates, made on the basis of conditions on August 1. The calculation forecasts a production 3 per cent larger than the crop raised in these states in 1943. For Florida, Georgia, and Louisiana, the November estimates are the same as those made a month earlier, but in Louisiana the estimate was raised 2 per cent, in Mississippi 4 per cent, and in Alabama 5 per cent.

Since August 1, prospects in Florida, a small cotton-producing state, have declined by 2,000 bales, but in the other five states the estimates have been raised from 15 per cent for Louisiana to 20 per cent for Tennessee. The 17 per cent increase for the Six States compares with a three-month gain of 12 per cent for the cotton states as a whole. Compared with production in 1943, the crops in Georgia, Louisiana, and Florida will be smaller but those in Alabama, Mississippi, and Tennessee will be larger, and the six-state total is expected to be up 3 per cent. For the nation, the anticipated increase over last year is 8 per cent. Acre yields are expected to be higher than they were in 1943 in Alabama, Georgia, Mississippi, and Tennessee. Higher than it has ever been is the Georgia yield of 277 pounds an acre, and the Tennessee yield of 407 pounds has been exceeded in that state only twice before, in 1941 and 1942.

Ginnings Decrease

In most sections, the weather during November has been generally favorable for picking, but labor shortages have greatly handicapped the farmers in their work of getting the cotton out of the fields. In addition, ginnings up to November 1 were 9 per cent less in the District's six states than they were at the same time last year. By November 1, ginnings in Tennessee, however, were 2 per cent ahead of those a year ago, and, in Alabama, they were about the same as they were a year ago. Decreases in the other four states range from 9 per cent in Mississippi to 13 per cent in Georgia, 20 per cent in Louisiana, and 29 per cent in Florida. For the country as a whole, ginnings to November 1 were also 9 per cent less than they were during the corresponding period in 1943. Only 69 per cent of the indicated crop had been ginned by November 1, whereas on that day a year ago 81 per cent had been ginned.

By mid-November, movement of cotton seed to oil mills was decreasing sharply as many gins closed for the season. Many other gins are now operating only one or two days each week as the harvesting of the cotton crop approaches completion. Movement of cotton seed to the oil mills this season has been handicapped to some extent by a shortage of labor and trucking facilities.

From August 1 to November 1, cotton-seed receipts at oil mills totaled 2.4 million tons, about 10 per cent below receipts in the corresponding period of 1943. Receipts this October, however, were somewhat higher than those in October 1943. Crushings are also running behind those of last season.

About 977,000 tons of cotton seed were crushed from August 1 to November 1. This tonnage is about 23 per cent less than crushings aggregated in the first three months of the previous cotton year. By November 1 of last year, 32 per cent of the crushings had been completed, but only 23 per cent of indicated crushings of this season were completed prior to November 1 of this year. It is believed by the War Food Administration that this slower rate of crushings is a result of labor shortage in the oil mills.

Middling 15/16 cotton on November 18 averaged 21.35 cents a pound on the 10 spot markets at Charleston, Augusta, Savannah, Montgomery, New Orleans, Memphis, Little Rock, Dallas, Houston, and Galveston. Prices on that day varied from 21.00 cents at Dallas to 21.78 cents at Augusta. On the preceding day, New York March futures had closed at 21.75 cents.

The Commodity Credit Corporation announced in November details of the cotton-export program, which provides an export subsidy of 4 cents per pound. Through November 11, CCC loans had been made on 778,900 bales of 1944 crop cotton. This is only about one half the number of bales that entered the loan on November 11, 1943. The CCC had received, through November 15, the documents covering 69,000 bales under the 1944 cotton-purchase program.

Spindle Activity High

In October 1944, cotton-textile activity, measured by active spindle hours on the assumption of 80 hours a week as 100 per cent, was at 117.4 per cent of capacity. Cotton spindles operated during September at 122.3 per cent of capacity, and in October 1943 at 129.5 per cent.

On October 31, 1,805,000 spindles were in place in Alabama, and, of these, 1,724,000 had operated during the month. Active spindle hours during October, in the state, averaged 441 per spindle, in place. Georgia had 3,080,000 spindles in place on the last day of October. Of these, 3,035,000 were active during that month, with active spindle hours averaging 454 per spindle in place. All the 132,720 spindles in Mississippi were active during October, giving an average of 509 active spindle hours. In Tennessee, during October 513,000 spindles were active out of a total of 543,000 in place on October 31. The average number of active spindle hours per spindle in place in that state was 461 in October. For the United States as a whole, active spindle hours during the month averaged 410 per spindle in place, so that the level of spindle activity in the District was considerably higher than the national level, with the Mississippi figure of 509 active spindle hours per spindle in place being the highest in the nation.

Cash farm income increased in August in the six states of this District, as it did in the country as a whole, but by a much smaller amount than usual, and the August total was 10 per cent less than that last year. This decrease can be attributed very largely to the late maturing and harvesting of the District's cotton crop and will probably be made up in later months. July is usually the month of lowest cash farm income in this District and is almost always followed by a rapid rise to the year's peak in October. This year, November may be the high month.

August income from livestock and livestock products was up 9 per cent in comparison with August 1943, but receipts

from crop marketings were down 21 per cent. Up to September 1, 1944, income from crop marketings was 8.5 per cent larger than that in the same period last year, receipts from livestock and livestock products were 14.7 per cent greater, and the total was up 11 per cent.

As summarized by the Bureau of Agricultural Economics, fruit prospects in the District continue to be relatively favorable. Primarily because of hurricane damage during October, the Florida crop of early and mid-season oranges will be less than it was last season by 21 per cent. On the other hand, the estimated Florida harvest of 4.4 million boxes of tangerines will represent an increase of about 22 per cent over that of last year. Also reflecting hurricane damage is the reduction in the Florida grapefruit crop anticipated to be about 15.5 million boxes.

The Florida orange crop for 1944 is expected to be 42.0 million boxes, compared with 46.2 million boxes for 1943, 37.2 million boxes for 1942, and 23.9 million boxes average for the years 1933-42. The Florida grapefruit crop is expected to be 20.5 million boxes, whereas 31.0 million boxes were produced in 1943, 27.3 million boxes in 1942, and a yearly average of 18.1 million boxes for the period 1933-42.

Shipments of new-crop grapefruit and new-crop oranges from Florida have been under way since the latter part of September. Prices for both are approximately at ceiling levels. The usual seasonal drop in prices is not anticipated, because of the shorter crop in Florida and the smaller than seasonal supplies of canned and dried fruits and because of the high wartime purchasing power.

Strawberries continue to be an important District crop. Estimated strawberry acreages for 1945 are: Louisiana, 12,500; Tennessee, 9,500; Florida, 2,100; Alabama, 2,100. None were reported for Mississippi and Georgia. For the United States as a whole, Louisiana and Tennessee ranked first and second, respectively, in acreage devoted to strawberries during 1944. Compared with the average for the years 1934-43, however, acreages devoted to strawberries in 1944 were substantially smaller. Louisiana, for example, had 12,000 acres this year, compared with the 1934 average of 19,460.

Hurricane Damages Vegetables

Hurricane damage to vegetables was severe in most of Florida's late-fall producing areas. The heaviest losses occurred in Florida west coast areas and in the Lake Okeechobee region. Important reductions in the estimated production of fall vegetables are: snap beans, 71 per cent; winter celery, 25 per cent; cucumbers, 80 per cent; eggplant, 70 per cent; green peppers, 85 per cent; and tomatoes, 75 per cent. Some areas will probably be replanted, but these percentages indicate the expected losses from production on the basis of conditions just prior to the storm.

During October, prospects in this District improved 3 per cent for corn and sweet potatoes, 1 per cent for tobacco, and 4 per cent for rice in Louisiana. On the other hand, estimates for potatoes declined 1 per cent; peanuts, 3 per cent; and pecans, 2 per cent.

The United States Department of Labor recently published figures on wartime population changes and civilian migration that throw light on the probable impact of demobilization on geographical areas. Alabama, between April 1, 1940, and November 1, 1943, experienced a civilian out-migration of 36,360 persons. Georgia had a net out-migration of 130,793

Sixth District Indexes

	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	Oct. 1944	Sept. 1944	Oct. 1943	Oct. 1944	Sept. 1944	Oct. 1943
DISTRICT.....	260	247	222	273	257	233
Atlanta.....	281	255	227	286	285	232
Baton Rouge...	237	242	207	279	279	244
Birmingham...	226	236	210	254	244	227
Chattanooga...	249	236	213	263	264	226
Jackson.....	257	253	220	285	286	244
Jacksonville...	312	310	265	353	317	300
Knoxville.....	318	288	218	329	311	226
Macon.....	258	245	225	275	265	240
Miami.....	242	204	211	195	168	170
Montgomery...	265	238	211	280	257	220
Nashville.....	273	266	233	288	279	245
New Orleans...	248	230	216	255	235	223
Tampa.....	237	306	289	290	290	281

	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	Oct. 1944	Sept. 1944	Oct. 1943	Oct. 1944	Sept. 1944	Oct. 1943
DISTRICT.....	198	174	181	222	184	202
Atlanta.....	264	268	229	310	287	269
Birmingham...	147	138	146	165	140	164
Montgomery...	210	214	200	227	239	227
Nashville.....	304	307	263	349	333	301
New Orleans...	143	160	129	161	168	145

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Oct. 1944	Sept. 1944	Oct. 1943	Oct. 1944	Sept. 1944	Oct. 1943
	TOTAL.....	151	160	164	158	165	108
Alabama.....	158	168	173	166	174	91
Georgia.....	151	159	163	...	...	...
Tennessee.....	129	134	137	139	146	133

	MANUFACTURING EMPLOYMENT***			
	September 1944		September 1943	
	September 1944	August 1944	September 1943	September 1943
SIX STATES.....	162	158r	159	159
Alabama.....	191	188r	192	192
Florida.....	174	168r	178	178
Georgia.....	147	146r	143	143
Louisiana.....	177	171r	161	161
Mississippi.....	156	151r	146	146
Tennessee.....	140	137r	141	141

	CONSTRUCTION CONTRACTS			GASOLINE TAX COLLECTIONS***		
	Oct. 1944	Sept. 1944	Oct. 1943	Oct. 1944	Sept. 1944	Oct. 1943
	DISTRICT.....	72	78	103	97	104	92
Residential.....	65	37	105	...	...	...
Others.....	76	97	103	...	...	...
Alabama.....	99	91	217	109	110	101
Florida.....	72	70	121	88	83	81
Georgia.....	132	74	97	103	101	92
Louisiana.....	48	47	53	107	104	94
Mississippi.....	11	50	47	87	108	91
Tennessee.....	58	114	53	91	128	99

	COST OF LIVING			ELECTRIC POWER PRODUCTION*			
	Sept. 1944	Aug. 1944	Sept. 1943	Sept. 1944	Aug. 1944	Sept. 1943	
	ALL ITEMS..	131	132	129	SIX STATES..	270	270	250
Food.....	145	147	146	Hydro-generated.....	206	210	208
Clothing...	139	138	132	Fuel generated.....	353	346	306
Rent.....	114	114	114	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Fuel, electricity, and ice..	109	109r	108		Oct. 1944	Sept. 1944	Oct. 1943
Home furnishings..	139	139	123	Unadjusted	16.1	16.3	18.8
Miscellaneous..	126	126	120	Adjusted**	16.2	16.8	18.6
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				Index**	62.7	65.0	71.9
	Oct. 1944	Sept. 1944	Oct. 1943	*Daily average basis			
Unadjusted..	202	195r	195	**Adjusted for seasonal variation			
Adjusted**..	203	196r	196	***1939 monthly average=100; other indexes, 1935-39=100			
				r=Revised			

persons during the same period. Louisiana lost 19,033 civilians, whereas out-migration from Mississippi reached 194,194 by November 1943, and Tennessee's net out-migration was 70,843. Only Florida of the six District states had a net in-migration—186,744 persons. All these figures, of course, exclude movements of military and naval personnel.

The Florida net in-migration amounted to 9.9 per cent of the 1940 civilian population, and the Mississippi out-migration was equal to 8.9 per cent of its 1940 civilian population. Percentage changes in the other states were of smaller dimensions.

Postwar Demobilization

In attempting to measure the probable impact of postwar demobilization from the armed services and war industry by states, the Department of Labor assumed the demobilization of 8.8 million persons from the armed services and distributed these among the states, in proportion to each state's contribution to the total number of inductions under the Selective Service Act. It is thought that most of the servicemen, when discharged, will either be discharged in the state where they were inducted or will return there. The Department of Labor made the assumption that a total of 5.4 million war workers will be demobilized, and the assumption is that the resulting employment problem will be met in the states in which the persons were employed in 1944. This type of analysis indicates that 14.2 million persons in all may be demobilized. The figure is equivalent to 31.5 per cent of 1940 employment in the United States.

In Alabama, 194,000 persons may be demobilized from the armed forces and 83,000 from war industry, totaling 31 per cent of 1940 employment in Alabama. Demobilization in Florida of 132,000 from the armed services and 58,000 from war industry will mean a demobilization equivalent to 28 per cent of the total 1940 employment. In Georgia, demobilized persons will equal 25 per cent of the total 1940 employment, including 220,000 from the armed forces and 57,000 from war industry. Indications in Louisiana are that 167,000 servicemen and 61,000 war workers, equalling 30 per cent of the 1940 employment, will be demobilized. A somewhat smaller problem will be presented in Mississippi with demobilization anticipated equivalent to 22 per cent of 1940 employment and consisting of 141,000 persons from the armed forces and 16,000 from war industry. In Tennessee, the figures indicate that a number of persons equivalent to 27 per cent of 1940 employment will be involved in the problem presented by demobilization, including 202,000 from the armed services and 57,000 from war industry.

Net circulation of this Bank's Federal Reserve notes increased in October by 46 million dollars. This rise was much larger than the increase in any other single month. During the twelve months ending with October, the Bank's net circulation rose by 350 million dollars, or 40 per cent. In this period, circulation of notes of the larger denominations, 50-dollars and up, increased 64 per cent, while notes of the 5-, 10-, and 20-dollar denominations increased 31 per cent. The large denominations increased 149 million dollars, and the smaller denominations 202 million dollars. At the close of October, notes of the large denominations in actual circulation accounted for 31 per cent of the total; at that time a year ago, they accounted for 27 per cent of the total circulation.

Sixth War Loan Drive

DOMINATING financial developments during the month of November were the preparations and activities set in motion under the Sixth War Loan Drive. The drive itself officially opened on November 20 and is scheduled to continue through December 16. The announced goal is the sale of 14 billion dollars of Government issues, all of which the Treasury hopes will be sold to nonbanking purchasers. Of this gross amount, the Treasury hopes that five billion dollars of the offerings will be sold to individuals as distinct from corporate and institutional purchasers.

The marketable issues offered during the drive do not depart materially from the issues offered in previous drives. Current offerings include $\frac{7}{8}$ Per Cent Treasury Certificates of Indebtedness of Series H-1945, $1\frac{1}{2}$ Per Cent Treasury Notes of Series C-1947, 2 Per Cent Treasury Bonds of 1952-54, and $2\frac{1}{2}$ Per Cent Treasury Bonds of 1966-71.

Restrictions are placed on the subscriptions to the new marketable issues by banks that accept demand deposits. Such banks are not permitted to hold the $2\frac{1}{2}$ Per Cent Treasury Bonds of 1966-71 for their own account before December 1, 1954, except for limited amounts under a prescribed formula. Under this formula, the banks are permitted to subscribe to the 2 Per Cent and the $2\frac{1}{2}$ Per Cent Treasury Bonds and to Series F and G Savings Bonds. The aggregate amount of such subscriptions may not exceed 10 per cent of the combined total of time certificates of deposits issued to individuals and nonprofit organizations and of savings deposits as shown at the most recent call statement date. In no event, however, may a subscribing bank have an aggregate of such subscriptions that will exceed the sum of \$500,000. The banks, moreover, are requested not to trade in any of the marketable securities until after the drive ends. At that time, the banks may acquire for their own account in the open market the 2 Per Cent Treasury Bonds of 1952-54, the $1\frac{1}{4}$ Per Cent Treasury Notes of Series C-1947, and the $\frac{7}{8}$ Per Cent Treasury Certificates of Indebtedness of Series H-1945.

Speculative Subscriptions Discouraged

In the current drive, a special effort has been made to discourage subscriptions that are placed solely for the purpose of getting new issues to be resold shortly in order to realize on the small premium that is expected to appear when the issues are traded in the open market. Under date of November 1, the Secretary of the Treasury sent a letter to all banks of the country asking them to examine subscriptions for marketable issues for the purpose of determining whether such subscriptions might be in excess of the ability of the subscriber to pay from funds on hand. If such excess subscriptions were found, the banks were requested to give a statement of the circumstances to their appropriate Federal Reserve Bank or Branch for the purpose of receiving instructions as to what disposition might be made of each case. In addition, the Treasury urged the Federal Reserve Banks, in their capacity as fiscal agents of the United States, to call personally, insofar as possible, upon the officers of those banks that hitherto had encouraged speculative purchases in order to explain why the curbing of such purchases was desirable and to set out procedures to be followed in achieving that objective.

Bank Announcements

EARLY in November, this Bank assisted in the distribution of forms to the banks of the District in connection with the guaranty of loans to veterans for the purchase or construction of homes under the Servicemen's Readjustment Act of 1944. Hereafter, these forms will be obtained by the banks directly from United States Veterans Administration offices. The addresses of such offices in the Sixth District are as follows: 20 Houston Street, N. E., Atlanta 3, Georgia; Bay Pines, Florida; Federal Building, Jackson 107, Mississippi; Montgomery 10, Alabama; Murfreesboro, Tennessee; and 333 St. Charles Street, New Orleans 12, Louisiana.

Regulations relating to the guaranty of loans to veterans for the purchase of farms and farm equipment and for loans to veterans for business purposes will soon be issued. Immediately upon receipt of such regulations, this Bank will send copies to the banks of the District. The forms to be used in connection with these new regulations, however, will not be available for distribution for several weeks more. When these forms are available, this Bank will distribute copies to the banks of the District in the same quantities as it did the earlier forms to be used for veterans loans for the purposes of purchasing and constructing homes.

During the month of November, the Federal Reserve Bank of Atlanta completed its thirtieth year of operation. The Bank first opened for business on November 16, 1914. The opening dates of the Bank's four branches were as follows: New Orleans, September 10, 1915; Birmingham, August 1, 1918; Jacksonville, August 5, 1918; and Nashville, October 21, 1919. As of November 1 of this year, the parent bank and branches had 1,570 employees. A year earlier, the employees numbered 1,421; 2 years earlier, 1,039; and 5 years earlier, 885.

Additions to Par List

Two more Florida banks will be added to the Federal Reserve Par List on January 1, 1945. The two banks are the Peoples Bank of Crescent City, Florida, and the First State Bank of Eustis, Florida.

The Peoples Bank of Crescent City was established in 1922 and has capital of \$40,000 and surplus and undivided profits of \$26,000. S. E. Warner is president of the bank, Philip A. Sargent is executive vice president, J. B. Shiver is vice president, and B. T. Hord is cashier. The chairman of the board of directors is E. M. Pickens. The other members of the board are W. C. Cartledge, Philip A. Sargent, Evald T. Peterson, S. E. Warner, J. B. Shiver, and E. D. Sargent.

The First State Bank of Eustis was established in 1909. It has capital of \$135,000 and surplus and undivided profits of \$16,000. H. F. Isted is president, E. J. Burrell is vice president, and C. L. Stockwell is cashier. In addition to Messrs. Isted, Burrell, and Stockwell, the board of directors includes C. L. Ferran, L. L. Polk, and B. M. Kinser.

Crescent City is located in Putnam County, 76 miles by railroad almost directly south of Jacksonville. It had a population of 1,124 by the 1940 census. Eustis is located in Lake County and is also directly south of Jacksonville, a distance of 158 miles by railroad. The town had a 1940 population of 2,930.

Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores	Per Cent Change October 1944, from	
		Sept. 1944	Oct. 1943
Total Sales.....	92	+ 23	+ 36
Cash Sales.....	81	+ 24	+ 37
Instalment and Other Credit Sales..	81	+ 23	+ 41
Accounts Receivable, end of month..	89	- 12	- 5
Collections during month.....	89	+ 6	+ 2
Inventories, end of month.....	67	- 5	+ 3

INSTALMENT CASH LOANS			
Lender	Number Reporting	Per Cent Change Sept. 1944 to Oct. 1944	
		Volume	Outstandings
Federal Credit Unions.....	47	+ 1	- 2
State Credit Unions.....	28	- 21	- 6
Industrial Banking Companies.....	42	+ 3	- 0
Personal Finance Companies.....	48	+ 9	+ 1
Commercial Banks.....	34	+ 15	+ 2

CONDITION OF FEDERAL RESERVE BANK OF ATLANTA					
(In Thousands of Dollars)					
Item	Nov. 22, 1944	Oct. 18, 1944	Nov. 24, 1943	Per Cent Change Nov. 22, 1944, from	
				Oct. 18, 1944	Nov. 24, 1943
Bills discounted.....	4,903	5,130	8,800	- 4	- 44
Industrial advances.....	23	24	226	- 4	- 90
U. S. securities, direct and guaranteed.....	942,511	869,916	390,469	+ 8	+ 141
Total bills and securities.....	947,437	875,070	399,495	+ 8	+ 137
F. R. note circulation.....	1,237,949	1,201,885	888,192	+ 3	+ 39
Member bank reserve deposits.....	605,936	578,520	503,768	+ 5	+ 20
U. S. Gov't deposits.....	21,334	19,957	25,395	+ 7	- 16
Foreign bank deposits.....	38,936	38,200	46,149	+ 2	- 16
Other deposits.....	3,551	2,943	2,443	+ 21	+ 45
Total deposits.....	669,757	639,620	577,756	+ 5	+ 16
Total reserves.....	946,356	938,257	1,054,836	+ 1	- 10

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES					
(In Thousands of Dollars)					
Item	Nov. 22, 1944	Oct. 18, 1944	Nov. 24, 1943	Per Cent Change Nov. 22, 1944 from	
				Oct. 18, 1944	Nov. 24, 1943
Loans and Investments—					
Total.....	1,721,123	1,716,864	1,557,134	+ 0	+ 11
Loans—Total.....	331,840	300,229	375,614	+ 11	- 12
Commercial, industrial and agricultural loans..	203,603	171,603	208,247	+ 19	- 2
Loans to brokers and dealers in securities...	5,531	5,004	10,962	+ 11	- 50
Other loans for purchasing and carrying securities.....	32,325	25,552	42,217	+ 27	- 23
Real estate loans.....	23,695	24,564	26,795	- 4	- 12
Loans to banks.....	1,001	1,017	1,146	- 2	- 13
Other loans.....	65,685	65,906	86,247	- 0	- 24
Investments—Total.....	1,389,283	1,416,635	1,181,520	- 2	+ 18
U. S. direct obligations.....	1,246,049	1,278,245	1,018,408	- 3	+ 22
Obligations guaranteed by U. S.....	19,402	19,408	50,226	- 0	- 61
Other securities.....	123,832	118,982	112,886	+ 4	+ 10
Reserve with F. R. Bank.....	337,694	316,888	294,501	+ 7	+ 15
Cash in vault.....	28,152	28,941	26,058	- 3	+ 8
Balances with domestic banks.....	137,172	149,299	156,060	- 8	- 12
Demand deposits—adjusted	1,178,397	1,127,054	978,263	+ 5	+ 20
Time deposits.....	319,596	310,799	245,449	+ 3	+ 30
U. S. Gov't deposits.....	123,696	188,697	260,983	- 34	- 53
Deposits of domestic banks.....	500,504	484,648	464,295	+ 3	+ 8
Borrowings.....	3,000	1,500	4,000	+ 100	- 25

The National Business Situation

OUTPUT and employment at factories and mines showed little change from September to October. Value of department-store trade increased further in October and the early part of November, while commodity prices were stable.

Industrial Production Declines Slightly

The Board's seasonally adjusted index of industrial production was 230 per cent of the 1935-39 average in October as compared with 231 in September. Output of durable manufactures continued to decline slightly, while production of nondurable goods and minerals was maintained at the level of the preceding month.

At steel mills, production increased slightly in October but for the month was 7 per cent below the peak of a year ago. Production of copper and other nonferrous metals continued to decline, with output of aluminum and magnesium curtailed more than 50 per cent from the peak rates reached at the end of last year. In the machinery and transportation-equipment industries, activity declined slightly in October. Lumber production showed little change in October from the September rate, which was 10 per cent above the prewar level. Output of lumber and also pulpwood has been limited during the past two years because of the difficulty of recruiting labor in these industries.

Activity at cotton-textile mills and at shoe factories declined in October, while output of manufactured food products increased, after allowance for the customary seasonal changes. The rise in food manufacturing was mainly at canneries and was made possible by increased farm production of fruits and vegetables. Newsprint consumption showed a greater than seasonal increase in October. Output of chemicals, rubber products, and other nondurable goods continued at about the level of the preceding month.

Output of coal and crude petroleum was maintained, while production of iron ore continued to decline seasonally.

Bank Credit Expands

On the eve of the opening of the Sixth War Loan Drive, bank deposits and currency owned by individuals, partnerships, and corporations were larger than at any previous time.

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

Such holdings of deposits and currency have increased in recent months as the Treasury expended funds raised during the Fifth War Loan Drive.

Adjusted demand deposits of individuals, partnerships, and corporations at reporting banks in 101 cities increased by around six billion dollars between July 12 and November 15; this brought the total outstanding to a level about a billion dollars above that reached before the Fifth War Loan Drive. Time deposits increased by about a billion dollars. At country banks outside the leading cities, it is estimated that demand and time deposits are slightly more than three billion dollars larger than they were prior to the Fifth Drive. Currency in circulation has increased by about 2.5 billion since the middle of June.

Required Reserves Rise

As a result of the deposit expansion, the average level of reserves required by all member banks rose sharply during the interdrive period and is about a billion dollars greater than at the beginning of the Fifth Drive. Reserve funds to meet the increasing requirements, as well as a currency outflow, were supplied largely through substantial additions to the Government security portfolio of the Reserve Banks; holdings were increased by over three billion dollars between July 12 and November 15. Member-bank borrowings at the Reserve Banks also increased as they had done prior to the Fifth Drive. Excess reserves, which increased during the war-loan drive, declined at a fairly rapid rate immediately following the close of the drive and then fluctuated generally around a billion dollars. About three fourths of these excess reserves are held by country banks.

Loans to brokers and dealers for purchasing or carrying Government securities, which had declined in August to a level comparable to that prevailing prior to the Fifth Drive, fluctuated somewhat over the following period but began to increase early in November. Other loans for purchasing or carrying Government securities continued to decline. Loans for handling other securities, reflecting substantial flotations of new corporate issues, increased during the late fall. Commercial loans also rose.

