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Kingsport: An Industry Pattern

THE industrial town of Kingsport, Tennessee, lying approximately a hundred miles northeast of Knoxville, is unique among other cities in many ways. Not the least of these is the way in which its industrial structure has taken shape. Unlike that of most other towns, the industrial structure of Kingsport is not the result of haphazard growth or of promiscuous encouragement. It does not consist of a congeries of factories and plants related to one another only by chance and united only by physical proximity. On the contrary, the industries of Kingsport form a definite pattern that is the outcome of careful planning and guidance.

Many towns and cities throughout the South, and in fact throughout the nation, are hoping and working for an expansion of their local industries in the postwar period. Chambers of commerce, civic clubs, and planning commissions under various names are everywhere seeking to bring about such a development. Whether industrial expansion of this sort will result in the maximum of long-run benefit to the communities involved or in something less will depend to a very great extent upon the character of the planning that goes into it.

Since Kingsport is a planned industrial community, its experience should yield bench marks that may be of value to these other communities now planning for their industrial future. Kingsport can, in a way, serve them as a laboratory in which some principles of orderly and stable industrial growth have been developed and are being given practical demonstration. Even though the experience of one community can never be exactly duplicated in another where conditions may be quite different, it is nevertheless possible for towns and cities to learn from one another and thus avoid costly mistakes. The Kingsport experiment, therefore, can prove very useful to other towns and cities throughout the Sixth District as they seek to develop their industrial possibilities.

There are really two Kingsports — old Kingsport and modern Kingsport. The present city, however, is not the result of an organic growth from the old city. On the contrary, it is a new creation. The old city grew from the first permanent settlement made on the site in 1748. Lying on an important post road between Virginia and middle Tennessee and at the head of navigation on the Holston River, old Kingsport acquired considerable importance as a shipping center and as an industrial town in the early decades of the nineteenth century. This importance began to wane, however, when in 1850 it was decided that the East Tennessee, Virginia and Georgia Railroad connecting Knoxville with Bristol should go by way of Jonesboro, thus by-passing Kingsport. The ravages of the Civil War and of the reconstruction period completed the destruction of Kingsport's economic position.

Although old Kingsport was almost destroyed economically

as a result of early railroad building, modern Kingsport is to a large extent the outgrowth of a later railroad venture. A plan to connect Charleston, South Carolina, with Cincinnati by rail had been advocated by John C. Calhoun as far back as 1832. A company was formed for this purpose in 1836, and a short stretch of 18 miles was constructed in South Carolina.

Nothing more was done until 1887 when a new company, the Charleston, Cincinnati and Chicago Railway, took over the project and built another short stretch in South Carolina and one in Tennessee. Construction was again halted when the English bankers who had been backing the road failed. The property then passed into the hands of the Ohio River and Charleston Railway Company at a foreclosure sale. Under the new auspices the road was pushed southward from Chestoa, Tennessee, to a point within five miles of Hunt Dale, North Carolina. A further change in ownership occurred in 1902 when George L. Carter and his associates organized a new company that acquired the road and bought up large tracts of coal lands in what is known as the Clinchfield Section. The new management pushed the construction of the road from Hunt Dale to Spruce Pine, North Carolina.

The vicissitudes that accompanied changing ownership came to an end in 1905 when George L. Carter interested the present owners, through Blair and Company of New York, in completing the road. One of the Blair associates, John B. Dennis, took over the building of what is familiarly known as the Clinchfield Route of the present Carolina, Clinchfield and Ohio Railroad. Four years later the road had been completed from Spartanburg, South Carolina, its southern terminus, through Kingsport to Dante, Virginia, and by 1915 it had been extended as far as Elkhorn City, Kentucky.

As a result of this protracted development, Kingsport again found itself on an artery of commerce, this time on one that connected with many trunk rail lines within its 309-mile span. Although the chief purpose of the road was the hauling of coal from the Virginia field to South Carolina, Mr. Dennis realized that success would depend upon the development of other types of tonnage along the route. In order to bring about this development he contemplated the creation of industrial communities within the territory served by the road — communities that would not only use coal but that would also otherwise develop the natural resources of the area. Modern Kingsport, built upon lands acquired in the process of getting a right-of-way for the railroad, is the outcome of Mr. Dennis' plan.

In furtherance of the plan to build at Kingsport a modern industrial town, the Kingsport Improvement Corporation was organized to develop the lands that had been acquired by the

railroad. This corporation was placed under the presidency of J. Fred Johnson, who had been an official of the road. To all intents and purposes the corporation and Mr. Johnson were synonymous, and Kingsport is generally admitted to be the shadow of one man. Behind the whole development, however, lay the inconspicuous but potent influence of Mr. Dennis and his ideas. It had been an idea of Mr. Dennis that an industrial town could also be a beautiful and a wholesome place in which to live and work. In order to realize this ideal the corporation secured the assistance of the Bureau of Municipal Research of the Rockefeller Foundation in drafting the city charter providing for a city-manager form of government. It also secured the services of Dr. John Nolen, an eminent city planner, for the planning of the city itself. Furthermore, the services of Columbia University were obtained in organizing the town's school system.

Planning for the general civic development of the town, however, was not the primary function of the Kingsport Improvement Corporation. Its chief purpose was the seeking of new industries for Kingsport and their integration in the industrial structure of the town. The creation of an industrial pattern, however, is not a task that is accomplished overnight. It must begin with what is already there and then take shape gradually through additions, expansions, deletions, and changing functions. Kingsport differs from most cities in subjecting this process, which is ordinarily uncontrolled, to a considerable measure of guidance.

Old Industries

The coming of the railroad to Kingsport in 1909 had created a nucleus of industries engaged in the utilization of some of the local natural resources. Of these concerns the Kingsport Brick Corporation and the Clinchfield Portland Cement Company, both organized in 1910 for the exploitation of local shale beds, were the oldest. In addition to them there were in the town shortly after its incorporation in 1917 the Kingsport Extract Corporation, which made tanning extract from the bark of local chestnut trees; the Kingsport Tannery, which tanned approximately 125 hides a day; the Kingsport Pulp Company, which produced soda pulp from yellow poplar, gum, and maple cut in eight Southern states.

The first world war led to the establishment at Kingsport of the Federal Dyestuff and Chemical Company, which employed 1,000 men. During the war also a few buildings in which harness and saddlery were to be made were erected by the Simmons Hardware Company of St. Louis. The end of the war, which left a surplus of harness on the market, however, led to the abandonment of this enterprise before the buildings were ever occupied by the concern that had built them.

During the years after the end of World War I. Kingsport's pattern of industries changed in various ways. Some of the early businesses disappeared. For example, the Kingsport Extract Corporation and the Kingsport Tannery, which had merged to form the Grant Leather Company, went out of existence when blight destroyed the chestnut trees in the vicinity and when cheaper methods were found for producing tanning extract. The belting department of this business, however, survived in the form of the Slin-Not Belting Corporation that was organized in 1926 by H. J. Shivell. This corporation is still an important member of the Kingsport industrial community.

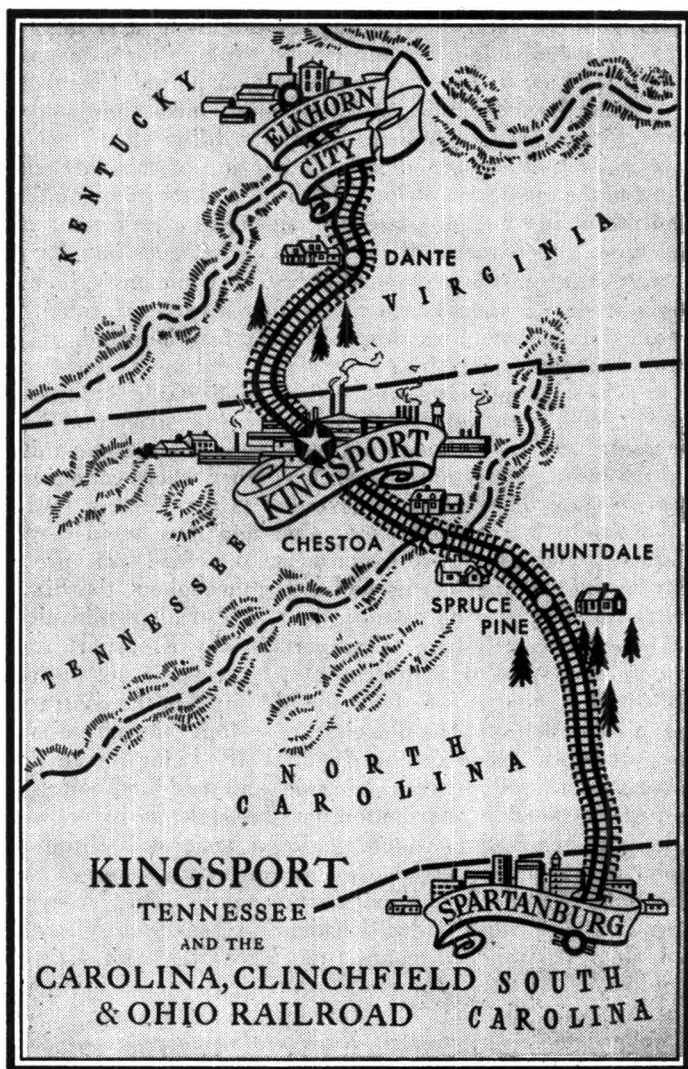
Another business death was that of the Federal Dyestuff

and Chemical Corporation. In 1918 this plant ceased operations and was dismantled. Because this enterprise was one of Kingsport's largest employers of labor at the time, its death was a serious blow to the town, though the effect proved to be only temporary.

Through mergers other concerns became units in much larger industrial organizations. One of these firms was the old Kingsport Brick Corporation, which merged with five other companies to form the General Shale Products Corporation. The Clinchfield Portland Cement Company was absorbed in the merger by which the Pennsylvania-Dixie Cement Corporation was created. The Kingsport plant is the fourth largest of all the plants operated by this corporation. Sometime during the 1920's the Kingsport Pulp Corporation was absorbed by the Mead Corporation.

New Industries

Changes in the Kingsport industrial community came about also through the establishment of new businesses. One of the first of these was a plant established in 1919 by Corning Glass Works for the manufacture of Pyrex. Closed down during the 1920 depression, the glass plant was reopened in 1926 as the Blue Ridge Glass Corporation, under the joint



ownership of the Corning Glass Works and two foreign concerns — St. Gobain, Chauny et Cirey of Paris and Glaceries Nationales Belges of Brussels. This plant specializes in rolled figured glass and wire safety glass, although it also produces special-purpose glass.

The largest of the new industries to come to Kingsport was the Tennessee Eastman Corporation, a subsidiary of the Eastman Kodak Company. This concern in 1920 acquired a Government-owned plant, which had been built by the American Wood Reduction Company, for the purpose of producing methanol or wood alcohol, by the destructive distillation of wood, and other chemicals needed in the manufacture of photographic film. To supply itself with wood, the company bought approximately 40,000 acres of forest land and timber rights. It also built a 30-mile logging railroad out from Kingsport and established a sawmill to process the lumber. This mill had a capacity of about 35,000 board feet a day. The so-called "chemical wood" consisted of limbs and tops of trees and the slabs and ends coming from the sawmill. The output of the mill found a partial market in the company's own planing mill and box plant, where boxes used in shipping the company's products were made. Lumber, in this case, was merely a by-product of the manufacture of methanol. Another by-product was charcoal of which a large part was marketed in the form of briquettes, under the trade name "Charkets," for use in dining-car kitchens and for heating freight cars carrying fruits, vegetables, and other perishable commodities in winter. Charcoal was also marketed in lump and prepared sizes for metallurgical and other uses.

During the decade of the thirties, a shift in the operations of the Tennessee Eastman Corporation's Kingsport plant was considered advisable. On the one hand, more economical methods of producing methanol than the old wood-distillation method had been opened by modern chemistry. On the other hand, a strong demand for safety film for use in home-movie outfits and in X-ray photography was developing, and safety film was made from cellulose acetate instead of the more inflammable nitrocellulose. These two factors combined to shift the Eastman operations from the production of methanol to that of cellulose acetate.

Safety film alone, however, did not give a sufficiently large outlet to permit the company's gaining the advantages of large-scale production. In order to achieve economy of production, therefore, other outlets were found in the production of acetate rayon and a thermoplastic molding composition named "Tenite." Although many other by-products and chemicals are also produced, these two things are now the main products of the Eastman plant.

Another new industry to come to the city during the same period was the Kingsport Press, reputed to be the largest book manufacturer in the world. This concern now turns out almost 20 million volumes a year, with the capacity to produce approximately 24 million.

A New Family of Industries

The establishment of the Kingsport Press was the result of an idea and of a chain of circumstances that illustrate the way in which Kingsport's industrial structure has taken shape. The idea concerned the conversion of logs into books in local plants and began with the presence of the soda-pulp mill. Pulp was almost a surplus commodity in 1920, and there seemed little likelihood that the operations of this plant

could be stabilized unless its output could be converted into book paper. On the other hand, the production of book paper in the United States was at a level sufficient to meet all current requirements. In order to justify the building of a paper plant to absorb the output of the pulp mill, a new agency would have to be created to consume the output of the paper plant.

Mr. Dennis took this problem to a life-long friend, Joseph H. Sears, who was the onetime head of the large publishing house of the D. Appleton Company, now D. Appleton-Century Company. Mr. Sears advanced the idea, long held by him, of producing a uniform series of the so-called classics of literature in cloth binding to sell for a dime a copy through the Woolworth chain stores and the large mail-order houses. In order to implement this idea, Mr. Sears suggested the formation of a new publishing house that would not only publish the proposed series of classics but would also be able to secure book-manufacturing contracts from other publishers who had no manufacturing facilities of their own.

The outcome of these negotiations was the organization of the new publishing house of J. H. Sears and Company and of a book manufacturing concern to be known as J. J. Little and Company — the Kingsport Press. The creation of these two concerns gave sufficient assurance of a local market for book paper to warrant the building of the necessary paper plant. The Mead Corporation, an Ohio concern, was thereupon induced to take over the pulp mill and build a one-machine paper plant.

In the fall of 1922 both the Mead paper plant and the printing plant were under construction. The printing plant had established itself in the group of connected steel and concrete buildings, erected by the Simmons Hardware Company for the Grant Leather Company but never occupied. By the following spring both paper and books were in production.

At first the Kingsport Press also manufactured its own book cloth because no regular book-cloth manufacturer was able to meet the specifications of quality, texture, and price for the kind of books it was then producing. By 1925, however, the market for inexpensive classics had begun to fade, and the firm turned to the manufacture of better grades of books — trade books, school and college textbooks, and subscription sets. Local labor had been given in-plant training that made possible the production of high-quality books. Moreover, the Mead Corporation, which is today one of the nation's largest book-paper units, had so increased its paper-making facilities that it was able to furnish the book plant with better grades of paper. The plant then no longer needed all the inexpensive cloth it was able to produce, but it was unable, on the other hand, to supply its own needs for better-quality cloth. Much of the better fabric had to be purchased elsewhere, chiefly from the Holliston Mills of Norwood, Massachusetts.

Meanwhile, Holliston Mills was looking for a Southern location for a bleachery and for another plant in which to manufacture certain types of book cloth, especially those that were being bought by the Kingsport Press. The outcome of this situation was the sale of its book-cloth plant in 1926 by the Kingsport Press to Holliston Mills, which built a combined bleachery and book-cloth finishing plant on several acres of land leased from Kingsport Press.

In addition to the Tennessee Eastman plant, the Kingsport Press, and the related paper and book-cloth plants, other important, though smaller, concerns have been established in the city since World War I. Among these is the Borden Mills, a cotton gray-goods plant established in 1925, which before the present war was manufacturing an average of more than 900,000 yards of cloth a week. Most of this plant's output consists of shirtings and percales that are sent elsewhere to be bleached and printed, but it also produces book-cloth fabric that is sold to the Kingsport Press.

Two years after the coming of Borden Mills, the Kingsport Foundry and Manufacturing Company was organized. This concern manufactures heavy castings for the chemical industry as well as for other special-process industries, such as those producing soap, alkali, and sugar. Special furnaces are provided for the handling of nonferrous metals and alloys used in the production of pure nickel, monel, bronze, and aluminum castings.

Another addition to the Kingsport industrial community was a plant of the Southern Oxygen Company, whose main office and plant are located at Arlington, Virginia. This concern manufactures commercial oxygen, acetylene, and carbon-dioxide gases. Two hosiery mills that have since passed out of existence also located in Kingsport — the Fisher-Beck Mill in 1928 and the Miller-Smith Mill in 1932. Another concern that came and went was the Kingsport Silk Mill. The building that had been occupied by this concern, however, is now occupied by the Smoky Mountains Hosiery Mill, which came to Kingsport in 1936.

Other firms that make up the industrial community of Kingsport are two dairy-products establishments, various service industries, utilities, a newspaper publishing concern, and building materials companies. The town, of course, is supplied with the usual complement of commercial, financial, and professional services.

An examination of the group of major industries that collectively constitute the economic heart of Kingsport discloses certain well-marked characteristics, no one of which is of great significance in itself. Taken together, however, they are of great importance. The industrial personality of Kingsport is largely the result of this combination.

One of the most striking characteristics is the close, but not complete, dependence of the town's industries upon local or near-by raw materials, although this was more important in the early development of these industries than it is today. Actually, the range of natural resources in the immediate vicinity of Kingsport is quite limited. Aside from agricultural lands and forests, they consist mostly of shale and building and silica sands. Sixty-five miles to the north and easily accessible by rail are the Virginia coal fields. About the same distance to the south are extensive zinc workings. Although the city does not lie within the cotton belt, Kingsport is nevertheless close enough to it to make cotton economically available to plants using cotton as a raw material.

The oldest industries exhibit the greatest dependence upon these raw materials. The shale beds are the basis of both the brick and cement industries, the upper stratum of yellow shale being used for brick because of

its greater plasticity and the lower stratum of blue shale being used for cement. For the manufacture of cement, limestone is brought from a quarry just a few miles away over the Virginia line and gypsum from the Saltville region in southwestern Virginia. Bituminous coal from the Virginia fields supplies both industries with fuel.

The glass industry at Kingsport rests upon the presence of large deposits of sand that is 99 per cent silica. Other ingredients in glass-making, however, such as soda ash and lime are obtained from the Carolinas and Virginia.

Forests supplied the raw materials for the now defunct extract plant, the pulp mill, and the Tennessee Eastman Corporation when it was primarily interested in the manufacture of wood alcohol. When the Mead Corporation had absorbed the pulp mill and expanded its operations to include the production of paper, the radius from which wood was drawn was widened until it now extends over parts of eight Southern states. Moreover, the manufacture of better grades of paper led to the use of sulfite pulp from Scandinavia and from other Southern mills to mix with the soda pulp produced at Kingsport. Clay to serve as paper filler was imported from both England and from Georgia. Other minor raw materials used in paper-making were brought in from various points outside the immediate area.

Although the Tennessee Eastman Corporation was at first a large consumer of both wood cut on its own properties and cordwood purchased from farmers in the region, this condition ceased with the passing of the methanol business. When the company turned most of its attention to the manufacture of cellulose acetate products, its main raw material was cotton linters. This step severed its immediate dependence upon local raw materials. With the diversion of cotton linters to war use during recent years, the company has turned to wood pulp coming from the Pacific northwest for part of its raw material. A complete divorce has thus come about between Kingsport's largest industry and the natural resources of the region in which it operates.

Cotton, of course, is the raw material that Borden Mills uses, and the source of supply is as wide as the whole cotton belt. There is consequently no necessary relation between the presence of this mill in Kingsport and any locally produced raw material.

It seems, therefore, that local natural resources were much more important in the earlier phases of Kingsport's development than they are today. The condition that sustains the industrial growth of the city is much more the kind of interrelation that exists among the various industries of the town than it is any close relation between these industries and the natural resources of the immediate region.

One of the most striking features of Kingsport's industrial community is its high degree of diversification. With the exception of a short period in the late 1930's when three hosiery mills operated in the city, Kingsport has never had more than one plant belonging to any given industry.

Diversification, however, is not only a characteristic of Kingsport's industrial structure; it is also a characteristic of the product of many of Kingsport's individual industries. The output of the Tennessee Eastman Cor-



poration, for example, consists not only of chemicals and other products that go into the manufacture of photographic film but also includes cellulose acetate, which enters a wide variety of wearing-apparel fields as rayon. In the form of "Tenite" this product reappears in an extremely heterogeneous array of other uses, industrial and nonindustrial. The Mead Corporation produces book paper for the Kingsport Press and paper for magazines, tablets, envelopes, drinking cups, labels, maps, calendars, sheet music, and other articles as well. Holliston Mills makes book cloth for the Kingsport Press and also shade cloth and window shades, in addition to labels and tags for articles requiring serviceable markings, such as clothing and mattresses. The Kingsport Press, itself, although it concentrates its attention solely on the manufacture of books, produces books of various kinds. The Blue Ridge Glass Corporation makes a large number of different kinds of glass to solve different lighting problems and to satisfy the tastes of individual architects.

From an economic standpoint, diversification is of great importance not only to the individual industries but to the whole community. When a concern manufactures a number of diverse products, the total demand for its output consists of the sum of the separate demands for the individual products. The demand for any commodity, of course, is rarely constant. It is ordinarily subject to various fluctuations, some seasonal in character and others of a cyclic nature, rising with business prosperity and falling with business depression. All demands, however, do not necessarily move in the same direction at the same time. In a group of commodities satisfying quite different consumer demands, therefore, it is probable that fluctuations in the demands for some commodities may be compensated for or offset by fluctuations in the demands for others. Thus a firm that produces a variety of different products may find the total demand for its output to be much more stable than would be the case if the firm's position depended entirely upon one product.

The kind of economic stability that an individual concern achieves for itself by diversifying its output is also secured by a town that possesses diversified industries. Not all industries are affected to the same degree at the same time by changes in business. While some industries may be suffering from a downward turn in business, others may continue operations at their old level, or, indeed, they may increase. This appears to have been the case in Kingsport where it is said "there was no depression" during the 1930's. Undoubtedly the expansion of Tennessee Eastman's operations during that period played a large part in mitigating the effects of the general business recession. In Kingsport, nevertheless, it is the consensus that the diversification of the town's industrial pattern was the major factor in the community's escape from the worst effects of the depression.

Interdependence

Diversification as it has been achieved in Kingsport, however, is more than the mere bringing together in one community of a number of different industries. It includes a high degree of interdependence among these industries with respect to raw materials and markets.

The extent to which Kingsport industries find a large part of their raw materials in the products of other industries in the community is surprising. The Kingsport Press, for example, gets approximately 60 per cent of its paper from the

Mead Corporation and almost 90 per cent of its book cloth from Holliston Mills. Holliston Mills, in turn, gets at least part of its fabric from Borden Mills. In its physical growth, the town has been very largely built with brick and cement produced in the local plants. The Slip-Not Belting Corporation uses for the belts that it makes a waterproof cement made from cellulose acetate produced by the Tennessee Eastman Corporation.

This sort of interdependence with respect to raw materials is obviously conducive to economic operations. A concern that can find its essential raw material in the product of a neighboring industry has a clear advantage, other things being equal, over one which must bring in its raw materials from a distance.

Although the individual industries depend a great deal on their neighbors for raw materials, they depend on one another much less for markets. Kingsport Press, for example, may get much if not most of its raw materials locally, but only a small fraction of its books are sold locally. It may buy almost all its book cloth from Holliston Mills, but for Holliston Mills the Kingsport Press is only a partial market. Similarly the book plant provides a market for only a minor part of the paper output of Mead Corporation. The Southern Oxygen Company may supply all the carbon dioxide used to clean pipe lines in the Tennessee Eastman plant, but this is only a fraction of its output. The Tennessee Eastman Corporation may buy a large proportion of its chemical castings from the Kingsport Foundry and Manufacturing Company, but such buying would nevertheless be but a partial market for the products of this latter concern. Markets for the products of Kingsport industries, therefore, extend beyond the local community and in many cases are nation-wide.

That Kingsport's most important industries sell in nation-wide markets is a factor that has contributed to the economic stability of the whole community. The complete shutdown of any one industry, for example, would rob its neighbors of no crucial part of their markets. Wide markets serve to insulate the various industries from one another and thus tend to prevent the propagation throughout the ranks of industry of some business misfortune befalling only one of them.

Financial and proprietary independence contribute to the same end. Although Kingsport's industries are functionally interdependent, they are completely independent with respect to ownership, finance, and management. When a group of complementary industries is integrated under a single management the possibility that the whole complex may be manipulated as a whole in the interest of just one part is always present. Independence of ownership, on the other hand, permits each industry to grow and develop freely, fitting itself into the economic context that it finds most profitable for itself.

"Foreign" Ownership

Two other characteristics of Kingsport industries are the extent to which they represent the investment of outside, or "foreign," capital and exist as branch plants or subsidiaries of larger business units. Some of the industries, such as Tennessee Eastman Corporation, the Mead Corporation, the Blue Ridge Glass Corporation, the Southern Oxygen Corporation, Holliston Mills, Borden Mills, and the Kingsport Press, represent incursions of nonlocal capital. Others, for instance the brick and cement plants, began as locally owned industries but through mergers have become branches of

larger business groups. In the case of the Kingsport Press, the majority of the stock that was originally held by outside owners has been relinquished and has come into the possession of the active managers and representatives of the plant. In a sense, therefore, this concern may now be considered locally owned.

In current thinking about industrialization in the South, a widespread prejudice is in favor of small locally owned industries and against branch plants of "foreign"-owned corporations. The Kingsport experiment, however, has shown pretty conclusively that wealth is created and distributed where capital goes to work and not where it happens to be owned. A town's or a region's prosperity depends a great deal more upon its having the use of capital in the form of industrial plant and equipment than it does on the domicile of the owners. Indeed, in Kingsport it is felt that outside ownership and branch-plant status has brought to the town's industries a quality of managerial ability that is seldom found in small local establishments.

To have brought together a group of industries, many of them from the outside, that utilized local natural resources without being completely dependent upon them and that were highly diversified but at the same time functionally interdependent while remaining financially independent — this was in itself an instructive achievement. Equally instructive, however, was the way in which it was done, for this particular industrial pattern did not arise by chance. It was the result of forethought and planning.

The first step in planning for such an industrial pattern was the visualization of the kind of community that was wanted. In practice this meant a selective rather than an indiscriminate encouragement for industries to locate in Kingsport. Industries such as brick, cement, and glass that made direct use of local natural resources were, in a way, indigenous and needed no special encouragement. Others, however, that had wider options in the choice of location could be encouraged or discouraged as the case might be. If the industrial community was to develop according to the desired pattern, therefore, it would be necessary to establish certain tests by which a prospective industry could be rated as desirable or undesirable.

Tests of Desirability

One of these tests was the quality of management and the financial responsibility of the concern contemplating location in Kingsport. Painstaking investigations were made through banks and other agencies to assure the city planners on these points.

To be welcome in Kingsport an industry was also required "to fit into the community." In practice this meant that it should be to some extent complementary to industries already there and that its management would be willing to work harmoniously with the managements of the other industries.

Another test of desirability was whether or not the prospective industry would fit the available labor supply. Kingsport takes considerable pride in the quality of its labor supply, which consists largely of the native population of East Tennessee and neighboring states within a radius of

perhaps 25 miles of the city. Industries were sought that would as a group give balanced employment to men and women, and to skilled and unskilled workers. No industry that would have to import the bulk of its labor from the outside was encouraged to locate in Kingsport.

Moreover, employment must be given on favorable terms. So-called sweatshop industries or concerns interested only in exploiting "cheap Southern labor" were not encouraged. Progressive labor-relations policies were considered important from both an industrial and a social standpoint. This implied neither encouragement nor discouragement of trade-union organizations. The Tennessee Eastman Corporation, for example, pursues an enlightened policy of labor relations but is unorganized. The Kingsport Press, also pursuing an enlightened labor policy, is on the other hand 100 per cent organized.

Finally, the city planners sought to make certain that the officers or managers of the prospective industry were men who would take an active and interested part in carrying on the civic functions of the town and who would contribute to the welfare of the community in all its aspects. The result of this policy has been the development of a keen social and civic consciousness throughout the business community.

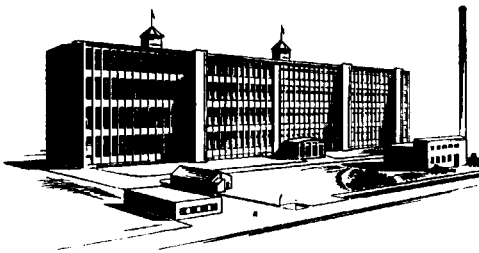
An industry that would fill an appropriate niche in the industrial pattern of the town and at the same time measure up to these standards was not necessarily one that just happened along. Ordinarily it had to be sought out by personal inquiry and then be induced to locate in Kingsport. Success in this stage of the process depended to a very large extent upon the wide acquaintanceship, the soundness of judgment, and the integrity of character of Mr. Johnson and his associates.

Methods

The most characteristic features of the process of persuading an industry to locate in the city have been negative. There has been, for example, a complete absence of any special inducements, such as tax exemption, free sites, free buildings, and other open or disguised subsidies that are so common elsewhere. An industry locating in Kingsport is expected to bear its full share of the cost of maintaining the community and not live as a parasite on its fellows. For an industry to be unwilling or unable to do so would mark it at once, in the opinion of Kingsport, as undesirable from a social and from an economic point of view.

Nor has any strictly financial assistance been offered to new industries. It is true that some of the financial backers of the railroad and their friends have from time to time made investments in certain Kingsport industries. In part these have been made to show the backers' faith in the industrial possibilities of Kingsport. Mostly, however, they have been made as investments would have been made by these men in other enterprises. Usually they have been of a temporary nature. In no sense whatever has there been any organized community financing of new industries.

Cheapness of labor has not been held out as a bait to new industries. The quality, not the cheapness, of the available labor supply has been emphasized, and a generally high-wage policy has been encouraged. Indeed, on one occasion a plant that had located



in Kingsport and had subsequently indulged in wage cutting that involved it in serious labor troubles was actively encouraged to leave the town.

Affirmatively, the only things that are really offered to a prospective new industry are a sound economic opportunity and the helpful co-operation of the city and the industrial community.

The wisdom of these methods that are so contrary to those by which some towns seek to expand their industries is borne out in the record of Kingsport's steady and substantial growth. The population of the Kingsport urban area, which was 7,652 in 1920, had grown to 15,886 in 1930. By 1940 it had reached 23,738, and in 1945 it is estimated at 27,000.

According to a report to the Board of Mayor and Aldermen by the Kingsport Planning Commission, 3,714 manufacturing jobs were available in 1929. The onset of the depression caused a slight temporary slump in employment, the low point being reached in 1931 when the number of manufacturing jobs was 3,012. By 1935 the figure had risen to 3,824, and in 1937 it was 6,484. The year 1939 saw employment in manufacturing reach 8,000, and 1941 saw it go to 10,000 and 1943 to 15,000. The operation of a large war plant in the city carried employment in manufacturing to almost 20,000 in 1944 and 1945. Part of the slack that will be occasioned by the discontinuance of this plant, however, will be absorbed in the planned expansion of some of the permanent industries.

Between 1935 and 1941 wages paid in manufacturing increased almost fivefold; freight-car traffic more than doubled, as did the number of telephones and Post Office receipts. By all available indexes Kingsport came through the disastrous decade of the 1930's without any serious bad effects. It never sank as low as many other communities, and its recuperative forces quickly set it upon a steady upward trend.

Summary

For the benefit of other communities that care to profit from its experience, therefore, Kingsport has demonstrated certain important principles of sound industrial growth. It has shown, in the first place, that a considerable development of industry can be created on a relatively slender basis of natural resources if care is taken that the individual industries are of a sort that will to some extent mutually support one another. Moreover, the whole group of industries can be characterized by a high degree of stability and resistance to adverse business fluctuations provided the industries are diversified, functionally interdependent, and financially independent.

Furthermore, it has demonstrated that the first step in building such an industry pattern is to discover from a careful consideration of the current situation what industries seem to have real economic opportunities in view of the labor supply and other factors implicit in the existing industrial complex. The second step is, then, to seek out diligently such industries and persuade them of the opportunities that exist.

Finally, Kingsport has demonstrated that industrial development can be achieved without promiscuous subsidization and the offering of special favors to new industries. Such practices have too often been easy substitutes for the kind of intelligence, hard work, and careful planning that have been the true foundations of Kingsport's success.

EARLE L. RAUBER

Sixth District Indexes

	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	July 1945	June 1945	July 1944	July 1945	June 1945	July 1944
DISTRICT.....	300	277	262	225	233	197
Atlanta.....	345	292	278	245	254	198
Baton Rouge.....	320	295	267	249	254	207
Birmingham.....	277	260	261	216	233	204
Chattanooga.....	326	258	280	230	246	197
Jackson.....	320	239	259	224	222	181
Jacksonville.....	376	335	329	300	297	263
Knoxville.....	373	317	349	266	285	250
Macon.....	294	244	260	209	219	184
Miami.....	326	301	261	184	205	147
Montgomery.....	312	268	265	223	232	189
Nashville.....	341	291	288	241	262	203
New Orleans.....	248	214	225	188	193	171
Tampa.....	378	322	330	276	281	241

	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	July 1945	June 1945	July 1944	July 1945	June 1945	July 1944
DISTRICT.....	197	200	187	203	203	192
Atlanta.....	295	347	259	286	318	251
Birmingham.....	185	155	172	168	146	155
Montgomery.....	298	257	290	238	234	232
Nashville.....	377	343	358	326	320	310
New Orleans.....	132	125	161	121	117	148

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	July 1945	June 1945	July 1944	July 1945	June 1945	July 1944
	TOTAL.....	137	151	147	163	163	163
Alabama.....	137	160	153	177	177	171
Georgia.....	138	148	148	133	133	146
Tennessee.....	121	130	121	133	133	146

	CONSTRUCTION CONTRACTS			
	July 1945	June 1945	July 1944	July 1944
	DISTRICT.....	108	147	87	87
Residential.....	39	40	53	53
Others.....	141	199	104	104
Alabama.....	73	94	58	58
Florida.....	73	251	122	122
Georgia.....	226	169	71	71
Louisiana.....	146	24	100	100
Mississippi.....	204	188	41	41
Tennessee.....	114	106	82	82

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	June 1945	May 1945	June 1944	July 1945	June 1945	July 1944
	SIX STATES.....	137	140r	157	110	111	99
Alabama.....	165	169	186	115	116	103
Florida.....	126	130r	169	97	100	87
Georgia.....	130	131	145	108	106	93
Louisiana.....	142	146r	170	104	107	102
Mississippi.....	124	128	140	114	122	95
Tennessee.....	125	127	136	132	123	118

	COST OF LIVING			ELECTRIC POWER PRODUCTION*			
	June 1945	May 1945	June 1944	June 1945	May 1945	June 1944	
	ALL ITEMS..	133	132	130	272	279r	264
Food.....	146	145	142	241	277r	230	
Clothing.....	142	141	137	313	282	308	
Rent.....	114	114	114				
Fuel, electricity, and ice..	110	110	110				
Home furnishings.....	143	142	138				
Miscellaneous.....	129	129	125				
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*	July 1945	June 1945	July 1944	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Unadjusted..	225	209	193	July 1945	June 1945	July 1944	
Adjusted**..	225	210	193	14.7	16.7	17.8	
				Adjusted**..	15.6	17.2	18.9
				index**.....	60.3	66.7	73.0

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

The District Begins Demobilization

DOMINANT among all business developments in the District during the month of August was the wave of war-contract cancellations that set in following the beginning of communications with the Japanese leaders with respect to the end of the war in the Pacific. In common with other sections of the United States, the Sixth District has been devoting an overwhelming part of its industrial establishment to supplying the needs of war, and naturally the war-contract cancellations will have severe and far-reaching effects on the economy of some centers of the District. Absorption of released war workers and of discharged members of the armed services will be a process that will not be accomplished overnight, and during the time that process is being accomplished business and industry within the District can hardly be expected to maintain the levels of activity that have been experienced during the war years.

A review of the situation at each of the principal urban centers of the District's six states serves to indicate the size and nature of the reconversion problem.

Alabama

Alabama has had a large stake in wartime industrial expansion, and some of its cities will suffer severely as a result of contract cancellations, but on the whole the state should recover promptly. Birmingham, the third largest population center in the District, will have a fairly easy problem of conversion. Although the Birmingham area, which takes in all of Jefferson County, has been an active participant in war work, the expansion in its population has been only moderate.

Birmingham is the center of Alabama's heavy industries and of its iron-ore and coal-mining region. Its industrial establishments are well diversified. Mining industries of the area employ about 13,000 workers, and steel and metal working industries employ about 50,000 additional workers. The Tennessee Coal, Iron and Railroad Company is the largest employer in this field and can be expected to maintain its operations at somewhere near capacity level for some time to come. Birmingham's largest strictly wartime employer was the aircraft modification plant of the Bechtel-McCone-Parsons Corporation. This plant, with some 7,000 workers, has already experienced a sharp cutback in employment.

Anniston is another Alabama city that should come through the transition period without too much disturbance. The city has had no single wartime plant on which its prosperity depended. One of its concerns, which manufactured bombs and shells, employed about 1,400 workers, and near-by Fort McClellan had about 1,500 civilian employees. Outside of these two war-purpose employers, however, Anniston is largely concerned with textile, chemical, lumber, and iron-and-steel manufacturing activities that should continue during peacetime.

Decatur will experience a considerable setback. It had three principal wartime establishments that employed, earlier this year, about 1,000 persons each: The Ingalls Shipbuilding Corporation, the Decatur Iron and Steel Company's shipbuilding plant, and the Army Air Forces Pilot School. Employment at the Ingalls plant is now way down, and Decatur Iron and Steel is practically closed. The city is an important textile-manufacturing center, and employment in the textile

mills is now expanding and will no doubt continue at a high level for some time.

Gadsden, Montgomery, and Tuscaloosa are other Alabama cities that have not become dependent upon wartime manufacturing activities. Gadsden will experience the greatest cutbacks of the three. It has played a prominent part in supplying war demands, and the Lansdowne Steel and Iron Company, as an ordnance manufacturer, has been an important employer. The Goodyear Tire and Rubber Company's development at this place has also been related to war production.

Hardest hit in Alabama are Huntsville, Mobile, Sheffield, and the Childersburg-Sylacauga-Talladega community. Huntsville has depended for its wartime prosperity upon two ordnance plants—the Redstone Arsenal and the Huntsville Arsenal. These two plants together regularly employed about 10,000 persons, but this number has declined by about 2,000 during the last five months.

A giant shipbuilding industry developed at Mobile during the war. The cessation of shipbuilding activity there will result in a severe shock to the industrial life of the area. Shipbuilding at Mobile, which at peak employed about 40,000 workers, was represented primarily by the Alabama Drydock and Shipbuilding Company, the Gulf Shipbuilding Corporation, and Waterman Steamship Company. These three companies employed about 27,000 workers in July of this year. In spite of its importance as a wartime shipbuilding center, Mobile has fairly good prospects, for its port is modernly designed and equipped and occupies a strategic position for world trade. Current industrial employment at Mobile is only about 6,000 or 7,000 above what it was in 1940. Gulf Shipbuilding Corporation in particular expects to continue operations at a high level for some time.

The postwar prospects of Sheffield are quite closely tied up with Reynolds Metals and Reynolds Alloys, which together employed about 4,700 workers in July of this year. The production of explosives offered the chief wartime employment in the Childersburg-Sylacauga-Talladega community. Plants of the Brecon Loading Company and of the Alabama Ordnance Works are already in the process of being closed, and will be closed in about 60 days. Together, these two plants employed about 7,500 workers in July of this year, compared with about 13,000 in early May.

Florida

Florida's reconversion prospects are good at some spots and not so good at others. Jacksonville experienced considerable shipbuilding activity during the war, but this work never completely dominated the industrial life of the area. The St. Johns River Shipbuilding Company employed about 14,000 workers a year ago, but employment at the plant decreased by more than 5,000 workers in the first two months of this year and by July of this year had declined to 4,000. The Gibbs Gas Engine Company and the Merrill-Stevens Dry Dock and Repair Company together regularly employed about 6,000 workers, and the United States Naval Air Station alone carried about 9,000 civilian workers.

The outlook at Miami is good. The principal wartime changes at Miami were the commandeering by the Army and

Navy of many hotels and restaurants, the establishment of a number of war plants, and the emergence of the city as an important air-transport center. In mid-August the War Department announced that 83 Miami Beach hotels leased by the Army would be vacated within 90 days. The Army, however, is retaining five hotels to be used as convalescent centers. With the turning back of the hotels and the end of gasoline rationing and other wartime controls, the Miami area is preparing for the greatest tourist season in its history.

In spite of its position as a place of amusement and relaxation, the Miami area developed some important war plants. Total employment in these plants earlier this year was about 6,000, confined primarily to the plants of the Miami Shipbuilding Company, Consolidated-Vultee Aircraft Corporation, Biscayne Tent and Awning Company, Merrill-Stevens Dry Dock, and Dade Dry Dock. Many of these workers have already been displaced, but apparently they will be able to find employment quite readily within the area. The development of the air-transport industry of Miami will be accelerated rather than retarded with the cessation of the war. Pan-American Airways and Eastern Air Lines both have extensive installations at Miami where about 8,000 workers have been regularly employed. Delta Air Lines is also establishing facilities at Miami, and National Air Lines is expanding its existing facilities. Moreover, Miami currently is moving into the greatest construction activity it has ever experienced.

Panama City and Tampa are already experiencing severe cutbacks in employment. Panama City, located in northwest Florida, experienced a remarkable expansion during the war. The population of the county in which the city is located more than doubled during the war years, rising from 20,686 in 1940 to an estimated 44,806 in 1943. The J. A. Jones Construction Company, which was the chief employer in the area, at one time employed some 14,000 workers but by July had only about 8,000 and by the end of the year will probably be entirely closed down.

Employment at Tampa also became greatly concentrated in the shipbuilding industry. Hillsborough and Pinellas Counties, in which Tampa and its neighboring cities lie, experienced a major population expansion. In 1940 the population of the two counties was 209,693, and by November 1943 the population had risen to an estimated total of 301,425. Shipbuilding, represented principally by the Tampa Shipbuilding Company, Tampa Marine Corporation, and McCloskey and Company, accounted for more than half of the total employment in essential war work. Earlier this year Tampa Shipbuilding Company had about 9,500 workers, McCloskey and Company about 5,000, and Tampa Marine Corporation about 1,000. After dismissals in mid-August following contract cancellations, Tampa Shipbuilding Company still had about 5,800 men, McCloskey and Company 2,100, and Tampa Marine Corporation about 350.

Georgia

As is the case with the other states of the District, war-contract cancellations in Georgia affect some centers more severely than others. Probably the most highly specialized war-industry center was Brunswick, but the wartime boom in Brunswick has already been over for some time. The Brunswick area, including all of Glynn and parts of McIntosh and Camden Counties, had a 1940 population of about

25,000 people. At one time during the war this population had increased to almost 75,000, but it had fallen to about 50,000 by the early part of this year. This expansion in population was largely occasioned by the establishment of two shipbuilding plants at Brunswick. The plant operated by the J. A. Jones Construction Company employed approximately 16,000 workers at one time last year, but this number had decreased to about 6,500 in July of this year. Cancellation in August of the company's Maritime Commission contract for 11 coastal cargo ships will lead to the dismissal of a good part of the remainder.

Savannah has been another of the District's outstanding wartime-boom centers. Chatham County, of which Savannah is the seat of government, had a prewar population of 117,970. Currently, the population is estimated at about 160,000. In Savannah, as in Brunswick, a good part of the city's expansion was based upon the shipbuilding industry. One of these shipbuilding companies, the Southeastern Shipbuilding Corporation, had almost 14,000 employees last year, but for the past several months this number has undergone a continual decrease, and by July of this year it was down to about 7,000. The other principal shipbuilding company, the Savannah Machine and Foundry Company, has regularly employed about 3,000 workers. With the virtual end of shipbuilding at Savannah in sight, the city can quite obviously expect a period of severe adjustment. Since Savannah is Georgia's principal port and is the state's second largest city, it is probable that the readjustment can take place with a minimum of difficulty.

Macon is still another Georgia city that will experience a severe readjustment period. The city and its immediately surrounding territory have experienced an increase of more than 20 per cent in population during the war years. The number of employed workers in the area has risen from about 51,000 to about 75,000. By far the largest single employer in the area has been the Government. Warner-Robins alone regularly employed about 11,000 people, and Camp Wheeler and Robins Field together had about 2,000 more. Macon's other principal wartime establishment was the Reynolds Ordnance Plant employing approximately 5,000 workers. This plant has now been closed except for a skeleton crew of about 500. It is probable that work at the Government plants will be drastically curtailed in ensuing weeks.

Georgia's other principal population centers can expect a fairly easy conversion process. Columbus and Rome, as textile centers, can probably make the transition with scarcely a halt. Rome has a well-diversified manufacturing industry producing cotton textiles, rayon yarn, stoves, and furniture. Columbus has 10 textile plants that together employ about 11,000 workers, and the plants need additional workers. Near-by Fort Benning is a permanent military establishment and for that reason will continue to be a large employer of civilian workers.

The Atlanta area, the second largest population center of the District, is also expected presently to absorb its displaced war workers. The plant of the Bell Aircraft Corporation at Marietta was the area's largest single wartime employer. This plant reached peak employment in February of this year with more than 28,000 workers. By mid-August this year the number of employees had declined to approximately 23,000, and between 8,000 and 9,000 of these were immediately dis-

missed when the plant's contracts for B-29 bombers were canceled. Additional workers will be released rapidly, and probably by mid-September only a skeleton crew will be maintained.

Louisiana

The principal population centers of Sixth-District Louisiana, Baton Rouge and New Orleans, may anticipate a relatively smooth conversion period. Though strenuous use was made during the war of the industrial facilities of Baton Rouge, these facilities for the most part were not strictly war-purpose plants. The Standard Oil Company of Louisiana operates in north Baton Rouge one of the largest oil refineries in the world. Baton Rouge also has two important synthetic-rubber plants that were established during the war. Another important part of the city's industries is represented by chemical- and allied-products plants.

Cancellations announced in August brought sharp reductions in employment in New Orleans. An ordnance plant announced on August 17 that it would release 2,500 workers within the following 10 days and the remainder within two months. At the same time, Consolidated-Vultee Aircraft Corporation announced that it was releasing more than 1,000 workers from among its 5,500 employees, but that 1,500 would be retained for about six months to complete PBY patrol bombers that were on the assembly line. Higgins Industries, Incorporated, too, announced that about two thirds of its 5,300 workers were to be dismissed on August 20 because of the cancellation of war contracts amounting to more than 20 million dollars.

New Orleans' shipbuilding activities were likewise sharply curtailed. The city's shipbuilding and ship-repair industry is represented by some 13 establishments. The most important in point of number of employees is the Delta Shipbuilding Company, Incorporated, which for many months has operated a Government-owned shipbuilding facility. At one time the company employed about 20,000 workers, but by the first part of August this year the number had dwindled to 5,000, and the remainder face dismissal by October. Todd-Johnson Drydock, Incorporated, engaged in converting Liberty cargo ships into troop carriers, hopes to continue working its 3,500 employees without cutbacks so long as troop movements continue. Pendleton Shipyards, Incorporated, which is engaged in ship-repair, assembly, and conversion work, also hopes to avoid cancellations and cutbacks in the near future. This plant employs about 2,300 workers.

These various employee dismissals will end wartime-boom conditions in New Orleans temporarily, but the city has great industrial strength and, because of its strategic position at the mouth of the Mississippi River, may be expected soon to overcome its conversion problems.

Mississippi

Prospects for Sixth District Mississippi's principal urban centers during the reconversion period seem unusually good. Employment in the Biloxi-Gulfport area will experience some contraction when its Government establishments, regularly employing more than 5,000 workers, are closed up or their activities curtailed. The area's seafood-processing plants and its tourist industry, however, should soon restore the balance.

The Jackson area, defined as including all of Hinds County and parts of adjacent Madison and Rankin Counties, has been no wartime-boom area, but it has experienced sharply

increased wartime activity. The area's population was increased from a prewar total of approximately 136,000 to a current total of about 150,000. Jackson itself has shown an estimated population gain of 17,285 since 1940. Government establishments are the largest single employing group, but they have regularly employed not many more than 1,500 people. Jackson's manufacturing companies are relatively small employers, and their conversion problem will not be serious. The end of the war actually will not mean much of a recession in Jackson. Since it is the center of a currently booming oil industry, the city very likely will go right on expanding with scarcely a halt.

Pascagoula, with its adjacent territory, has been Mississippi's principal wartime-boom center. With a prewar population of 18,720, the area at one time during the war had more than doubled in population, but currently the population is about 30,000. Most of the industrial employment in the area, at least 90 per cent of it, has been furnished by the Ingalls Shipbuilding Corporation. This company at one time had about 12,000 employees, but the number has now been reduced to about 6,500. At the moment the company has announced a need for an additional 2,000 workers.

The Ingalls management has shown great enterprise, and the company has every prospect of continuing operations at its present scale for some time to come. Recently, the company was awarded a 37-million-dollar contract for fourteen 12,000-ton cargo ships for the Brazilian Government. These ships will be operated by Lloyd Brasileiro for the Merchant Marine Commission of Brazil and will ply between Brazilian ports and New Orleans and New York. Currently, the company is working on a contract for seven 18,000-ton vessels to be assigned to the Moore-McCormack Lines. Moreover, Ingalls is supplementing its shipbuilding activities with the production of Diesel-electric locomotives. With this step, the Ingalls company is the first shipyard to enter the railroad-locomotive field.

Vicksburg was pretty well by-passed insofar as war prosperity and boom conditions were concerned, and its reconversion problems should, therefore, be relatively mild. The population of Warren County, of which Vicksburg is the principal city and the seat of government, actually declined during the war period by about 4½ per cent. The number of displaced war workers will not be very large. The Le-Tourneau Company, working primarily on war contracts, regularly employed about 1,000 workers, and four Government establishments employed about 1,000 additional workers.

Tennessee

In Sixth-District Tennessee, the principal population centers, consisting of Bristol-Kingsport, Chattanooga, Knoxville, and Nashville, will experience no great setback now that the end of the war with Japan is at hand. Except for Holston Ordnance Works, which manufactured explosives, it is probable that most of the Bristol-Kingsport industries can convert to peacetime operations without a great deal of curtailment in total employment. Manufacturing employment of the area in 1940 was 17,844, but it had risen to more than 20,000 in the earlier part of this year.

Chattanooga should also experience no great difficulty in converting to peacetime work. The Chattanooga area has some 230 factories producing a well-diversified list of articles such as textiles, iron and steel, chemicals, and finished-lum-

ber products. Except for The Trinler Works, producing tank treads, the Wheland Company, producing 90 mm. guns, and the Hercules Powder Company TNT plant, the companies produced basically the same products during the war as they did in 1940. A favorable factor in the conversion process in Chattanooga is the actual decrease that has occurred in the civilian population of the area during the wartime years.

The immediate outlook for the Knoxville area is favorable. The area has a good deal of inherent manufacturing strength, having a large number of textile- and apparel-producing companies and several iron- and steel-products companies. The Aluminum Company of America and the Clinton Engineer Works have been the principal wartime employers in the region. The plants of Alcoa will by no means be wartime casualties, but during the process of reconversion some displacement of workers may be expected. The Clinton Engineer Works, on the other hand, is one of the famed mystery plants engaged in the production of atomic bombs, and its industrial future is completely uncertain. Construction of this plant at one time engaged about 60,000 workers, but what its current employment is has not been revealed, though it is probably still about 60,000. At all events, the Clinton plant is absorbing great numbers of released workers from other Tennessee ordnance plants and may eventually employ as many as 80,000 workers, which is the reported maximum.

The industrial pattern of Nashville was not particularly changed during the war. Principal manufacturing industries are those producing chemicals, textiles and apparel, food and related products, and iron and steel. Except for employment opportunities offered by the aircraft manufacturing plants of Consolidated-Vultee and Tennessee Aircraft and by three army installations, Nashville never became dependent upon strictly war-purpose employment. Consolidated had a peak employment of about 6,500, but by July of this year its employees numbered less than 2,000.

The Outlook in Brief

The surrender of Japan is certain to cause major disturbances to business within the District. War-contract cancellations have already attained large volume and have led to the discharge of a great number of war workers. Moreover, the District must presently find jobs for about a million discharged servicemen. The shock occasioned by drastic cut-backs in Government expenditures will be largely absorbed by the expansion of civilian activity to meet accumulated civilian orders.

Overriding all other considerations is the fact that war-time-financing procedures have created a vast flood of purchasing power that provides an expansionary setting for the conversion process. The staffing of labor-starved retail and service establishments and of textile-manufacturing plants and lumber operations in the District will go a long way toward absorbing displaced war workers and discharged war veterans. Except in a few troublesome spots this absorption should be accomplished with a minimum of difficulty. The immediate business future of the District is one that should be viewed with reasonable optimism.

The long-run business future of the District is one that will largely be a reflection of the course taken by the national economy. In that economy the District has every reasonable prospect of holding its own.

Sixth District Statistics

INSTALMENT CASH LOANS			
Lender	Number of Lenders Reporting	Per Cent Change June 1945 to July 1945	
		Volume	Outstandings
Federal credit unions.....	44	- 29	+ 1
State credit unions.....	24	+ 21	+ 3
Industrial banking companies.....	11	+ 10	+ 10
Industrial loan companies.....	18	- 24	+ 0
Personal finance companies.....	43	+ 1	+ 17
Commercial banks.....	34	+ 2	+ 3

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Per Cent Change July 1945 from	
		June 1945	July 1944
Total sales.....	95	- 8	+ 15
Cash sales.....	83	- 4	+ 34
Instalment and other credit sales.....	89	- 10	+ 12
Accounts receivable, end of month.....	94	- 1	+ 8
Collections during month.....	94	+ 3	+ 15
Inventories, end of month.....	77	+ 12	+ 25

WHOLESALE SALES AND INVENTORIES* — JULY 1945						
Item	No. of Firms Reporting	SALES		INVENTORIES		
		Per Cent Change July 1945 from		No. of Firms Reporting	Per Cent Change July 1945 from	
		June 1945	July 1944		June 1945	July 1944
Automotive supplies.....	9	- 7	+ 24	6	+ 8	+ 47
Clothing and furnishings.....	4	+ 4	+ 24	..	..	..
Drugs and sundries.....	9	+ 5	+ 7	3	+ 0	- 6
Dry goods.....	11	- 8	- 12	5	- 11	- 30
Electrical goods.....	6	- 7	+ 27	4	+ 5	+ 22
Fresh fruits and vegetables.....	7	- 11	+ 2	3	- 39	+ 56
Confectionery.....	6	- 1	- 26	..	..	..
Groceries—full line wholesalers.....	34	- 4	- 1	15	- 8	- 34
Groceries—specialty line wholesalers.....	11	- 10	- 0	6	+ 5	+ 20
Beer.....	3	- 15	+ 18	3	- 7	+ 87
Hardware—general.....	11	+ 3	+ 7	5	- 1	- 5
Hardware—industrial products.....	3	- 2	+ 15	..	..	..
Paper and its products.....	3	- 16	- 20	..	..	..
Tobacco and its products.....	12	- 3	+ 5	7	- 10	- 13
Miscellaneous.....	19	- 9	- 16	15	- 5	- 17
TOTAL.....	148	- 4	+ 1	72	- 4	- 13

*Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS						
Place	No. of Stores Reporting	SALES		INVENTORIES		
		Per Cent Change July 1945 from		No. of Stores Reporting	Per Cent Change July 1945 from	
		June 1945	July 1944		June 1945	July 1944
ALABAMA						
Birmingham.....	5	- 11	+ 7	4	+ 15	+ 8
Mobile.....	5	- 3	- 3	..	..	..
Montgomery.....	3	- 8	+ 25	3	+ 2	+ 3
FLORIDA						
Jacksonville.....	4	- 3	+ 16	..	..	..
Miami.....	4	- 14	+ 24	3	+ 4	+ 12
Orlando.....	3	- 7	+ 9	..	..	..
Tampa.....	5	- 6	+ 14	..	..	..
GEORGIA						
Atlanta.....	6	- 7	+ 24	5	- 10	+ 14
Augusta.....	4	- 10	+ 23	3	- 2	+ 18
Columbus.....	3	- 4	+ 12	..	..	..
Macon.....	4	- 9	+ 11	4	+ 7	+ 5
LOUISIANA						
Baton Rouge.....	4	- 6	+ 20	4	+ 3	+ 17
New Orleans.....	4	- 6	+ 10	3	+ 3	- 18
MISSISSIPPI						
Jackson.....	4	- 3	+ 24	3	+ 1	+ 10
TENNESSEE						
Bristol.....	3	- 1	+ 19	3	+ 13	+ 5
Chattanooga.....	4	- 10	+ 15	3	- 0	+ 2
Knoxville.....	4	- 10	+ 7	..	..	..
Nashville.....	6	- 12	+ 18	5	+ 2	+ 5
OTHER CITIES*.....	18	- 5	+ 19	26	+ 2	+ 4
DISTRICT.....	93	- 8	+ 16	69	+ 0	+ 5

*When less than 3 stores report in a given city, the sales are grouped together under "other cities."

Additions to Federal Reserve Par List

DURING the latter part of July and up to the twenty-second of August, the Federal Reserve Bank of Atlanta announced the addition to the Federal Reserve Par List of 40 banks and banking offices in the Sixth Federal Reserve District. Three of these offices are in Alabama, three in Florida, three in Louisiana, and 31 in Tennessee. Checks of the Alabama banks will be handled by the Birmingham office of the Federal Reserve Bank of Atlanta. Checks of the Florida banks will be cleared at par through the Jacksonville office of the Federal Reserve Bank of Atlanta. The New Orleans branch of the Federal Reserve Bank of Atlanta will handle checks of the Louisiana banks at par. Checks of the Tennessee banks will be handled by the Nashville branch. The location, names, and chief officers of these banks are set out in the following:

ALABAMA

Camden: The Bank of Camden. S. C. Godbold, president; and W. P. Agee, Jr., cashier.
Guntersville: The Citizens Bank of Guntersville. E. H. Couch, president; and T. W. Milner, cashier.
Russellville: Citizens Bank and Savings Company. W. A. Gresham, president; Foster Gavin, executive vice president; M. C. Hester, vice president; and C. W. James, cashier.

FLORIDA

Jacksonville Beach: The Beach Bank. Fred C. Allen, president; William A. Stanly, vice president; W. M. Mason, vice president; and Frank B. Brown, cashier.
New Smyrna Beach: Bank of New Smyrna. John R. DeBerry, president; Merton E. Sear, vice president; and W. R. Quigley, cashier.
Pahokee: Bank of Pahokee. H. M. McIntosh, president; Rupert Mock, vice president; and E. F. McIlwain, cashier.

LOUISIANA

Alexandria: Guaranty Bank and Trust Company. J. W. Beasley, president; F. T. Brame, vice president; A. Wettermark, vice president; J. W. Beasley, Jr., vice president; Gus Gehr, vice president; C. W. Crockett, vice president; C. A. Broussard, vice president and trust officer; and Ross Colingo, cashier.
Camp Livingston: Camp Livingston Facility (Banking Facility of Guaranty Bank and Trust Company, Alexandria). P. L. Merritt, manager.
Pineville: Guaranty Bank and Trust Company (Branch of Guaranty Bank and Trust Company, Alexandria). T. B. Farrar, manager.

TENNESSEE

Blountville: Farmers Bank of Blountville. R. F. Bell, president; N. A. Long, vice president; and W. S. Blevins, cashier.
Bumpus Mills: Farmers and Merchants Bank. J. G. Walker, president; J. E. Pugh, vice president; and Russell Wallace, cashier.
Byrdstown: Pickett County Bank and Trust Company. S. O. Huddleston, president; J. G. Crouch, vice president; and John Taylor, cashier.
Carthage: Smith County Bank. H. B. McGinness, president; B. W. Chitwood, vice president; L. A. Ligon, vice president; and A. C. Read, cashier.

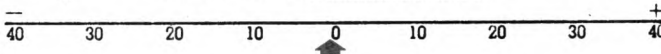
Celina: The Bank of Celina. E. P. Fowler, president; J. A. Howard, vice president; and R. L. Donaldson, cashier.
Chapel Hill: First State Bank. L. B. Harris, president; T. R. King, vice president; and W. E. Stammer, cashier.
Clinton: Union Peoples Bank. W. W. Underwood, president; J. H. Wallace, vice president; and H. F. Rutherford, cashier.
Cumberland City: Citizens-Cumberland City Bank. G. L. Landiss, president; W. S. Minor, vice president; and Alex Dougherty, cashier.
Dandridge: Jefferson County Bank. Arthur Holtsinger, president; George C. Zirkle, vice president; and H. B. Jarnagin, cashier.
Dover: Dover-Peoples Bank and Trust Company. W. C. Howell, president; L. S. McElroy, vice president; and W. L. McElroy, cashier.
Eagleville: Bank of Eagleville. J. F. Blackwell, president; J. T. Graham, vice president; W. T. Lowe, chairman and vice president; and J. G. Wade, cashier.
Granville: The Jackson County Bank (Branch of Jackson County Bank, Gainesboro). A. H. Willoughby, manager.
Indian Mound: Farmers Bank and Trust Company. T. W. Seay, president; C. H. Webb, vice president; and W. H. Tippit, cashier.
Jonesboro: The Banking and Trust Company. Mrs. B. P. Roach, president; B. P. Roach, vice president; and W. C. Allison, vice president and cashier.
Lebanon: Lebanon Bank and Trust Company. O. W. Stephens, president; F. M. McDaniel, vice president; Howard Hancock, vice president; L. B. Simpson, vice president; and Richard M. Hawkins, vice president and cashier.
Limestone: Farmers and Merchants Bank. Thad A. Cox, president; D. B. Pence, vice president; and W. J. Probst, cashier.
Livingston: Union Bank and Trust Company. E. D. White, president; S. J. Bilbrey, vice president; and Bedford McDonald, cashier.

Reconnaissance

Sixth District Statistics for July 1945 compared with July 1944

PER CENT DECREASE PER CENT INCREASE

Department Store Sales
 Department Store Stocks
 Furniture Sales
 Construction Contracts
 Gasoline Tax Collections
 Cotton Consumption
 Bank Debits
 Member Bank Loans
 Member Bank Investments
 Demand Deposits Adjusted



McEwen: The Union Bank. Dan McCord, Jr., president; N. L. Williams, vice president; and W. M. Frazee, cashier.

Mosheim: Mosheim Bank. R. R. Wisecarver, president; W. M. Reed, vice president; and Onnie Cox, cashier.

Mount Juliet: Bank of Mount Juliet. F. M. McDaniel, president; J. S. Hatfield, vice president; W. W. Hamblen, vice president; and Annie Lou McDaniel, cashier.

Mountain City: The Farmers State Bank. I. W. Nave, president; W. B. Mount, executive vice president; W. W. Hawkins, vice president; J. C. Muse, vice president; and R. J. Howard, cashier.

New Tazewell: Citizens Bank. Mark Lewis, president and cashier; and William Lewis, vice president.

Niota: Bank of Niota. C. B. Staley, president and cashier; and H. A. Collins, vice president.

Norene: The Peoples Bank. C. N. Reeves, president; Dave Henderson, vice president; M. B. Beadle, vice president; and Mary Ruth Smith, cashier.

Portland: The Farmers Bank. G. W. Venters, president; J. V. Kerley, vice president; and R. W. Enders, cashier.

Rutledge: Citizens Bank and Trust Company. O. C. Hickle, Jr., president; S. L. Maples, vice president; and C. D. Sheets, vice president and cashier.

Spencer: The Citizens Bank. M. S. Hitchcock, president; Ella B. Worthington, vice president; and J. L. Graham, cashier.

Sweetwater: Sweetwater Bank and Trust Company. C. B. Randolph, Jr., president; and Sam J. Pickel, vice president and cashier.

White Pine: The Citizens Bank. J. R. Allen, president; J. C. Bell, vice president; and C. A. Catlett, cashier.

Whites Creek: Whites Creek Bank and Trust Company. M. E. Link, president; C. B. Bidwell, vice president; T. J. Wilkinson, vice president; and W. F. Teasley, cashier.

Whitleyville: The Jackson County Bank (Branch of Jackson County Bank, Gainesboro). Paul Birdwell, manager.

These additions to the Federal Reserve Par List, all of which will have become effective by September 1, bring the total number of nonmember banks on the Par List in the Sixth Federal Reserve District to 164. Moreover, all banks that are members of the Federal Reserve System are required to be on the Par List. Since member banks in the Sixth Federal Reserve District now number 318, there will thus be 482 banks in the District that will be par clearing after the first of September.

The 164 nonmember par-clearing banks are divided among the states of the Sixth District as follows: Alabama 12, Florida 34, Georgia 26, Louisiana 6, Mississippi 2, and Tennessee 84. The figures for nonmember par-clearing banks in Louisiana, Mississippi, and Tennessee, of course, refer only to the Sixth District portions of those states.

The 318 member banks are divided among the Sixth District states as follows: Alabama 83, Florida 62, Georgia 59, Louisiana 30, Mississippi 17, and Tennessee 67. These member banks also have 90 branches, of which 20 are in Alabama, 22 in Georgia, 24 in Louisiana, and 24 in Tennessee.

The total number of nonmember banks in the Sixth District is 742. These banks have 43 branches. Alabama has 133 nonmember banks, Florida 106, Georgia 241, Louisiana 55, Mississippi 78, and Tennessee 129. Georgia has 3 nonmember branch banks, Louisiana 16, Mississippi 14, and Tennessee 10.

Sixth District Statistics

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

Item	Aug. 22 1945	July 25 1945	Aug. 23 1944	Per Cent Change Aug. 22, 1945, from	
				July 25 1945	Aug. 23 1944
Loans and investments—					
Total	1,992,272	1,986,144	1,731,005	+ 0	+ 15
Loans—total	335,982	354,760	288,872	— 5	+ 16
Commercial, industrial, and agricultural loans	174,389	178,394	156,552	— 2	+ 11
Loans to brokers and dealers in securities	9,406	12,542	5,422	— 25	+ 73
Other loans for pur- chasing and carrying securities	59,143	63,705	35,470	— 7	+ 67
Real estate loans	23,653	24,376	25,916	— 3	— 9
Loans to banks	1,776	3,339	742	— 47	+ 139
Other loans	67,615	72,404	64,770	— 7	+ 4
Investments—total	1,656,290	1,631,384	1,442,133	+ 2	+ 15
U. S. direct obligations	1,510,816	1,494,952	1,303,976	+ 1	+ 16
Obligations guaranteed by U. S.	3,710	577	21,546	+543	— 83
Other securities	141,764	135,855	116,611	+ 4	+ 22
Reserve with F. R. Bank	361,905	351,146	300,242	+ 3	+ 21
Cash in vault	29,932	29,167	26,088	+ 3	+ 15
Balances with domestic banks	165,741	142,940	161,854	+ 16	+ 2
Demand deposits adjusted	1,264,108	1,230,537	1,070,006	+ 3	+ 18
Time deposits	392,429	382,865	294,675	+ 2	+ 33
U. S. Gov't deposits	253,683	294,377	320,728	— 14	— 21
Deposits of domestic banks	534,964	497,580	442,041	+ 8	+ 21
Borrowings					

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place *	No. of Banks Re- porting	July 1945	June 1945	July 1944	Per Cent Change July 1945 from	
					June 1945	July 1944
ALABAMA						
Anniston	3	17,756	20,332	16,241	— 13	+ 9
Birmingham	3	182,133	224,963	177,069	— 19	+ 3
Dothan	2	7,080	8,560	5,502	— 17	+ 29
Gadsden	3	10,102	11,288	9,760	— 11	+ 4
Mobile	4	98,721	126,713	114,291	— 22	— 14
Montgomery	3	35,471	39,606	33,883	— 10	+ 5
FLORIDA						
Jacksonville	3	162,422	194,132	167,653	— 16	— 3
Miami	6	133,165	153,431	110,756	— 13	+ 20
Greater Miami	10	174,523	210,400	144,996	— 17	+ 20
Orlando	2	28,294	33,723	25,042	— 16	+ 13
Pensacola	3	25,477	28,205	23,651	— 10	+ 8
St. Petersburg	3	26,049	32,371	21,900	— 20	+ 19
Tampa	3	69,268	82,255	76,898	— 16	— 10
GEORGIA						
Albany	2	8,293	9,871	8,663	— 16	— 4
Atlanta	4	476,725	546,769	460,055	— 13	+ 4
Augusta	3	33,451	39,370	34,158	— 15	— 2
Brunswick	2	11,460	13,162	14,908	— 13	— 23
Columbus	4	32,699	40,150	32,523	— 19	+ 1
Elberton	2	1,870	1,972	1,787	— 5	+ 5
Macon	3	40,979	43,303	45,039	— 5	— 9
Newnan	2	5,924	6,230	4,495	— 5	+ 32
Savannah	4	66,034	82,298	97,274	— 20	— 32
Valdosta	2	10,257	7,774	6,602	+ 32	+ 55
LOUISIANA						
Baton Rouge	3	43,686	46,237	40,536	— 6	+ 8
Lake Charles	3	19,031	19,087	17,225	— 11	— 1
New Orleans	7	417,912	489,545	429,365	— 15	+ 3
MISSISSIPPI						
Hattiesburg	2	10,938	12,617	13,021	— 13	— 16
Jackson	4	65,844	64,963	53,143	+ 1	+ 24
Meridian	3	16,520	18,432	16,275	— 10	+ 2
Vicksburg	2	17,748	17,341	21,998	+ 2	— 19
TENNESSEE						
Chattanooga	4	87,542	104,867	90,345	— 17	— 3
Knoxville	4	110,396	134,774	105,976	— 18	+ 4
Nashville	6	198,925	250,386	171,475	— 21	+ 16
SIXTH DISTRICT						
32 Cities	104	2,470,172	2,904,727	2,447,509	— 15	+ 1
UNITED STATES						
334 Cities		79,163,000	98,121,000	72,909,000	— 19	+ 9

* Not included in Sixth District total

The District Business Situation

ON THE basis of preliminary information, it appears that department store sales increased in August by something less than the usual amount. The July decline, however, was much less than the usual decline for that month and as a result the seasonally adjusted index for July was higher than it has been in any earlier month in the series. Wholesale trade continues above that of the corresponding time last year, and more life insurance is being written. Steel-mill activity continues at a high rate. Present prospects are for smaller crops of cotton, wheat, and corn but for increases over last year in other crops.

Retail Trade

Sixth District department store sales apparently continued in August, as they have for many months past, to reach new record levels for the month. In the first two weeks of August, sales reported by about 30 stores located all through the District averaged 14 per cent greater than in the corresponding weeks a year ago. Reported sales for the third week of August were below those a year earlier. In that week many stores were closed one day, following the announcement of the Japanese surrender, and some stores were closed two days.

However, for the three weeks, total sales were up 6 per cent from that period last year. It is probable that when August reports are received from the 93 regularly reporting stores, the increase over August last year will be near the average for the first two weeks. In any case, the increase over July was probably less than the usual seasonal gain. The August seasonally adjusted index may be expected to follow the pattern of the last two years and decline somewhat from the record level reached in July.

In July as in June, department store sales in this District declined, but the decrease was much smaller than usually occurs in midsummer. The dollar amount of July sales was down 8 per cent from June, but July was shorter by one business day, and the daily average rate of sales declined only a little more than 3 per cent. This is about one fourth as large as the usual June-July decrease and resulted in a rise of 8 per cent in the seasonally adjusted sales index.

Cotton Production

The first estimate of cotton production for this year, made by the United States Department of Agriculture on the basis of conditions prevailing on August 1, indicates that in the six states that are situated wholly or partly within the Sixth Federal Reserve District the crop will amount to 4,415,000 bales. In the country as a whole, the crop is expected to total 10,134,000 bales. If these estimates prove to be correct the reduction from last year's production in this District's six states will be 11 per cent, and that for the United States 17 per cent.

The total for the Six States as a whole and for the states of Alabama, Georgia, Louisiana, and Mississippi is the smallest since 1941. The Tennessee crop is the smallest since 1935, and the estimate for Florida is the smallest in more than 40 years. Only twice before — in 1941 and 1923 — in more than 40 years has Georgia had a cotton crop as small as that expected this year.

In comparison with the 1944 crop, the reductions this year are expected to range from 5 per cent in Mississippi to 11 per cent in Alabama, 13 per cent in Louisiana, 14 per cent in Georgia, and 23 per cent in Tennessee and Florida. In the July issue of this Review it was pointed out that the acreage in cultivation to cotton in these six states on July 1 was smaller by 5 per cent than it was a year earlier and that the reduction in acreage was due principally to three factors — unfavorable planting weather, the shortage of workers at planting time, and the prospective shortage of workers at the time of harvest.

The August report by the Department of Agriculture reveals that the condition of cotton on August 1 was better than it was a year earlier in Alabama, Georgia, Louisiana, and Mississippi, but lower in Tennessee and Florida. The estimated acreage yield is lower than it was a year ago in each of these states except Florida.

A great deal of replanting was necessary in many parts of the District, and plants are reported to be smaller than usual. Because there has been more rainy weather than usual boll weevils are more numerous and prospective damage from boll weevils is greater. Weather conditions during the remainder of the growing season will have an important effect on the outcome of the crop.

Other Crops

Prospects for most other Sixth-District crops seem to have improved during July. The August estimate by the Department of Agriculture indicates a reduction from earlier estimates of wheat amounting to 7 per cent. However, the estimates of potatoes increased slightly, those for hay, tobacco, and sugar cane increased 2 per cent, sweet potatoes 5 per cent, and corn 6 per cent. Compared with 1944 crops, there is expected to be 3 per cent less corn, 11 per cent less wheat, and 1 per cent less sweet potatoes. The August estimates indicate 10 per cent more oats, 33 per cent more hay, 1 per cent more tobacco and potatoes, 5 per cent more pecans, and 8 per cent more peanuts. In Louisiana the rice crop is estimated to be up 6 per cent from that of last year, and the crop of sugar cane for sugar 11 per cent. Florida has apparently produced 27 per cent more sugar cane than it did in 1944.

The decrease, compared with last year, in the District's corn crop is due to reductions in Alabama, Tennessee, and Florida that more than offset increases in Georgia, Louisiana, and Mississippi. Small increases in wheat are indicated in Alabama and Mississippi, but there are decreases in the larger wheat-producing states of Tennessee and Georgia. Oats, tame hay, and barley increased in all District states. Sweet potatoes increased in Louisiana and Mississippi but decreased in the other four states, while white potatoes decreased in Louisiana and Mississippi and increased in the other four states. Crops of pecans will be considerably smaller this year in Florida and Louisiana but larger in Alabama, Georgia, and Mississippi. Reductions in peanut production in Alabama, Louisiana, and Tennessee were insufficient to outweigh in the Six-State total the increases in Florida, Georgia, and Mississippi.

Cash Farm Income

Sixth-District farmers received a little more than 110 million dollars for their crops, livestock, and livestock products marketed in May, the latest month for which figures are available. This amount represents a drop of 19 per cent from April. Receipts from livestock and livestock products were up 9 per cent, but cash received from crop marketings was off 31 per cent. The largest decrease was in Florida and reflects the reduction in shipments of the 1944-45 citrus crop. Compared with May last year, total receipts were 3 per cent larger in May this year, and for the first five months of 1945 the gain over that part of 1944 was 13 per cent. For the nation, the increase for the January-May period over a year ago was only one fifth of one per cent. In this District the largest increase, 30 per cent, was shown for Mississippi. Florida had a gain of 19 per cent, Alabama 15 per cent, Georgia 10 per cent, and Louisiana 5 per cent. There was a decrease of about 1 per cent reported for Tennessee.

Industry

Although weather conditions have, on the whole, been favorable, lumber mills continue to operate under the serious handicaps of a labor shortage and the lack of machinery and equipment replacements. It seems probable that a vast amount of boxing and crating will be needed in connection with the return of the armed forces from the Pacific area. Mill operators are hoping, however, that more labor will become available as workers are released from war plants and as men are discharged from the Army and the Navy.

In the first two weeks of August steel-mill activity in Alabama was at a rate of 94 per cent of capacity, approximately the same rate as the July average and that for August last year.

The rate of activity at Sixth District textile mills declined further in July. Daily average consumption of cotton by mills in Alabama, Georgia, and Tennessee has declined each month since January. In July these mills used an average of 9,669 bales of cotton for each of the 25 working days of the month. This was a drop of 9 per cent from the rate in June and was 18 per cent below the average for last January.

July marks the end of the cotton season, and mill consumption almost always declines in that month except in unusual circumstances. The July average was 7 per cent lower than that for July 1944, and it was, in fact, lower than

the rate for any month since September 1940. In the 12 months that ended with July mills in this District used a total of 3,397,173 bales of cotton. This represents a decline of only slightly more than 1 per cent less than the total for the 1943-44 season but 12 per cent less than that for the year ended July 1943 and 10 per cent less than that in the 1941-42 season.

Coal production in Tennessee and Alabama was slightly less in July than it was in June. Allowing for the July 4 holiday, however, July was shorter by one working day, and the daily rate of output was actually the same in July as it was in June. It was also the same as it was in July of last year.

Financial Developments

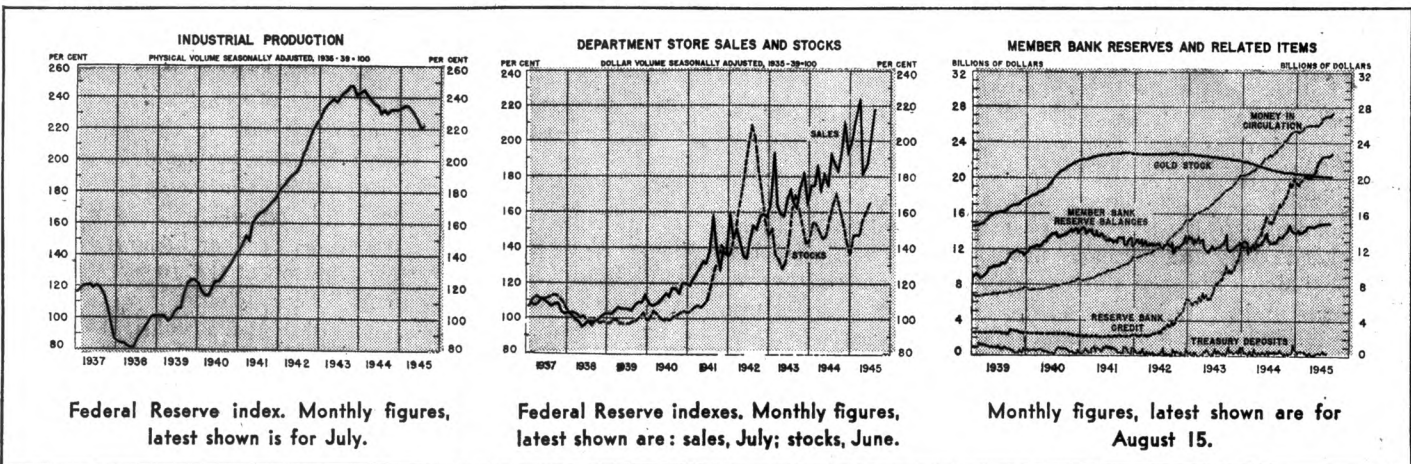
Continuing its rise, net circulation of this bank's Federal Reserve notes amounted on August 22 to \$1,411,650,000. This represents an increase since January 1 of 135 million dollars, and an advance in the last 12 months of 294 million dollars. The rise during the month of July amounted to 28 million dollars, the largest for any month since last November. In June and July, however, the increase has been almost wholly in notes of the 5-, 10-, and 20-dollar denominations. In June circulation of notes of the 50-dollar and larger denominations actually declined nine million dollars, and in July it increased only one million.

At weekly reporting member banks in selected cities of the District investments in United States securities on August 22 amounted to 1,511 million dollars, the largest on record. Loans have declined somewhat in recent weeks.

Deposits of the weekly reporting banks continued to gain in volume. The gain has been especially noticeable in time deposits, which as of August 22 of this year were 33 per cent above those of the corresponding date last year.

Wholesale Trade

Wholesale distribution of merchandise by Sixth District firms declined 4 per cent from June to July and was up 1 per cent from July 1944. The only lines reporting increases over June were clothing and furnishings, drugs and sundries, and general hardware. Compared with July last year a number of lines reported increases, but sales of dry goods, confectionery, groceries, and paper and paper products were smaller. Inventories were 4 per cent smaller at the end of July than a month earlier and were down 13 per cent from a year ago.



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

Federal Reserve indexes. Monthly figures, latest shown are: sales, July; stocks, June.

Monthly figures, latest shown are for August 15.

The National Business Situation

INDUSTRIAL activity declined further in July and the early part of August and was sharply curtailed in the latter part of the month as munitions cutbacks were greatly accelerated. Retail trade was maintained in July and early August at a high level for this season of the year.

Industrial Production

Industrial production in July, the last full month of high-level production for war, was 212 per cent of the 1935-39 average, according to the Board's seasonally adjusted index, as compared with 220 in June. Following the surrender of Japan most munitions contracts were canceled, and as a result it is expected that munitions output and industrial production will show much larger declines in August.

Production of aircraft declined about 20 per cent in July and operations at shipyards and in other munitions industries were reduced considerably from the June rate. Steel production in July and the early part of August was about 5 per cent below the June level. In the week following Japan's surrender activity at steel mills decreased sharply to a rate of 70 per cent of capacity. Production of nonferrous metals continued to decline in July, while output of lumber and stone, clay, and glass products was maintained.

Production of most nondurable goods declined somewhat in July, but, as a group, output of these products was slightly above a year ago. Cotton consumption was 14 per cent below the preceding month and was 11 per cent below last July. Activity in the meat-packing, canning, and baking industries, after allowance for seasonal changes, was down somewhat from June. Production of alcoholic beverages rose sharply as distilleries were released from industrial alcohol production. Activity in chemical, rubber, and other nondurable goods industries declined slightly.

Coal production declined about 5 per cent in July and the first part of August from the June rate, while output of crude petroleum continued to increase and was in record volume.

Contracts awarded for private construction continued to rise sharply in July and were more than three times the low level prevailing last summer, according to F. W. Dodge Corporation data. Contracts for privately owned nonresidential building showed the largest increase. On August 21, all restrictions over the construction of industrial plant were removed.

Distribution

Department store sales declined much less than is usual from June to July, and the Board's seasonally adjusted index rose from 201 to 218 per cent of the 1935-39 average. Sales in July were 15 per cent larger than in the corresponding period last year. During the first two weeks of August, sales were about 20 per cent larger than a year ago.

Carloadings of most classes of railroad freight declined somewhat in July and the early part of August and were below the volume shipped during the same period last year. Shipments of l.c.l. merchandise, however, were at about the same rate as prevailed during the same period last year.

Commodity Prices

Wholesale commodity prices generally showed little change from the early part of July to the early part of August. Fol-

lowing the announcement of peace negotiations prices of cotton and grains declined somewhat — especially contracts for delivery next year — while prices of most other basic commodities continued unchanged.

Retail prices advanced somewhat further in June. Food prices rose 2 per cent and retail prices of clothing, house-furnishings, and miscellaneous items continued to show slight advances.

Agriculture

Crop prospects improved during July and, according to indications on August 1, total output this year will be only slightly smaller than the record volumes of 1942 and 1944. Of the major crops only production of cotton, corn, and apples is expected to be less than a year ago. Marketings this summer of most livestock products except hogs have been about as large as, or larger than, the high levels of recent summers.

Bank Credit

Loans and investments at reporting banks in 101 leading cities declined by 1.2 billion dollars between the close of the Seventh War Loan and mid-August. Reflecting repayments on advances made during the drive, loans for purchasing or carrying Government securities declined by a billion dollars. Loans both to brokers and dealers and to other bank customers decreased by approximately 500 million dollars each, compared to drive and immediate predrive increases of 1.1 billion and 1.8 billion dollars respectively. While bank holdings of Treasury bonds continued their steady week-to-week increase, holdings of bills and certificates, which had increased during the drive, began to decline again in late July and August. On balance, the total portfolio of Government securities declined by 350 million dollars. Holdings of other securities showed a small increase over the six-week period.

Following the close of the Seventh Drive, deposits of businesses and individuals began to increase again as Treasury expenditures transferred funds from war loan to private accounts. The average level of required reserves accordingly rose by about 500 million dollars between the drive-end low point and mid-August. Reserve balances increased by about 300 million dollars and excess reserves dropped by about 200 million to around 1.2 billion outstanding; this was still somewhat above the generally prevailing inter-drive level of slightly less than a billion dollars.

Member bank borrowing from the Federal Reserve Banks, which had declined to a minimum by the close of the Seventh Drive, increased by 275 million dollars in the subsequent six-week period ended August 15. Reserve funds were also supplied to member banks through an increase of 125 million dollars in Government security holdings at the Reserve Banks, as well as by temporary fluctuations in other Federal Reserve Bank credit and in Treasury deposits at the Reserve Banks. Only partially offsetting increases in such funds were a currency outflow of 520 million dollars and a small decline in gold stock. The currency outflow during July, 360 million dollars, was the largest in the past few months; early August increases were also substantial.

THE BOARD OF GOVERNORS.