

MONTHLY



REVIEW

FEDERAL RESERVE BANK OF ATLANTA

Volume XXX

Atlanta, Georgia, January 31, 1945

Number 1

The Louisville Industrial Foundation

EVER since its establishment in 1916, the Louisville Industrial Foundation has contributed importantly to the industrial development of the city of Louisville and its vicinity. Because of the current interest in the Sixth District in expanding the industrial production and employment of the region, an account of the Foundation's experience has timely value. An explanation of what the Foundation is, how it operates, what it has accomplished, and what policies it found to be best may perhaps serve as a useful guide in the development and operation of similar industrial promotional organizations.

The Louisville Industrial Foundation is a Kentucky corporation whose chief operating function is that of extending financial aid to industrial establishments that can be founded or expanded in the Louisville area. It has an authorized capital stock of \$1,100,000, divided into 11,000 shares at a par value of \$100 each. The original \$875,759 of paid-in capital has provided almost \$4,000,000 in gross industrial investment during the 28 years that the fund has been in operation.

The management of the Foundation follows the usual corporate plan. The board of directors consists of 15 members. The president is William B. Harrison, who is in active executive charge, and the secretary-treasurer is Frank B. Ayres, who has held office with the Foundation since March 1920.

The purposes and the essential operating features of the Foundation are somewhat different from those of the usual commercial corporation. As stated in its articles of incorporation, the nature of the business of the Foundation is to advance and develop industrially the city of Louisville and its immediate area. To achieve this objective the corporation is given authority to hold securities in, or make loans to, any manufacturing corporation in Louisville or its vicinity and to advertise the industrial advantages of the city. To assure some control over its investments, the corporation may appoint one or more of its stockholders to serve as a director in any corporation of which it may be a stockholder or creditor. Moreover, it may require the books of account of a client company to be examined by an expert accountant at regular intervals.

Certain other unusual safeguards are exercised by the Foundation with respect to its financial operations. When

investing in the securities of any corporation, the directors of the Foundation may require that such securities be redeemed within a given period. If the investment in a client company is to be in common stock, the charter provides that no preferred stock or bonds shall be outstanding. On the other hand, if the Foundation is to invest in preferred stock, the client must have no bonds outstanding.

The Foundation ultimately came to favor the first-mortgage term loan as the best form that its financial assistance might take. Of the first 14 industrial advances made by the Foundation, five were in the form of purchases of preferred stock, two were loans on security of preferred stock, one a purchase of bonds, another a loan on security of bonds, and three were loans on endorsed notes. In 1921, two loans were made on first-mortgage collateral and thereafter this form of industrial advance was generally followed. The loans run for standard periods of ten years and, as a rule, are amortized by monthly payments.

Investments in the securities of, or credits to, any manufacturing establishment may be made only with the assent of two-thirds of all the directors of the Foundation. Moreover, the Foundation may not invest more than 10 per cent of its capital in any one concern; nor may it advance to a client concern financial aid that will exceed one third of the total cash paid-in capitalization of that concern. In computing the capitalization of the client firm, such intangible items as patents, sales rights, franchises, and good will are to be excluded.

The Foundation may not have an indebtedness or liability exceeding \$250,000. In order to assure a continuing and close relationship between the Foundation and the Louisville Board of Trade, the charter provides that the policy of the Foundation shall be to elect the president of the Louisville Board of Trade as one of the directors. To assure control by the stockholders, the charter also provides that at least one half of the remaining directors are to be chosen from a list of the Foundation's stockholders containing three times the number to be chosen. Finally, for the benefit of the stockholders, an annual financial statement of the affairs of the Foundation must be published.

The Foundation is no ordinary corporation. It has measured success not in dividends to stockholders but in the pay rolls maintained or developed within the area. In essence,



the Foundation is a corporation set up to carry on and even go beyond the activities customarily provided by boards of trade and chambers of commerce in attracting new industries to their localities.

By no means is the Louisville institution the only one of its kind. In an undated pamphlet entitled "Community Industrial Financing Plans," the United States Chamber of Commerce lists and describes 22 such organizations, scattered from Portland, Maine, to Hoquiam, Washington. Among these organizations, the Louisville Industrial Foundation is the fifth in age and the second in size of capital fund.

The origin of the Louisville Industrial Foundation was much like that of the other community industrial-financing plans. The immediate need for such a plan in Louisville appeared in the early years of the first world war as a result of the nation-wide business recession that was developing prior to the outbreak of the war and as a result of the failure of the city's industrial establishments to participate to any great extent in the war-supply orders placed by the belligerent European powers. Louisville, in truth, had many natural industrial advantages. In 1916 the city had a population of about 225,000. It had ample transportation facilities, as it was served by eight different railroads and was located on the navigable Ohio River. There was nothing in this situation, however, that was unique with respect to industrial needs and possibilities.

Distinguishing Features

The characteristic that distinguished the Louisville Industrial Foundation plan from other similar industrial-promotion organizations was the determination to raise a large capital fund for the prime purpose of making investments in industrial companies that could be encouraged to establish new plants or to expand existing plants in the Louisville area. Another distinctive feature was that the fund itself was to be raised by sales of capital stock and not by outright donations. For nine days during July 1916, a high-pressure campaign to raise what was called a million-dollar factory fund was carried on. At the end of the drive period, 3,118 individual subscribers had signed pledges to buy the Foundation's stock in the total amount of \$1,024,800. About one third of the subscribers accounted for four fifths of the subscriptions, for 2,042 subscribers had each subscribed to no more than a single \$100 share. Following the completion of the drive, the Louisville Industrial Foundation was formally chartered on September 7, 1916, and promptly proceeded with the election of its first board of directors.

An initial point of success in the Foundation's operating experience was the degree to which the subscriptions were actually converted into paid-in capital. According to terms of the charter, subscriptions were to be paid within a period of about five years. An initial payment of 10 per cent was to be paid upon call of the directors. Thereafter, payments of 10 per cent each were to be made at six-month intervals. This payment schedule was largely met. By the end of 1916, \$100,907 had been paid in. By the end of 1917 additional payments of \$179,729 had been received, and by the end of 1921 the total paid-in capital, less operating-deficit charges, amounted to \$817,634. Although uncollectible pledges of more than \$200,000 were eventually written off, the total paid-in capital ultimately reached \$875,759. The collections, therefore, amounted to 85.5 per cent of the total pledges.

In carrying out its objective of contributing to the indus-

trial development of Louisville, the Foundation has followed two principal lines of endeavor. On the one hand, the Foundation has performed the usual functions of the chamber of commerce or industrial bureau. In this phase of its work, the Foundation in its 28 years of operation has assisted in establishing in Louisville some 69 enterprises. The initial capital of these companies amounted to about \$15,000,000, and their first-year pay rolls aggregated nearly \$4,000,000.

On the other hand, and this is its most distinctive function, the Foundation has made direct capital advances to new or already established manufacturing firms in Louisville. Such advances have been made to 44 different manufacturing companies, beginning in the year 1917 and extending through 1944. Moreover, the Foundation has assisted the city of Louisville on two separate occasions: once in 1920 by advancing \$100,000 to the Board of Education to pay teachers' salaries and more recently in 1941 by advancing \$100,000 to the City-County Air Board for the purchase of an airport site.

Firms Assisted

In its capital-financing operations, the Foundation has been ready to assist any industrial company that had a reasonable chance of success and could not get funds from the usual business sources. Out of the \$2,603,947 advanced to industrial companies by the Foundation, \$875,518 was advanced to 14 metal-products companies. The chief product of one of these companies was cigarette foil; of another, automobile parts; and of still another, business equipment. The other metal-products firms that received financial assistance produced automobile bodies, electrical devices, railroad metal, drying machinery, structural steel, water heaters, enameled metal, stamped metal, bedsprings, metal sundries, and metal foil.

Next in point of number of firms assisted was the food-processing industry in which ten companies were advanced \$565,619. One of these financings was to assist in the conversion of a brewery to a commercial cold-storage plant. Other financings aided a dairy-products company and a company producing bakery products. Another food-processing company that was assisted produced macaroni, another prepared certain food specialties, and still another produced canned chicken.

Some \$400,000 of the Foundation's funds was advanced to seven woodworking plants. These seven plants produced, respectively, plywood and veneer, office furniture, school furniture, a patented typewriter desk, laminated woods, and radio cabinets.

The remaining 13 industrial companies receiving financial assistance produced a diversified range of products. Almost \$300,000 was advanced to five textile-goods companies. Two of these produced garments, one shoelaces, one hosiery, and another cotton rope. A total of \$150,000 was advanced to two printing plants for general modernization purposes. Two petroleum-refining plants were assisted to the amount of \$100,000, and a total of \$209,500 was advanced to a cottonseed-processing company, a toy-balloon plant, a manufacturer of pipe organs, and a producer of asbestos building material.

The companies that were given financial assistance by the Foundation demonstrated a high survival rate. Of the 44 individual companies that were assisted, 36 are in operation today, though five of them were purchased or absorbed by other organizations. Although eight of the companies failed or were liquidated, only four of the failures resulted

in capital loss to the Foundation. This capital loss amounted to \$209,021, to which must be added a contingent loss of \$31,304 that resulted from the closing of a bank in the depression and the write-off of \$57,895 in interest charges.

As it grew in experience, the Foundation developed certain operating policies that contributed importantly to the success with which its objectives have in such large measure been attained.

From the outset, the Foundation emphasized the desirability of developing diversified types of industries. Careful discrimination in the selection of industries became a consistent feature of its operation. Though it has made industrial advances to 44 different manufacturing firms, the Foundation has refused to extend financial aid in 356 other instances.

With respect to financing arrangements, the Foundation learned the wisdom of following liberal practices. It has resorted to foreclosure procedures to collect a debt only one time in its history. Once a financial commitment had been made, the Foundation learned that the best plan was to stay with the investment until it turned out successfully, advancing more and more money as it was needed and adjusting repayment schedules whenever necessary to meet the financial abilities of the borrower.

Flexibility Emphasized

Flexible repayment schedules, closely adapted to the client's ability to pay, were found to be highly effective, and the Foundation's development of such schedules represents a notable contribution to the field of small-business financing. One method of achieving flexibility was to schedule monthly instalments in amounts that would vary with the client's business prospects. If a client might expect progressive increases in earnings, the monthly instalments would be scheduled in increasing amounts. On the other hand, if a client had prospects of immediate high earnings, such as those from a war or other special contract, the monthly instalments were scheduled in decreasing amounts. Another method of achieving flexibility, employed with great success in recent years, was the so-called recapture clause. Under this clause a debtor client would bind itself to make not only the current payments but also payments in proportion to its profits. Payments made under this recapture clause would apply to the notes of the most distant maturities in reverse order, thus shortening the maturity of the obligation and hastening the turnover of the Foundation's loanable funds.

The Foundation learned the desirability of maintaining close and personal relationships with its client concerns. In a sense, the Foundation served as godfather to its clients, assisting them in making marketing surveys, insisting upon improved accounting methods, taking an active interest in the character of the management, and offering assistance in special problems as they arose.

Of particular significance to those communities that may be contemplating or actually engaged in raising community capitalization funds is the Louisville Industrial Foundation's insistence upon operating as a quasi-public institution. The Foundation has endeavored to maintain its capital as an interest-bearing revolving fund, to be used over and over again in successive financings. To be sure, the Foundation has paid no dividends and thus has disappointed those original investors who might have anticipated a return on their

investment, but this failure to distribute earnings has merely served to emphasize the public nature of the fund.

At all times, moreover, the Foundation has avoided competition with existing lending institutions. It has constantly emphasized the supplemental character of its industrial advances, never on any occasion advancing more than one third of initial capital and always insisting that available credit resources first be exhausted before appeal is made to Foundation funds. It has aided only those industries that

PAMPHLET REPORT

This brief account of the Louisville Industrial Foundation is based upon the manuscript written by Ernest J. Hopkins after a thorough study of the Foundation's operations. The complete story is now in the hands of the printer and will shortly be available for distribution in pamphlet form without charge. Those who are interested in receiving a copy of the pamphlet should address their requests to the Research Department, Federal Reserve Bank of Atlanta.

would be of benefit to Louisville.

Eventually, the Foundation was to discover that its most satisfactory financial experience was with recently founded firms that needed new capital funds for expansion purposes. In general, the Foundation assisted three other chief types of firms: (1) those that had been in operation elsewhere and were encouraged to come to Louisville, (2) those that had been founded some years earlier and needed capital assistance, and (3) those that were in the promotion stage and needed initial capital assistance. As compared with these other three types of firms, the new firms that needed capital for expansion purposes required less initial capital, less additional or subsequent investment, offered fewer managerial problems, and, in general, achieved the greatest expansion in employment and activity.

The largest average amount of capital assistance was required by the new enterprises that were in the promotion stage as distinguished from those that had already been carried through the difficult period of infancy without outside financial assistance. These new enterprises required the largest amount of refinancing, incurred the greatest amount of capital loss, and suffered the largest number of liquidations.

Many communities in the Sixth Federal Reserve District are looking hopefully to the establishment of new manufacturing plants that will give them a more diversified economic structure. The idea of encouraging small business developments, particularly those finishing or otherwise using locally produced raw materials, is especially popular. In a section that is primarily agricultural, these communities hope to provide a better-balanced economy than they have hitherto experienced. To all of these communities the experience of the Louisville Industrial Foundation offers one illustration of how a community may by its own efforts contribute to its industrial advancement.

Some Reflections on Price Policy

THE DECEMBER hearings on the cotton problem, held in Washington before the Pace subcommittee on postwar planning for agriculture, were significant in several respects. Far from being the least significant were the various attitudes toward the price system that found expression in the statements of witnesses as well as in the remarks of committeemen.

Indeed, a problem of price policy was the central issue in these hearings. The question was whether the Government's present policy of supporting the price of cotton above the world level while encouraging cotton exports by means of a subsidy should be continued or discontinued. Side by side were raised corollary issues resulting from public and private price manipulation and control in other segments of the economy.

Most, if not all, of the witnesses before the committee would undoubtedly have maintained that they were sincerely in favor of the American free-enterprise system. A similar claim would be made by businessmen, as well as by the rank and file of the population, all over the country. What is not always recognized, however, is the fact that the free-enterprise system is possible only in connection with a particular kind of price system. If a person is sincerely in favor of freedom of enterprise, he cannot at the same time feel free to interfere at will and in his own interest with the functioning of the price system. The one depends upon the other, and some reflection on the relation between them seems to be very pertinent, especially in view of a too-common acquiescence in an abuse of the price system by which prices are treated as ends in themselves instead of as means to ends.

The Function of Price

Every economy embodies some answer to the question, "How shall the scarce resources by which men satisfy their wants be apportioned among all their various possible uses?" It also embodies some answer to the correlative question, "How shall the product of economic activity be distributed among those responsible for the creation of the product?" The kind of answers given to these two questions constitutes the end or purpose that the economy seeks to achieve. The price system is the means, or at least one of the means, by which the end is to be attained. For an economy to achieve its basic purpose, it must possess a price system appropriate thereto; that is, there must be a large measure of consistency between ends and means. Although there is no one inherently "right" form of economy and consequently no one price system that is proper under all circumstances, consistency between the two is of the utmost importance if the economy is to survive.

During the Middle Ages in western Europe the basic purpose of the economy was that of maintaining an organic structure of classes that were bound together by an intricate web of mutual rights and obligations. Such an economy was marked by an absence of competition as an economic force, by a conscious discouraging of technical innovation, and by relatively little population movement either from place to place or from one class to another. The kind of price system that served to maintain this particular articulation of society was based upon the "just price." The "just price" was a price sufficient only to enable the producer to live on his accus-

tomed scale within the boundaries of his class. There was a moral obligation on buyers to pay no less than this just price and on sellers to demand no more.

The medieval economic system could endure only so long as the consistency between its basic purpose and its price system was maintained. This type of economy was seriously threatened when population became more fluid, and when technical improvements began to confer competitive advantages upon certain individuals or groups, and when an increasing number of commercial transactions came to intervene between the production and the consumption of goods. More and more, prices tended to reflect competitive forces and relative bargaining strength rather than a moral obligation. The result was the disruption of the customary relations of individuals and classes and the destruction of the medieval economy.

Prices and Planning

Emerging in certain parts of the modern world is a quite different form of economy in which the scarce factors of production—land, labor, and capital—are allocated by some central planning authority according to an arbitrarily chosen pattern of production and consumption. In such an economy, the realization of the "plan" becomes the end and purpose of the whole economy. In order to achieve this end, an appropriate price system must be provided. Inasmuch as the disposition of resources in such a system is arbitrary, the pricing of commodities and the distribution of rewards must be equally arbitrary in the sense that the pattern of prices must be one that will realize the basic plan. Here, as in the medieval economy, prices dare not be allowed to move freely in response to competitive forces, for such movement would inevitably bring about an allocation of resources different from that contemplated in the plan and would thus ultimately destroy the plan itself.

Most nations are experiencing something of the sort in their administration of war economies, when a system of almost wholly administered prices seems to be a logical necessity. In this case the military objective and the plan for achieving it serve as a social purpose, overriding all private purposes, to which all economic activity must be bent. Control over the flow of raw materials, investments, finished goods, and manpower is essential under the circumstances. Equally essential has been a more or less rigid control of the price system. Moreover, control over prices will be needed in the immediate postwar period until the flow of peacetime goods is in balance with demand if conditions such as those that prevailed after the last war are to be avoided.

For good or ill, the type of economy to which allegiance is given in the United States in times of peace is quite different from those just mentioned. Here the basic social purpose of the economy is not the achievement of a particular ordering of classes and individuals, as it was in the Middle Ages, nor is it the attainment of any preconceived and arbitrary plan; it is, rather, the realization of a condition of action that has come to be known as freedom of enterprise. The preservation of economic freedom is, therefore, the basic intention of this system.

The economic freedom that constitutes the major premise of the enterprise system consists on the one hand of the

freedom of consumers to express their preferences for any goods and services offered in the market by way of the prices they are willing to pay; on the other hand, it consists in the freedom of owners of resources to employ those resources wherever they can be most profitably used. If prices are made not only under such conditions of freedom but also under competitive conditions in which no individual or group has the power to rig the market by its unilateral action, then the system of prices that will emerge will serve as a sensitive mechanism by which economic resources are directed into areas of scarcity and away from areas of relative overabundance. To the consumer a high price would then say, "Consume less of this thing for it is scarce." To the owner of resources it would say, "Use your land, your labor, your capital in the production of this thing for here they will earn greater returns than elsewhere." Price is thus the device by which a free and competitive economy directs resources to the satisfaction of consumer demands and distributes the product of economic activity among all those who have shared in its creation.

Whenever a price is artificially manipulated, however, or is other than a competitive price, it ceases to perform its proper function; it ceases to guide resources into their most economical employment from the standpoint of the economy as a whole and, to that extent, brings about a diminution of the system's productivity. Moreover, interference with free and competitive prices jeopardizes the economic freedom upon which the whole system is based.

Foundations of Free Enterprise

What is not always realized is the very precarious foundation upon which the free-enterprise system rests. Among other things, the system rests upon the assumption that land, labor, and capital not only can but will be shifted to their most profitable uses in response to price changes. The system assumes, furthermore, the pervasiveness of competition. Neither of these assumptions has ever been wholly true to fact and, in some respects, through the historical evolution of capitalism, they both have tended to become less true with the passage of time.

Although labor is in some ways much more mobile than heretofore, one can think of many reasons why a laborer still does not easily or quickly desert his present employment for some other line of work, or for the same work in a different place, in response to a higher wage. It is also easy to think of many reasons why a farmer does not quickly abandon certain uses of his land for others in response to price changes. Similarly, there is no way in which capital, embodied in factories and machines organized in large technical units, can be easily shifted to other uses. The high degree of specialization of all the factors of production that is so characteristic of the modern economic system often seriously reduces mobility. The inertia thus introduced into the economic system has the effect of preventing competition to some extent from doing its work.

Not only are the factors of production not as mobile as they are assumed to be, but the economic system is far from being competitive. The development of modern technology, the increasing specialization of capital equipment, the enormous scale on which commodities are now produced and distributed, and the pressure of fixed costs along with the operation of certain provisions of patent and corporation law have injected many rigidities into the economy. Whether

they have actually sought it or not, many industries find themselves in a position in which they have the power to affect prices by their unilateral production policies. Where this is the case, the market ceases to be the birthplace of prices. They are born, rather, in the offices of management or of Government agencies as a result of administrative decisions. In large segments of the economy, therefore, free and flexible prices set in a competitive market have all but disappeared, having been replaced by administered prices.

This change in the method by which prices are made is a potential danger to the free-enterprise system. Whether it is in fact a real danger, however, depends upon *how* prices are administered. It is for this reason that price policies are of such great importance.

Administrative Alternatives

Two possible courses lie open to those who find it in their power to determine prices: either prices may be fixed at a high level in the interest of attaining the largest net profit, or they may be set at a level sufficiently low to bring about the fullest utilization of productive capacity consistent with costs and any needed expansion of capital.

The first of these two courses is that typically pursued by individuals, businesses, or other groups that think and act in terms of their own fairly short-run interests. A powerful temptation undoubtedly exists for an industry, a trade union, or any similar group to exact the most profitable price if it can do so. Indeed this temptation is so strong that in the case of certain industries that are affected by a strong public interest, such as public utilities, provision is made for the continuous regulation of rates and services by some governmental agency in order to prevent the exploitation of the public interest to the advantage of some particular group.

More often than not, the exaction of the most profitable price is possible only by limiting output to some extent. The limitation of output, however, usually involves the enforced idleness of some factors of production and the exclusion of others from their most economical uses. In either case the productivity of the economy is frustrated at the points where the limitation occurs. Meanwhile, the excluded factors compete for employment in other lines, reducing incomes and encouraging overproduction in those areas.

Such a situation, to a large extent, is responsible for the long-standing feud between agriculture and industry. Farmers have found themselves confronted by rigid prices for many of the things they have bought, whereas the prices of the things they have had to sell have been made in highly competitive markets. The adjustments that should have been diffused throughout the economy have been concentrated upon agriculture because of the price policy pursued by many industries, often buttressed by tariffs. The remedy, in the eyes of some farm groups, has therefore seemed to lie in achieving a similar position for themselves. Unable to accomplish this by their own action, the help of government has been invoked by agricultural interests to support the prices for various crops.

Hand in hand with price maintenance, even when this has occurred under government auspices, has gone limitation of output, again frustrating the productivity of the economic system. In the case of both industry and agriculture, prices have been rigged to increase the income of particular groups so that they no longer tend to bring about the most econom-

Sixth District Statistics

WHOLESALE SALES AND INVENTORIES — DECEMBER 1944						
	SALES Per Cent Change Dec. 1944 from			INVENTORIES Per Cent Change Dec. 1944 from		
	No. of Firms	Nov. 1944	Dec. 1943	No. of Firms	Nov. 1944	Dec. 1943
Automotive Supplies.	7	— 4	+ 21	6	+ 2	+ 19
Drugs and Sundries.	6	— 11	— 6	..	.....	.....
Fresh Fruits and Vegetables.....	4	+ 20	+ 8	..	.....	.....
Farm Supplies.....	3	— 12	— 8	..	.....	.....
Confectionery.....	5	— 6	— 9	..	.....	.....
Groceries—Full Line	25	— 6	+ 0	10	+ 4	— 2
Wholesalers.....	11	— 9	+ 11	6	+ 5	+ 24
Groceries—Specialty Line Wholesalers..	3	— 2	+ 7	..	.....	.....
Beer.....	9	— 13	+ 3	3	+ 9	+ 19
Hardware—General..	5	— 24	+ 8	..	.....	.....
Hardware—Industrial	3	+ 7	+ 5	..	.....	.....
Supplies.....	4	— 14	— 21	..	.....	.....
Machinery Equipment and Supplies.....	7	— 13	— 27	..	.....	.....
Paper and Its Products.....	13	— 27	— 7	17	+ 7	+ 0
Tobacco and Its Products.....	105	— 11	— 3	42	+ 6	+ 8
Miscellaneous.....						
TOTAL.....						

ical allocation of resources. This sort of situation represents an almost complete perversion of the free economy.

Another way of administering prices, however, is open to those who are in a position to do so. This would be to price goods as low as is feasible so that all factors of production might be as fully employed as is economically possible and the largest output of goods consistent with costs be placed at the disposal of consumers. Such a policy is in fact followed by some American businesses. This policy, in effect, represents an effort to approximate by administrative action the price that would have prevailed if competition had been operative. It is an effort to treat price as a means, which it is, instead of as an end, which it is not.

The December cotton conference rendered a distinct service in bringing into the open with respect to the price of cotton these two divergent attitudes toward price—the one that prices may be manipulated in the interests of particular groups, and the other that prices should be free and competitive so that they may perform their proper function in a free economy. The extent to which freedom will be retained by the economy will depend greatly upon which line is followed now and in the future by private business and by government.

EARLE L. RAUBER.

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)					
Area	Dec. 1944	Nov. 1944	Dec. 1943	Per Cent Change Dec. 1944 from	
				Nov. 1944	Dec. 1943
ALABAMA					
Anniston.....	19,648	18,699	18,883	+ 5	+ 4
Birmingham.....	215,371	193,086	203,750	+ 12	+ 6
Dothan.....	10,137	9,261	8,825	+ 9	+ 15
Gadsden.....	13,386	12,113	11,239	+ 11	+ 19
Mobile.....	127,072	130,735	124,302	— 3	+ 2
Montgomery.....	42,246	42,460	43,232	— 1	— 2
FLORIDA					
Jacksonville.....	212,454	174,563	182,980	+ 22	+ 16
Miami.....	165,425	110,969	123,613	+ 49	+ 34
Greater Miami*	233,856	154,605	149,485	+ 51	+ 56
Orlando.....	34,173	26,925	29,519	+ 27	+ 16
Pensacola.....	30,475	23,394	26,447	+ 30	+ 15
St. Petersburg.....	30,081	25,709	22,608	+ 17	+ 33
Tampa.....	92,525	80,259	79,829	+ 15	+ 16
GEORGIA					
Albany.....	14,065	12,707	13,062	+ 11	+ 8
Atlanta.....	571,616	488,516	509,613	+ 17	+ 12
Augusta.....	43,216	34,030	39,176	+ 27	+ 10
Brunswick.....	20,098	14,837	18,806	+ 35	+ 7
Columbus.....	43,315	36,465	38,387	+ 19	+ 13
Elberton.....	2,388	2,095	1,987	+ 14	+ 20
Macon.....	51,711	41,909	46,702	+ 23	+ 11
Newnan.....	5,715	5,805	5,260	— 2	+ 9
Savannah.....	102,028	83,828	89,116	+ 22	+ 14
Valdosta.....	8,030	7,079	8,562	+ 13	— 6
LOUISIANA					
Baton Rouge.....	46,985	42,111	42,400	+ 12	+ 11
Lake Charles.....	20,538	16,449	23,927	+ 25	— 14
New Orleans.....	500,077	451,758	456,415	+ 11	+ 10
MISSISSIPPI					
Hattiesburg.....	14,497	16,844	12,250	— 14	+ 18
Jackson.....	63,747	50,000	59,579	+ 27	+ 7
Meridian.....	18,208	17,624	15,323	+ 3	+ 19
Vicksburg.....	25,447	23,406	20,921	+ 9	+ 22
TENNESSEE					
Chattanooga.....	105,103	87,334	96,039	+ 20	+ 9
Knoxville.....	130,250	111,793	103,842	+ 17	+ 25
Nashville.....	231,211	173,228	192,784	+ 33	+ 20
SIXTH DISTRICT					
32 Cities.....	3,011,237	2,564,991	2,669,378	+ 17	+ 13
UNITED STATES					
334 Cities.....	91,271,000	77,706,000	76,497,000	+ 17	+ 19
* Not included in District					

* Not included in District

ANNOUNCEMENT

The Florida State Bank, Sanford, Florida, on January 15 was added to the Federal Reserve Par List. Checks drawn on this bank and routed for collection through the Jacksonville Branch of the Federal Reserve Bank of Atlanta will be remitted for by the Florida State Bank of Sanford at par.

Officers of the bank are C. H. McNulty, president; E. G. Kilpatrick, Jr., vice president; Thomas E. Tucker, cashier; and Doris Hall and Mary L. Ross, assistant cashiers. Directors of the bank are C. R. Clonts, Andrew Duda, Jr., Charles Dunn, Forrest Gatchel, C. H. McNulty, E. G. Kilpatrick, Jr., and W. A. Patrick.

Deposits of the bank on December 30, 1944, amounted to \$2,285,896. At the same date, the bank's capital was \$50,000 and surplus and profits \$32,639. The bank was originally established in 1939.

Sanford, a city with a 1940 population of 10,100, is known as the capital of the Florida celery belt. It is located in Seminole County, 124 miles south of Jacksonville.

Sixth District Business

SIXTH DISTRICT business began the new year at high levels of activity. Sales at department and furniture stores continued to run well ahead of those of a year ago. Though Federal Reserve notes in circulation declined slightly from the December peak, they were far above the January 1944 levels. In the last month of 1944, construction contracts awarded in the District had risen sharply to give the construction industry a relatively high starting point in 1945.

Retail Sales

Department-store sales in the large cities of the Sixth District that are covered by the weekly reporting sample increased their gains during the first half of January. Twenty-seven stores reported sales for the week ended January 20 that were 14 per cent higher than those for the corresponding week of 1944. Atlanta led the group with a 21 per cent increase in sales, followed by Birmingham and Miami with increases of 13 per cent, New Orleans with an increase of 9 per cent, and Nashville with an increase of 6 per cent.

The Sixth District as a whole had a greater percentage gain in department-store sales in 1944 than any of the other Reserve Districts. In December, after adjustment for seasonal influences, such sales in the District stood at 258 per cent of the 1935-39 average. Although the adjusted index for December showed a decline of 11 points from the November average, it was still 51 points above the December 1943 level. Baton Rouge led the District during December in gains over prewar sales figures with an adjusted index of 390 (1935-39 = 100). Jacksonville and Tampa had indexes of 329 and 306, respectively, and all the large District cities had sales figures for December 1944 that were more than twice as large as the prewar average.

The greatly accelerated buying, coupled with the increasing difficulties of replenishing inventories, resulted in a decline in the index of department-store stocks, after adjustment for seasonal variation, from 179 per cent of the prewar average in December 1943 to 166 per cent of that average in December 1944. This decline, however, was uneven among the large District cities. In December 1944, New Orleans and Birmingham stores reported stocks equivalent, on an adjusted basis, to 127 per cent of the prewar average, whereas stocks in Nashville stores amounted to 291 per cent of the prewar average, in Atlanta stores to 274, and in Montgomery stores to 187.

Furniture-store sales in the Sixth District were 19 per cent higher in December than they were in the corresponding month of 1943; sales during December 1944 were 14 per cent higher than they were in November. Throughout last year the sales of furniture in the District were at record levels, and consequently the inventories have fallen sharply. At the end of December, inventories in 60 retail furniture stores in the District were 20 per cent below the figures a month earlier. The decline since December 1943 has approximated one third.

Financial Activity

During the first half of January, total loans of the weekly reporting member banks in the Sixth District declined somewhat, while investments in United States securities rose by 24 million dollars. Demand deposits (adjusted) increased in the

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	Number Reporting	Per Cent Change Nov. 1944 to Dec. 1944	
		Volume	Outstandings
Federal Credit Unions.....	45	+ 35	+ 4
State Credit Unions.....	26	+ 6	+ 1
Industrial Banking Companies.....	44	— 0	+ 2
Personal Finance Companies.....	48	+ 35	+ 6
Commercial Banks.....	34	+ 2	+ 1

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores	Per Cent Change December 1944 from	
		Nov. 1944	Dec. 1943
Total Sales.....		+ 14	+ 19
Cash Sales.....	83	+ 32	+ 27
Instalment and Other Credit Sales.....	73	+ 12	+ 18
Accounts Receivable, end of month.....	73	+ 7	+ 4
Collections during month.....	80	+ 9	+ 17
Inventories, end of month.....	60	— 20	— 32

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

Item	Jan. 17, 1945	Dec. 20, 1944	Jan. 19, 1944	Per Cent Change Jan. 17, 1945, from	
				Dec. 20, 1944	Jan. 19, 1944
Bills discounted.....			50		
Industrial advances.....	22	22	155	+ 0	— 86
U. S. securities, direct and guaranteed.....	921,768	967,472	468,617	— 5	+ 97
Total bills and securities.....	921,789	967,494	468,822	— 5	+ 97
F. R. note circulation.....	1,273,035	1,269,030	949,024	+ 0	+ 34
Member bank reserve deposits.....	629,512	625,128	556,803	+ 1	+ 13
U. S. Gov't deposits.....	6,095	30,020	19,837	— 80	— 69
Foreign bank deposits.....	38,803	36,817	45,616	+ 5	— 15
Other deposits.....	4,461	3,432	5,761	+ 30	— 23
Total deposits.....	678,870	695,398	628,017	— 2	+ 8
Total reserves.....	1,011,639	955,800	1,068,008	+ 6	— 5

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

Item	Jan. 17, 1945	Dec. 13, 1944	Jan. 19, 1944	Per Cent Change Jan. 17, 1945, from	
				Dec. 13, 1944	Jan. 19, 1944
Loans and Investments—					
Total.....	1,822,228	1,792,022	1,503,774	+ 2	+ 21
Loans—Total.....	357,949	361,015	352,655	— 1	+ 2
Commercial, industrial and agricultural loans.....	211,194	211,171	216,687	+ 0	— 3
Loans to brokers and dealers in securities.....	6,204	6,954	6,368	— 11	— 3
Other loans for purchasing and carrying securities.....	45,692	51,748	30,620	— 12	+ 49
Real estate loans.....	23,722	23,891	27,740	— 1	— 14
Loans to banks.....	2,466	2,278	1,128	+ 8	+ 119
Other loans.....	68,671	64,973	70,112	+ 6	— 2
Investments—Total.....	1,464,279	1,431,007	1,151,119	+ 2	+ 27
U. S. direct obligations.....	1,321,521	1,289,111	990,465	+ 3	+ 33
Obligations guaranteed by U. S.....	19,396	19,401	48,766	— 0	— 60
Other securities.....	123,362	122,495	111,888	+ 1	+ 10
Reserve with F. R. Bank.....	332,860	323,950	290,590	+ 3	+ 15
Cash in vault.....	28,180	29,880	24,934	+ 6	+ 13
Balances with domestic banks.....	153,376	172,000	157,849	— 11	— 3
Demand deposits—adjusted.....	1,138,324	1,125,804	1,014,768	+ 1	+ 12
Time deposits.....	330,870	320,239	249,384	+ 3	+ 33
U. S. Gov't deposits.....	240,854	244,939	160,967	— 2	+ 50
Deposits of domestic banks.....	527,027	528,720	458,893	— 0	+ 15
Borrowings.....			6,000		

Sixth District Indexes

DEPARTMENT STORE SALES*						
	Adjusted**			Unadjusted		
	Dec. 1944	Nov. 1944	Dec. 1943	Dec. 1944	Nov. 1944	Dec. 1943
DISTRICT.....	258	269	207	418	315	336
Atlanta.....	248	327	196	400	348	316
Baton Rouge.....	390	288	318	415	306	358
Birmingham.....	245	267	197	398	308	321
Chattanooga.....	259	268	207	419	300	335
Jackson.....	231	264	191	375	310	310
Jacksonville.....	329	377	248	552	409	417
Knoxville.....	283	341	208	480	366	354
Macon.....	270	254	211	473	293	371
Miami.....	206	251	161	380	280	298
Montgomery.....	234	267	180	417	310	321
Nashville.....	264	303	201	445	332	373
New Orleans.....	227	242	183	373	282	300
Tampa.....	306	295	241	518	349	408

DEPARTMENT STORE STOCKS						
	Adjusted**			Unadjusted		
	Dec. 1944	Nov. 1944	Dec. 1943	Dec. 1944	Nov. 1944	Dec. 1943
DISTRICT.....	166	177	179	149	204	160
Atlanta.....	274	257	260	222	297	211
Birmingham.....	127	133	136	111	156	119
Montgomery.....	187	198	200	158	231	170
Nashville.....	291	284	270	248	330	230
New Orleans.....	127	135	140	111	152	123

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Dec. 1944	Nov. 1944	Dec. 1943	Dec. 1944	Nov. 1944	Dec. 1943
TOTAL.....	150	160	159	146	163	171
Alabama.....	159	163	164	152	171	177
Georgia.....	149	161	158			
Tennessee.....	124	137	142	127	146	152

MANUFACTURING EMPLOYMENT***				
		November 1944	October 1944	November 1943
SIX STATES.....		156	155	165
Alabama.....		182	181	195
Florida.....		169	164	186
Georgia.....		147	145	149
Louisiana.....		172	171	177
Mississippi.....		143	142	154
Tennessee.....		133	133	143

	CONSTRUCTION CONTRACTS			GASOLINE TAX COLLECTIONS***		
	Dec. 1944	Nov. 1944	Dec. 1943	Dec. 1944	Nov. 1944	Dec. 1943
DISTRICT.....	145	68	170	104	104	96
Residential.....	36	40	145			
Others.....	198	82	181			
Alabama.....	141	107	44	109	111	105
Florida.....	126	60	294	92	88	82
Georgia.....	110	64	223	102	98	90
Louisiana.....	135	78	93	101	106	102
Mississippi.....	196	23	94	108	107	71
Tennessee.....	220	51	68	119	120	126

COST OF LIVING				ELECTRIC POWER PRODUCTION*			
	Nov. 1944	Oct. 1944	Nov. 1943		Nov. 1944	Oct. 1944	Nov. 1943
ALL ITEMS..	131	131	128	SIX STATES..	277	263	261
Food.....	144	143	144	Hydro-generated..	230	212	217
Clothing...	139	139	133	Fuel generated..	338	331	319
Rent.....	114	114	114				
Fuel, electricity, and ice..	109	109	108				
Home furnishings..	139	139	124				
Miscellaneous..	126	126	120				
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	Dec. 1944	Nov. 1944	Dec. 1943		Dec. 1944	Nov. 1944	Dec. 1943
Unadjusted..	202	205	193	Unadjusted..	20.6	16.7	18.9
Adjusted**..	210	202	200	Adjusted**..	17.9	15.8	16.4
				Index**.....	69.3	60.9	63.6
				*Daily average basis			
				**Adjusted for seasonal variation			
				***1939 monthly average = 100; other indexes, 1935-39 = 100			

same period 53 million dollars. Federal Reserve note circulation in the Sixth District dropped slightly. Though a decline in circulation in the first part of January is a seasonal phenomenon resulting from the inflow of currency after the close of the Christmas shopping season, the decline this year has been much smaller than it was in prewar years. On January 24 circulation of the Atlanta Bank's notes stood at 1,266 million dollars, against 947 million dollars on the same date last year.

With only three exceptions, 32 cities in the Sixth District that were included in the survey of debits to individual bank accounts recorded gains in debits, most of them substantial, between December 1943 and December 1944. In the latter month debits in the 32 cities totaled 3.0 billion dollars, a gain of 13 per cent over the 2.7 billion in December 1943. The cities reporting declines in debits in December 1944 as compared with December 1943 were Montgomery, Alabama; Valdosta, Georgia; and Lake Charles, Louisiana.

The annual rate of deposit turnover jumped in December to 20.6. At this rate, the average dollar of demand deposits in District banks would be spent 21 times during a year. In November the turnover on an annual rate was 16.7. Deposit turnover always increases in November and December because of Christmas shopping and other year-end factors, but the increase this year was greater than can be explained by seasonal fluctuation. On a seasonally adjusted basis, the rate of turnover rose from 15.8 in November to 17.9 in December. Despite the increase, the rate of turnover is still far below that of prewar days. The December rate was only 69 per cent of the 1935-39 average.

Construction

Construction contracts awarded in Alabama last month amounted to 4.0 million dollars, one third more than the November awards. But this figure is still considerably below the peak reached earlier in the war. Contracts awarded in Florida during December amounted to 8.0 million dollars against 3.8 million dollars in November. Awards in Georgia almost doubled from November to December, when they amounted to 4.1 million dollars. In Louisiana they totaled 5.7 million dollars, whereas the November figure was only 3.3 million dollars. December figures in Mississippi and Tennessee were substantially higher than the figures for November. In Mississippi only \$561,000 worth of contracts were let in the latter month but in December the total jumped to 4.8 million, and in Tennessee contracts awarded climbed to 9.5 million dollars from 2.2 million a month earlier. The increase in contract awards at the end of the year probably reflected in large part the expansion in war-production facilities that was initiated by the War Production Board after it became apparent that the drive to defeat Germany in 1944 was going to fail.

Industrial Production

Electric-power production in the District in November, the latest month for which such figures are available, daily averaged 65.6 million kilowatt hours. The index, based on 1935-39 as 100, stood at 277 for the month and represented a large increase over the October average, which was 263.

Sixth District textile mills in Alabama, Georgia, and Tennessee consumed 276,000 bales of cotton in December; these mills used 294,000 bales in the preceding month and 292,000 bales in December 1943. The unadjusted index for December 1944 was at 150 per cent of the prewar average.