



## FEDERAL RESERVE BANK OF ATLANTA

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*Economic Appraisal of the Postwar South*

FOR the Sixth District as for the nation as a whole the year just past was one of outstanding moment. Seldom has any year in the nation's history seen events of such far-reaching significance as those that occurred in 1945. Seldom has any year so obviously marked the end of one era and the beginning of another.

The opening months found the economic life of the United States geared to all-out participation in a global war of unexampled scope and destructiveness. The more-than-four years of mobilization of men and materials, of factories and farms, of transportation facilities and financial machinery reached a peak early in 1945. Beyond lay the prospect of two or more years of war that would continue to consume the labor of men and the products of human industry on a gigantic scale.

Although civilians were experiencing many unfamiliar shortages in consumers' goods the total industrial output of the country in January 1945 was 234 percent of what it had been in the period 1935-39. In spite of the diversion of almost 12 million young men and women from peacetime pursuits to the armed forces, factory employment in that month was 62.9 percent higher than it had been in 1935-39. Income payments in January were 241.9 percent of what they had been in the earlier period, and the various control agencies of the Government were battling to hold the line against inflation as a rising flood of money confronted a short supply of consumers' goods in the market. The success of these efforts is reflected in the fact that wholesale prices in January 1945 were only 30.0 percent and the cost of living was only 27.1 percent above the 1935-39 level. Department store sales in January 1945 were 97 percent higher than those in the period 1935-39.

Agriculture, like industry, was straining all its resources to satisfy the war demand for food, fiber, and technical crops. It was doing this in the face of a serious shortage of farm labor and of a dearth of machinery. The result of the efforts put forth by American farmers was an increase in agricultural output of approximately a third during the war.

Increased output from farms and higher prices spelled a greater degree of financial prosperity for American agriculture than had ever existed in the past. Cash receipts from farm marketings in 1945 were 256 percent of what they had been in the period 1935-39. Farm real-estate mortgage debt had declined 20 percent between January 1, 1940, and January 1, 1945. Bank deposits and currency held by farmers increased 188 percent, and total farm assets, tangible and intangible, increased 69 percent during the same period.

In no region did the total mobilization of the nation's economy for war produce changes of greater significance than those it brought about in the Sixth District. This District lies largely in that part of the country which had won for itself

the reputation of being the nation's No. 1 economic problem. The Southern problem consisted in too great a dependence upon an increasingly unprofitable type of agriculture and a degree of industrialization that was not commensurate with the region's resources.

Under the impetus of war the South had suddenly thrust upon it a huge industrial structure that might otherwise have taken decades to achieve. Great shipyards sprang up in New Orleans, the Gulfport-Biloxi area, at Pascagoula, Mobile, Panama City, Tampa, Miami, Savannah, and Brunswick. Aircraft plants sprawled over millions of square feet in Marietta and Macon, Georgia; Birmingham, Alabama; Miami, Florida; Nashville, Tennessee; and elsewhere in the region. A huge new aluminum industry arose at Lister Hill, Alabama. Ordnance plants employing thousands of workers sprang up in many cities that had possessed little industrial plant in the past. In Tennessee and Louisiana chemical plants were expanded and new ones constructed.

To man the new industrial installations hundreds of thousands of men and women who had never had industrial employment were trained in the necessary skills. The exigencies of war created in a short span of time a body of skilled workers in a part of the country where there had always been a deficiency in this factor.

The South prospered not only through the addition of new plants to its industrial structure; it profited also through the invigorating effect of war orders placed with its older industries. Since these industries were hampered often by shortages of labor and of machinery replacements, and sometimes by shortages of raw materials, they were forced to strain all available resources in their effort to meet the demands that war was making upon them.

The South, therefore, in January 1945 was no longer the nation's No. 1 economic problem. It had become a mighty source of national economic strength.

Although the beginning of the year found the Sixth District along with the rest of the nation mobilized for the prosecution of a war that gave little promise of ending for years, dramatic events were impending. At 11:01 a.m. on May 8 the signing of the German surrender brought to an end the European phase of the war. On August 6 the first atomic bomb of the war fell with devastating force on Hiroshima, and on August 11 the second dropped on Nagasaki. Swiftly in the wake of these bombings came the Japanese offer to surrender and the proclamation of V-J Day on September 2.

The end of the Pacific phase of the war hurtled the nation into the postwar period about which men had talked and written for many months but for which there had been little concrete preparation. War orders were quickly canceled. The

index of physical volume of production, which had stood at 234 in January, fell to 163 in October. As shipyards, aircraft factories, and ordnance and munitions works slowed to a virtual halt millions of war workers drifted out of them to seek employment elsewhere or to sit idly by waiting for something to happen in the then silent war plants. The index of factory employment fell from 162.9 in January to 120.9 in October. The ranks of job seekers were further augmented by streams of demobilized veterans pouring back into overcrowded cities from all the battlefields of the world.

Declining factory employment was, of course, accompanied by declining pay rolls and declining income payments in general. The index of factory pay rolls that had stood at 335.2 in January fell to 215.7 in September, and the index of income payments that had been at 241.9 in January fell to 232.3 in October.

Despite the declines in factory pay rolls and income payments, department store sales increased in dollar volume, the index rising from 197 in January to 213 in October. In part this increase in department store sales resulted from the spending of a larger proportion of current earnings; withdrawals of cash savings; and the proceeds of redeemed war bonds for a somewhat larger supply of civilian commodities. In part, too, it was the result of gradually increasing prices. The cost of living index which had been 127.1 in January crept up to the high point for the year in July, 129.4. Although it receded somewhat in later months to a level of 128.9 in October, the general level for the year was noticeably higher than that for 1944.

Thinner pay envelopes, fewer unfilled jobs, continuing shortages of consumers' goods, and rising living costs contributed to the tensions between management and labor that had been accumulating during the war. After victory pent-up grievances found expression in a wave of strikes that is still far from having spent its force.

At the end of 1945, therefore, the nation was painfully trying to readjust its economic activities to the patterns of peace. Although the economic system is theoretically automatic and self-correcting, its internal adjustments are seldom smooth and painless. After a prolonged period of violent distortion in all economic relationships, such as that of the war, reconversion to peace is likely to be more painful than usual.

To make matters worse, reconversion in the United States must be made in a world that is temporarily, at least, an economic and political wasteland from which all old landmarks have been erased. It must be made, too, in the wake of scientific developments that will prove more revolutionary in their effects on present-day society than did steam on the society of the late eighteenth and early nineteenth centuries.

The year 1945 has thus ushered the world, the nation, and the Sixth District from the stern but well-defined objectives of war into a confused and uncharted future. For the Sixth District and for the South in general the question in the immediate future will concern the region's ability or inability to retain as much of its wartime prosperity as possible. Success will place the South on a permanently higher economic plateau where it need never again be considered a problem area. Failure, however, may result in a relapse into that unenviable position.

Whether the South succeeds or fails will depend a great deal upon the speed with which it capitalizes on its present, but perhaps fleeting, advantages. Much of the fixed capital

created in the South during the war is so highly specialized to war purposes or so greatly in excess of any conceivable peacetime requirements that it must be written off as clearly temporary. Some of it, however, may become a permanent part of the region's capital equipment if use is found for it fairly soon. Investible capital that has accumulated during the war can fructify Southern resources if it is backed by the imagination and enterprise necessary to use it in that way. Otherwise it will flow to other investment fields. The mechanical skills and factory experience with which a large part of the population has been endowed by the war are vital assets if used soon. Mechanical skill and psychological adjustment to factory work, however, are very quickly lost. If industrial opportunities are not created with sufficient speed and in sufficient volume to utilize the South's present skilled-labor force, the men constituting that force will either tend to move out of the region or, more likely, back to the land. In the latter case they would re-create the old problem involved in a high ratio of population to land and would thus tend to perpetuate uneconomic forms of agriculture.

For the South, therefore, because it has so much to gain or lose, the year 1945 was of critical importance. The best augury for the future is found in the way the South has met the first impact of the reconversion period in all phases of its economic life.

So far the South's reaction to peace has been more favorable than might have been anticipated. Unemployment, although it has been growing, is less than might have been expected. Agriculture is in a favorable financial position, and the prospect of a sustained demand for a year or two in the future may provide a basis for a considerable measure of prosperity even though farm incomes fall below those of the war period. There is no indication of any immediate runoff of bank deposits. It remains only for business enterprise to take advantage of these basically favorable factors. The rapidity with which new industries are coming to the Sixth District is evidence that businessmen are aware of their opportunities in the South.

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## Reconnaissance

Sixth District Statistics for December 1945 compared with December 1944

PER CENT DECREASE    PER CENT INCREASE

Department Store Sales

Department Store Stocks

Furniture Sales

Gasoline Tax Collections

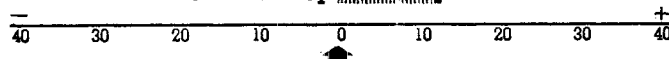
Cotton Consumption

Bank Deposits

Member Bank Loans

Member Bank Investments

Demand Deposits Adjusted



## Sixth District Agriculture in 1945

UNLIKE industry, which can meet the excessive demands that war places upon it by expanding its physical means of production, agriculture in wartime must meet its goals with little or no increase in the total quantities of the factors of production available for such a purpose. Whereas industry can to a large extent replace the men lost to the armed forces by drawing on other classes of workers, as well as by lengthening the working day and increasing the number of shifts, farmers have no such avenues of escape. Depletion of the ranks of farm labor can be offset only in part by the harder work of all remaining members of farm families.

The tight labor supply in agriculture prevents any large expansion of acreages devoted to crop and livestock production. Moreover, the farm-labor shortage can be compensated only in part by an increased use of farm machinery. The enormous demands made upon industry in modern times for the weapons of mechanized warfare make it impossible for farmers to secure all the additional farm machinery needed. Indeed, the depreciation of existing machines and buildings compels agriculture to work with a gradually decreasing supply of capital equipment.

As among the various agricultural products, of course, it is possible to increase some by restricting the production of others. Any large increase in the total output of agriculture, therefore, is more likely to be the result of exceptionally favorable growing conditions and technological improvements in soil management and cultivation, such as those that increase yields, than the result of any great enlargement of the physical assets of agriculture.

► The United States was blessed during the war with a series of years marked by generally favorable weather conditions and, hence, by bountiful crops. The crop production of the United States in 1945 was the third largest on record despite adverse weather conditions in that year. The spring planting season was one of the worst ever experienced for late-planted crops. The late spring and early summer season, the coolest in more than twenty years, was marked by damaging frosts. Further frost damage occurred in the early fall. On the other hand, moisture reserves and rainfall were adequate and there was consequently no damage from drought. Aggregate crop production in that year was 21 percent above the average for the predrought period of 1923-32. It fell short of the record output of 1942 by only 2 percent and was only  $1\frac{1}{2}$  percent below the total for 1944. These crops were made under conditions of an extremely reduced labor supply and an almost unrelieved shortage of machinery. They were made, too, with relatively little increase in acreage.

► In the period 1928-32 the acreage of 52 leading crops harvested ranged between 351 and 362 million acres. The crop restriction programs of the 1930's reduced this figure to an average of 329 million acres for the period 1934-43. This reduction thus allowed a certain margin that could be recovered during the war even with a reduced farm-labor supply. In spite of the calling back into production of a large part of the acreage earlier taken out of production, the 1945 crop was made on 347 million acres. This was not only less than the acreage in 1928-32; it was also four million less than the number of acres harvested in 1944.

What was true for the nation as a whole was also true for the Sixth District. In 1944 the crop acreage harvested in those states lying wholly or in part within the Sixth District amounted to 34.0 million acres. The corresponding number of acres harvested in these states in 1945 was 32.8 million — over a million less.

► With respect to the South's most important cash crop, cotton, not only was a smaller acreage planted during 1945 but the crop was the smallest since 1921. For the nation as a whole the cotton acreage shrank from 20.4 million to 18.4 million between 1944 and 1945, and in Sixth District states it declined almost a third of a million acres, from 6.8 million to 6.5 million, in the same period. The largest cotton-acreage reduction for the year occurred in Georgia, which lost 110,000 acres as compared with the 1944 acreage. The smallest decrease was that of 10,000 acres in Florida. The 1945 cotton crop was 9.2 million bales, which was 3.0 million bales less than the 1944 crop.

The smallness of the 1945 cotton crop was attributable to reduced acreage only in part. In large part it was the result of smaller yields to the acre because of unseasonable weather that made this one of the latest crops ever known. For the nation as a whole the lint yield per acre had been 293.5 pounds in 1944, but in 1945 it was only 249.6 pounds. In Georgia the yield fell from 286 pounds an acre in 1944 to 256 pounds; in Alabama it fell from 339 pounds to 321 pounds, in Florida from 192 to 167 pounds, in Tennessee from 409 to 377 pounds, in Mississippi from 400 to 343 pounds, and in Louisiana from 321 to 224 pounds.

The corn crop in Sixth District states in 1945 amounted to 246.2 million bushels. This exceeded the 1944 crop by 29.0 million bushels. Florida was the only state in the District that produced less corn in 1945 than it did in 1944. Every state, however, showed an increase in yield per acre in 1945 as compared with 1944, except Florida where the yield remained the same. The increases in yield ranged from one bushel an acre in Alabama to 5.0 bushels in Louisiana and Tennessee.

During the war oil crops were of peculiar importance because of the overrunning of Asiatic sources of supply by Japan. Peanuts along with soybeans and cottonseed had to fill the gap, and extraordinary efforts were made to increase the acreages of the first two. During the period 1934-43 the average acreage of peanuts harvested amounted to 2.1 million acres for the nation. By 1944 this acreage had increased to 3.2 million acres, and in 1945 it was 33,000 acres more. In the Sixth District 1.7 million acres of peanuts were harvested in 1944. In 1945, however, there was a decline of 47,000 acres. In 1945 the United States produced 2,079.6 million pounds of peanuts, picked and threshed. Over half of this — 1,138.0 million pounds — was produced in the states of the Sixth District. Of these states Georgia was by far the heaviest producer, its 1945 crop amounting to 704.7 million pounds. Alabama ranked second with a crop of 339.3 million pounds. The smallest crop in 1945 was found in Louisiana, where it amounted to 2.8 million pounds.

Of the 12 early-potato states, half are states of the Sixth District. In 1944 the Sixth District produced a potato crop of

16.4 million bushels, or 28 percent of the total for the 12 states. The Sixth District potato crop in 1945 was 20.5 million bushels, approximately 33 percent of the 12-state total. Yields per acre were greater in 1945 than they were in 1944 in every Sixth District state, the increases ranging from a low of three bushels to the acre in Mississippi to a high of 46 bushels an acre in Alabama.

Although 22 states produce sweet potatoes, in 1944 approximately 49 percent of the nation's crop was produced in the states of the Sixth District, where the crop amounted to 34.8 million bushels. The 1945 crop in the District was a little higher, 36.2 million bushels, but this was 54 percent of the crop for the nation in that year. Decreased yields were experienced in 1945 as compared with 1944 in Alabama, Florida, and Tennessee, but increases were recorded in Georgia, Louisiana, and Mississippi. The largest increase in yield was 14 bushels an acre in Mississippi. The next largest was 13 bushels an acre in Louisiana, followed by one of two bushels an acre in Georgia.

In the state of Florida, the most important single crop is the citrus-fruit crop. The 1945 crop of oranges amounted to approximately 50 million boxes, an increase of 7.2 million boxes over 1944. The grapefruit crop in 1945 filled 32 million boxes, an increase of 9.7 million. The output of tangerines in 1945 was 4 million boxes, the same as that in 1944, but the production of limes declined from 250,000 boxes in 1944 to 200,000 in 1945.

The production of sugar cane for sugar and seed is a virtual monopoly of the Sixth District, in which it is produced in two states—Louisiana and Florida. Of these two states Louisiana is the oldest producing area and is overwhelmingly the most important at present. Of the 5.7 million short tons of cane produced in 1944, Louisiana accounted for 4.9 million tons, and of the 6.7 million tons produced in both states in 1945, Louisiana accounted for 5.6 million. In both states the yield per acre was higher in 1945 than it was in 1944, the yield in Louisiana rising from 20.0 short tons an acre in 1944 to 22.5 in 1945. In Florida the increase in yield was almost twice as great, rising from 28.5 short tons an acre in 1944 to 33.0 short tons in 1945.

States of the Sixth District produce roughly half of all the pecans grown in 12 states. The 1944 crop in the District amounted to 70.8 million bushels out of 140.2 for all pecan-growing states. In the following year the District produced a smaller pecan crop—65.3 million bushels out of a total of 132.6 for the 12 states. The smaller crop for 1945 was the result of serious declines in Louisiana, Mississippi, Alabama, and Florida that were not fully offset by the gain of 3.4 million bushels in the Georgia crop.

► Throughout the war period as field hands became scarce and the difficulty of planting, cultivating, and harvesting field crops increased, there was a tendency in all the states of the District to shift to some extent from crops to livestock, especially cattle. This tendency was apparently still at work throughout 1945. On January 1, 1944, the cattle population of District states amounted to 7.9 million, and on January 1, 1945, this number had increased to approximately eight million. The net increase was 104,000 for the Six States, all states having recorded increases except Tennessee, which experienced a decline of 68,000 in its cattle population. The largest gain in cattle numbers for the year was 95,000 in Louisiana. Next in rank was Mississippi where the increase

was 30,000, and third was Florida with an increase of 23,000.

On the other hand, the number of hogs and pigs in Sixth District states was less by 1.6 million on January 1, 1945, than it was on the same date in 1944, declining from 8.3 million to 6.7 million. The greatest decrease was registered in Tennessee, where the number of hogs and pigs fell off by 462,000. Mississippi and Georgia ranked next with decreases of 315,000 and 300,000, respectively. With 1.6 million hogs on January 1, 1945, however, Georgia continued to rank first in the total number.

► Although readjustments of acreages among various crops and other farm projects account for relative increases or decreases, the total 1945 agricultural output in the Sixth District was large. The reckoning of the financial prosperity of agriculture must start with the volume of commodities that farmers have to sell, whether it be large or small.

In normal times, however, because of the inelasticity of demand for farm products, prices are likely to be disproportionately low as output increases. As a result farmers on the whole tend to receive a smaller total amount of money for a large output than they do for a small one. During the war, however, the situation was quite different. Substantial increases in individual incomes made possible large increases in the consumption of food. This increased demand together with the necessity of feeding an army of 11 or 12 million men with a larger per capita ration of food than they were accustomed to in peacetime and the necessity, as well, of feeding our allies under lend-lease agreements tended to sustain farm prices at an abnormally high level. Although some decline in the demand for farm commodities may be expected as the military establishments are reduced, the food and fiber requirements of the liberated countries of Europe as well as the emergency feeding of former enemy countries will tend to keep farm prices high until foreign agriculture is restored to productivity. Sixth District farmers, in common with those of the rest of the country, therefore, will continue to profit by the favorable conjunction of large agricultural output and high prices for farm products.

► On October 15, 1944, the index of prices for all farm products was, for the nation as a whole, 194 percent of the average for the period August 1909 to July 1914. On the same date in 1945 the index had risen to 199 percent of the average for the base period. Every state in the District for which figures are available also showed a higher index value on October 15, 1945, than it showed on the same date in the previous year. In Alabama the index rose from 178 to 187, in Florida from 209 to 211, in Georgia from 178 to 182, in Louisiana from 176 to 185, and in Tennessee from 189 to 200. Figures for Mississippi are unavailable. Only incomplete figures for the District are available for the last two months of 1945, but from what evidence there is, the index of prices for all farm products has risen still further for the District as a whole, although in some states it may have merely held steady.

Favorable prices and large agricultural output in 1945 combined to give Sixth District farmers in the four states where comparable figures are available a value for their crops that was 55.3 million dollars greater than the 1944 figure. The value of crops was highest in Georgia, where it amounted to 387.3 million dollars in 1945, compared with 371.4 million dollars in 1944. The state showing the second highest available figures was Tennessee, where the value of

crops in 1945 was 318.3 million dollars, compared with 285.8 million in 1944. Data on the value of crops are not available for Florida and Mississippi.

► Further evidence of the volume of money flowing into District agriculture is provided by cash receipts from farm marketings. Such cash receipts for the six states of the District in 1940 amounted to 677.1 million dollars. Cash receipts from farm marketings in the Sixth District in 1944, however, were 1.9 billion dollars. Similar figures for the whole of 1945 have not yet been received, but for the first nine months of the year cash receipts from farm marketings amounted to 1.2 billion dollars. By the end of the year they probably equaled, if they did not exceed, the 1944 figure.

Measured by the value of crops and by cash receipts from farm marketings, both 1944 and 1945 have been very prosperous years for agriculture in the Sixth District. Even when the small average size of Southern farms is taken into account the picture remains bright. In 1929, for example, cash receipts from farm marketings *per farm* amounted to \$1,009 on an average in the Sixth District. By 1944 this figure had more than doubled reaching \$2,320. For the United States as a whole, however, the average cash receipts from farm marketings *per farm* was \$1,809 in 1929 and \$3,632 in 1944. The average for the Sixth District was thus \$1,312 below that for the nation in the latter year. Apparently Southern farms were not profiting from the war to the same extent that farms in the nation as a whole were, although their position had indeed greatly improved. In 1939 the average for the Sixth District was only \$494 below that for the nation, and in 1943 the difference was \$1,319.

► If it is true that the war has favored other agricultural areas more in dollars and cents *per farm* than it has the South, a natural assumption might be that any deflation in agriculture is likely to strike other regions with greater force. The vulnerability of cotton, however, in a deflationary situation may invalidate any such assumption. In any case in a region where agriculture yields so much less *per farm* than it does elsewhere the old problem of a high ratio of men to land will probably remain despite the influence of the war. It can be solved only in ways that have been apparent for some time — the enlargement of farms and the adoption of more extensive forms of agriculture, accompanied by the absorption of the excess farm population into industry, or by a shift to crops of higher value that will bear the cost of intensive cultivation.

Except for crops in which the South has an absolute advantage because of climate, soil, and similar factors, the second of the foregoing alternatives offers but a partial solution. If Southern agriculture is to prosper in the future after the war boom has waned, such prosperity will have to come about as a by-product of industrial development. Unless this development occurs, Southern farmers may again find themselves relying upon Government payments of one sort or another and upon politically supported prices to make good the deficit in their earnings from agriculture.

► Temporarily, American agriculture is protected against the full brunt of the reconversion problem by the sustained spending of liquid assets in the domestic market and by the foreign requirements for agricultural products. How well agriculture will be able to meet the shock of reconversion when it actually comes depends a great deal upon the use that

is made of current high earnings. It would clearly be disastrous if farmers were struck by a sharply falling demand and low prices while heavily in debt. Inability to support an increasingly burdensome debt would result in a wave of foreclosures and general distress such as that which followed the first world war.

Fortunately farmers seem to be using a part of their current income to reduce the total volume of farm-mortgage debt. The mortgage debt on American farms in 1930 amounted to 9.6 billion dollars. This figure has been so reduced in every subsequent year that it amounted to only 5.3 billion dollars in 1945.

In the Sixth District the total farm-mortgage debt fell from 546 million dollars in 1930 to 424 million dollars in 1934. Contrary to the national tendency, however, it increased again thereafter. By 1942 the volume of mortgage debt had risen to 465 million dollars. This peak was then followed by reductions in each succeeding year to 384 million dollars in 1945. Of this amount 23 percent was in Mississippi, 21 percent in Georgia, 19 percent in Alabama, 17 percent in Tennessee, 13 percent in Louisiana, and 7 percent in Florida.

As important as the reduction of farm-mortgage debt in this District has been since 1930, it fell short of the reduction for the nation as a whole. Total farm-mortgage debt for the nation in 1945 was only 55 percent of what it had been in 1930. In the Sixth District, however, the 1945 debt was 70 percent of what it had been in 1930.

In the case of non-real-estate debt the situation is different. The total amount of this kind of debt held by insured commercial banks and Government agencies in the Sixth District amounted to 255.9 million dollars on July 1, 1939. Although farmers tended to pay an increasing proportion of their production costs out of current income during the war years, the volume of non-real-estate debt in the District increased to 321.1 million dollars on July 1, 1945. Both in 1939 and in 1945 the largest part of this debt was held by insured commercial banks — 64 percent in 1939 and 67 percent in 1945.

Considering the combined total of farm-mortgage debt and non-real-estate debt, the position of the Sixth District was less favorable in 1945 than it was in 1939. In 1939 the total of both kinds of debt amounted to 701.6 million dollars for the District, and in 1945 the total was 705.3 million dollars. As long as the present favorable relation between income and production expenses continues, the debt position need cause little worry. Although data for production expenses are not available for 1945, the relation between these and cash receipts from farm marketings in 1944 are at least indicative of the current position. Cash receipts from farm marketings in 1944 were 266 percent of the 1939 average whereas production expenses were only 175 percent of the 1939 average.

► A favorable income position, of course, tends to be reflected in higher land values. The index of the value per acre of farm real estate for the nation as a whole was 42 points higher in 1945 than it was in 1939, the 1912-14 average being taken as the base. Every state in the Sixth District exceeded this increase during the same period. In Alabama the index rose 58 points between 1939 and 1945, in Florida 54 points, in Georgia 52, in Louisiana 55, in Mississippi 59, and in Tennessee 73.

If a farmer continues to hold his land, a rise or fall in land values leaves him unaffected. On the other hand, if he invests any substantial part of his high current income in land at inflated prices he will merely be laying up trouble for

himself when farm income declines. If purchases have been made for cash, he may find that he has dissipated his savings. If purchases have been made on mortgages, he may find himself with an insupportable debt when his income position worsens.

There is some evidence in the state of Alabama, Florida, Georgia, South Carolina, and Mississippi that farmers are engaged in such activity in the land market, and presumably this would be true elsewhere in the South. This activity, however, lessened somewhat in 1945. The number of transfers in 1945 was 42 percent greater than in 1941 but was only 80 percent of those in 1944. Approximately 60 percent of all tracts sold in 1945 were sold by farmers, and 80 percent of all buyers were farmers. Fortunately, however, 72 percent of all sales were made for cash.

Although inflation in farm-land values is therefore not especially dangerous at the moment, it bears watching, and farmers would be wise to use their savings to liquidate their debts, improve their buildings, replace worn-out machinery, and adjust their various farm programs to peacetime demands rather than dissipate them in what could develop into a disastrous land boom.

► In summary, then, it may be said that 1945 was a very favorable year for agriculture in the Sixth District. Output was again large, and prices of farm products continued their upward trend. Cash receipts from farm marketings were high and exceeded production expenses by a wide margin. Increased liquid assets in the hands of farmers were used to improve their equity position in the land although the total burden of farm debt had grown because of an increase in non-real-estate loans. A favorable income position was being reflected in higher land values, and there was some evidence that farmers had been contributing to a land boom, but their activity was beginning to be curtailed in 1945.

How well Southern agriculture's wartime experience has fitted it to meet successfully its future problems of adjustment will be revealed in the next year or two. Although changes in the agricultural pattern that have been brought about by the war have generally been in the direction of freeing the South from its traditional dependence upon cotton and so have been in the right direction, cotton will undoubtedly still be the major cash crop for some time.

The future of cotton, however, is far from certain. The expansion of foreign growths that was occurring before the war will undoubtedly continue in the postwar period. Synthetic fibers and other substitutes for cotton have received great stimulation during the war, and they now more than ever threaten many of cotton's traditional markets. The continued political support of cotton prices will delay the desirable adjustments of cotton acreage, will necessitate some form of subsidy if American cotton is to enter foreign markets, and will thus affect international economic relations adversely. Moreover, the increasing mechanization of cotton culture is almost certain to affect adversely the smaller cotton farms and thus to accentuate the population problem. The way in which the cotton problem is handled may easily determine the future of Southern agriculture for years to come. For the region as a whole a vigorous industrial development will provide the best cushion against the shocks the older agrarian economy may be subjected to in the future.

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## Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS		
Item	Number of Stores Reporting	Percent Change November 1945 to December 1945
Total sales.....	30	+ 148
Cash sales.....	28	+ 135
Credit sales.....	28	+ 164
Accounts receivable, end of month.....	30	+ 77
Collections during month.....	30	+ 62

DEPARTMENT STORE SALES*						
	Adjusted* *			Unadjusted		
	Dec. 1945	Nov. 1945	Dec. 1944	Dec. 1945	Nov. 1945	Dec. 1944
DISTRICT.....	288	298	258	466	348	417
Atlanta.....	295	378	248	476	403	400
Baton Rouge.....	300	328	254	489	348	415
Birmingham.....	275	293	245	447	339	398
Chattanooga.....	291	302	259	470	338	419
Jackson.....	268	279	231	435	328	375
Jacksonville.....	345	394	332	579	426r	557
Knoxville.....	287	343	283	488	368	480
Macon.....	286	318	253	501	365	444
Miami.....	259	305	206	479	341	380
Montgomery.....	279	317	234	497	368	417
Nashville.....	311	358	264	524	392	445
New Orleans.....	243	250	227	399	291	373
Tampa.....	347	370	308	588	438	520

DEPARTMENT STORE STOCKS						
	Adjusted* *			Unadjusted		
	Dec. 1945	Nov. 1945	Dec. 1944	Dec. 1945	Nov. 1945	Dec. 1944
DISTRICT.....	184	193r	180	155	203r	151
Atlanta.....	272	260	274	221	300	222
Birmingham.....	120	126	127	105	149	111
Montgomery.....	165	183	187	140	213	158
Nashville.....	304	301	291	258	349	248
New Orleans.....	124	115	127	108	130	111

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Dec. 1945	Nov. 1945	Dec. 1944	Dec. 1945	Nov. 1945	Dec. 1944
TOTAL.....	136	156	150	150	169	146
Alabama.....	141	165	158	158	177	152
Georgia.....	136	155	149			
Tennessee.....	114	134	124	133	152	127

	MANUFACTURING EMPLOYMENT* *			GASOLINE TAX COLLECTIONS		
	Nov. 1945	Oct. 1945	Nov. 1944	Dec. 1945	Nov. 1945	Dec. 1944
SIX STATES.....	110	112	156	136	132	104
Alabama.....	129	132	182	140	140	109
Florida.....	85	86	164	127	118	92
Georgia.....	104	103	147	125	127	100
Louisiana.....	118	129	171	125	129	101
Mississippi.....	118	116	145	145	116	108
Tennessee.....	102	102	133	159	164	119

CONSUMERS' PRICE INDEX				ELECTRIC POWER PRODUCTION*			
	Nov. 1945	Oct. 1945	Nov. 1944		Nov. 1945	Oct. 1945	Nov. 1944
ALL ITEMS..	134	134	132	SIX STATES..	232	232	277
Food.....	147	147	144	Hydro-generated	216	213	230
Clothing.....	144	144	139	Fuel-generated	253	256	338
Rent.....	114	114	114	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Fuel, electricity, and ice..	111	111	109		Dec. 1945	Nov. 1945	Dec. 1944
Home furnishings..	145	145	139	Unadjusted..	19.0	16.0	20.6
Miscellaneous..	131	131	126	Adjusted* ..	16.5	15.1	17.9
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				Index* .....	63.8	58.4	69.3
	Dec. 1945	Nov. 1945	Dec. 1944	*Daily average basis			
Unadjusted..	208	207	202	**Adjusted for seasonal variation			
Adjusted**..	216	204	209	***1939 monthly average = 100, other indexes, 1935-39 = 100			
				r=Revised			



## Sixth District Industry in 1945

THE war period brought great changes to Sixth District manufacturing. One of them took place in the number of people employed. Another occurred in the proportion of manufacturing employment to agricultural employment. Alterations came about also in the diversification and relative importance of manufacturing enterprises. Yet another change was represented by the increased location of enterprises in communities that were formerly unindustrialized. In fact the war gave many communities a chance at the industrial development which they had long desired but which had not been initiated, under normal peacetime conditions, for financial or other reasons.

► From the fall of 1940 to the beginning of 1943, manufacturing employment rose steadily from 100, the 1939 monthly average, to 153. Then came fluctuations between that point and 166 until November 1944, followed by a gradual decrease to 130 at the end of August 1945. With the cancellation of contracts as a result of the end of the war with Japan an abrupt decrease to 111 occurred at the end of October. Indexes cannot be computed for later periods, since over-all figures are not available.

Some evidence of the relative importance that various industries had as employers of labor during the war period is given in reports of a sample group of 680 establishments. These reports indicate that throughout the period shipbuilding was the largest wartime industry in the Sixth District. Textile manufacture came second, aircraft manufacture third, and basic-metals production fourth. Florida led the other Sixth District states in shipbuilding, Georgia in production of textiles and aircraft, and Alabama in output of basic metals.

According to reports covering the same sample group of industries, Alabama had the largest number of workers in all types of manufacturing. That state in January 1945 had 150 plants with a total employment of 174,123, Georgia had 152 plants with 138,182 employees, and Florida had 128 plants with 66,706 employees. The Sixth District cities of Tennessee in January 1945 had 143 plants with total employment of 106,888, those in Louisiana had 55 plants with 79,117 employees, and Sixth District cities in Mississippi had 52 plants with 18,217 employees.

The production activity for the whole period of the war in the District cannot be accurately measured, however, by employment figures as they were in January 1945. By that time employment in three of the District's chief industries had begun to dwindle. The number of persons employed in 14 Florida shipyards had declined to 46,314 from 57,307 in July 1943. During the same period employment declined in six Alabama yards from 46,256 to 40,473, in five Louisiana yards from 36,569 to 30,905, in four Georgia yards from 34,597 to 29,216, and in four Mississippi yards from 10,791 to 9,581. The textile industry reached its peak production in the fall of 1942. Between July 1943 and January 1945 textile employment dropped from 41,618 to 40,857 in 51 Georgia mills, from 38,031 to 29,895 in 51 Tennessee mills, and from 29,283 to 20,177 in 34 Alabama mills. Employment in seven Alabama basic-metal establishments declined from 49,685 to 41,281 over the same period.

The decline in shipbuilding employment by 1945 was brought about chiefly by the completion of contracts. In textiles the decline seems to have been the result of the relatively low wages for workers in cotton-yarn and cotton-cloth manufacture. Smaller numbers of employees in war plants during 1944 and 1945, however, did not always indicate a lessening of productive activity. During the later war years tightening labor markets caused many manufacturers to streamline production processes so that they could get along with fewer workers. Records show, also, that in many war plants the percentage of overtime increased in 1944 and remained relatively high until July 1945. In addition the perfecting of production techniques, especially in those mills where new types of war materials were manufactured, enabled some plants to reduce employment and, at the same time, to maintain output.

The Sixth District industry that was the third largest employer of labor, aircraft manufacture, got a late start. There were 49,469 employees in the District's 12 chief aircraft establishments in July 1943; by January 1945 there were 72,685 employees in the same plants. Most of the increase occurred at Marietta, Georgia, where employment grew during the same period from 6,683 to 27,380 and remained at approximately that level until July 1945.

Other important war industries were munition and ordnance manufacture and lumber production. Employment in 14 Sixth District munition and ordnance factories increased from 38,236 in July 1943 to 47,757 in January 1945. The number of workers in 119 lumber operations decreased from 17,750 to 16,812 during the same period.

In the spring and summer of 1945 production levels were maintained or raised in some items, especially in those types of ammunition, landing boats, and bombers which became increasingly important in Far Eastern operations. The over-all picture, however, was one of gradually lessening activity on war production.

Some Sixth District industrial indexes during 1945 reflect more than others these changes in the general economy. The electric-power index in January 1945 was 293 percent of the 1935-39 average, its highest point during the war. From that point it fell gradually to 269 in July. Part of this decline, of course, was the usual seasonal fluctuation. In August the index rose to 277 and then fell abruptly to 232 at the end of October. The coal-production index, on the same base, was at 171 in January 1945. During the year it fluctuated between that point and 152, with the exception of a drop to 95 during April, the month of the work stoppage in mining. Cotton consumption went down from 166 in January to 137 in July and after August began to rise, reaching 156 by the end of November. Crude-oil production remained approximately the same for the first nine months of the year. The index was 198 in January and 202 in September.

► The wartime industrial activity of the Sixth District caused shifts in population from agricultural areas to the new manufacturing centers. Because much of the District's war production necessitated the building of new industrial facilities, other sections, where existing facilities could be converted to the production of materials of war, got off to an earlier

start. Therefore large numbers of skilled workmen left this part of the country to work in war plants of the North and Middle West. When the Southern plants were ready for production they inevitably drew heavily upon the agricultural population.

Because of the extent to which it combines size and diversity of war-goods production, Alabama affords a good illustration, for the District as a whole, of the changes occurring in the relative importance of agriculture and industry. Of the 893,848 persons gainfully employed in Alabama during 1940, 353,705 were engaged in agriculture and 155,419 in manufacturing. The total employment in Alabama in January 1945, the period roughly designating peak wartime employment, was 1,150,614, with 266,652 in agriculture and 280,153 in manufacturing. In other words, agricultural employment had decreased 87,053, or 24.6 percent; manufacturing employment had increased 124,734, or 80.3 percent. Agricultural employment in May 1945 showed a 4.6 percent increase over that in January. This increase was partly seasonal but not entirely, for in December a further increase of 2.2 percent occurred. Manufacturing employment decreased 6.7 percent between January and May and another 22.3 percent between May and December. Thus in the last month of 1945 agricultural employment had decreased 68,705, or 19.4 percent, since 1940, and manufacturing employment had increased 47,592, or 23.4 percent.

Though the percentages of change vary in the different states of the District, available data indicate that the speed with which industry is gaining ground over agriculture in the percentage of population employed was greatly increased by manufacturing enterprises brought to this section by the war. Estimates in January 1946 show also that relatively larger numbers of people are returning to peacetime manufacture than to agriculture. Since the Southeastern states have 30 percent of the nation's farm population and only 20 percent of the farm income, most regional leaders interpret the acceleration of the population shift as a benefit to the whole area.

► One of the wartime changes that swelled the ranks of industrial employment in the Sixth District and had little if anything to do with the decrease in agricultural employment was the drop of approximately 40 percent in the number of people in domestic service. December 1945 estimates indicate that only a very small percentage of these people have returned to domestic service. Since many of these former servants have learned other skills, the drop in the prewar level of domestic employment in the District may be permanent, especially if industrial expansion meets expectations.

► Since the end of the war with Japan, Unemployment Compensation claims and Servicemen's Readjustment Act claims have been increasing week by week. Estimates from most sections indicate that these claims have reached their peak, since the expected increase in servicemen's claims will probably be balanced by the exhausting of Unemployment Compensation benefits. Unemployment, however, is expected to increase in most sections until it reaches a peak in March or April of this year. The increase will continue because of returning veterans and because war-plant workers who migrated in the earlier stages of the war to all parts of the country are now returning to unindustrialized sections. This latter group should furnish an experienced labor market for the many mills that are now being established in rural areas.

All through the South such workers are returning to rural communities with experience that can be turned to account in off-season work in a neighboring mill. This does not mean that training in the details of shipbuilding or aircraft manufacture has provided the mechanical skills necessary for successful work in a garment factory, for instance. As a matter of fact, farm people naturally have mechanical aptitude; they have to have it for the many different kinds of things to be done on a farm. This fact accounts for the surprising production records established by some of those war plants that were dependent almost entirely upon former farm labor. Before the records could be made, however, these laborers, unaccustomed to indoor confinement and close group work, had to overcome the psychological hazards of factory work. They had to go through a breaking-in process. Indications are that the results of this process are as important to an industrial population as a knowledge of precision tools.

► During the war the industrial complexion of the Sixth District was thus greatly changed. Though production of war materials has virtually ceased, some of the wartime changes are apparently permanent. The table illustrates such changes as they appeared in December 1945 in Tennessee. Other states show individual differences in the rapidity of growth of newer industries, but the general tendencies are similar.

Rank	1940		1945	
	Industry	No. of Workers	Industry	No. of Workers
1	Textiles	37,364	Chemicals	53,508
2	Lumber	19,361	Textiles	36,017
3	Chemicals	17,701	Food	21,800
4	Food	16,239	Apparel	18,816
5	Apparel	14,184	Iron and Steel	15,539
6	Iron and Steel	12,877	Lumber	13,016

At the end of 1945 there were in Georgia 50,000 claimants for both kinds of unemployment compensation and about 30,000 unemployed workers not entitled to those benefits. Unemployment in Alabama at the same time was estimated at 74,960. In Florida the number of benefit claimants was 30,000, but no estimates were made of the number not entitled to benefits. Tennessee had an estimated 83,000 unemployed at the end of the year. No state-wide estimates of this sort are available for Louisiana and Mississippi.

► It is expected that new industrial establishments opening in the District and the existing establishments that are planning expansion will begin to take up the slack in the regional labor market after about March 1946. The fact that the cessation of production for war has not resulted in greater unemployment is owing in large measure to the continued operation of hundreds of small industrial enterprises that were established during the latter part of the war. In Georgia 208 new plants began production between September 1944 and September 1945. Most of them are small textile, wood-products, and food-processing establishments, and many of them are located in hitherto unindustrialized communities. In the other states of the District the same or different types of small operations began during the war. Some of them expanded when manpower became increasingly available and are now expanding further.

Since the war many of the larger industrial enterprises have either started to construct new plants in the District or are making plans to do so. The construction of such plants as well as the construction of expanded facilities for exist-



ing plants and the repair and construction of houses, roads, bridges, and public buildings are expected to provide more new jobs than all other types of employment in the spring and summer of 1946. But the construction boom may last far beyond next summer. In the Atlanta area alone the spending of 400 million dollars for construction has been planned for the next five years.

Industrial expansion in Alabama in 1946 will be furthered with the opening of 21 new plants by the end of June. They will, it is expected, have an initial employment of 1,452 and a peak employment of 3,792. The textile industry in Alabama is expected to be increasingly important during the year.

If Florida's plans for 1946 materialize they will keep employment far above the prewar level. Construction predominates. A 1.2-million-dollar orange-dehydration plant is under construction in Orlando. Miami's program calls for 40 million dollars worth of heavy construction. At Jacksonville and Tampa coastwise shipping is expanding rapidly. Panama City during December issued 41 building permits totaling \$138,590. Included in the extensive improvements on the program are a new airport and the development of the waterfront.

Tennessee expects considerable development in 1946 in the apparel and shoe industries. Many small plants in these lines are being built in sections formerly without industries by establishments already operating in the state.

During the war period 177 new plants were authorized for Louisiana by the War Production Board. Food-processing plants were most numerous. Others manufactured chemicals, petroleum products, ships, ammunition and ordnance, wood products, carbon black, synthetic rubber, aircraft, and pulp and paper products. The manufacture of ordnance and ammunition, ships, and airplanes has ceased, but the successful reconversion of all the other wartime plants in the state is expected by the middle of 1946.

Reconversion seems to have been more successful in Mississippi than in other areas of the District. At the end of 1945 total employment was about the same as it was in May, in spite of a decline of 5,000 in manufacturing employment brought about by the closing of plants manufacturing ordnance and ammunition boxes. Mississippi's only major shipyard, that of the Ingalls Shipbuilding Corporation, has made no layoffs, and its current contracts necessitate production in 1946 that will exceed its 1945 production. The Mississippi legislature in 1944 passed a new "balance agriculture with industry" act to reinstitute a program discontinued in 1940. Since passage of the new act 18 communities in the state have floated bonds amounting to approximately \$1,500,000 for the purpose of constructing industrial facilities. New establishments thus brought to the state are expected to increase annual industrial pay rolls approximately five million dollars.

Exactly what these changes in manufacturing may mean to the future of Sixth District industry is not immediately apparent. It is clear that they have hastened the development of some of the section's traditional industries and that they have pointed the way to future developments in new directions. It is clear also that they have engendered a desire on the part of communities to hold on to their new or expanded industries and that they have given fresh impetus and vitality to the movement for greater industrialization of the entire South.

JOHN TYREE FAIN

## Sixth District Statistics

INSTALMENT CASH LOANS			
Lender	Number of Lenders Reporting	Percent Change Nov. 1945 to Dec. 1945	
		Volume	Outstandings
Federal credit unions.....	42	+ 24	+ 4
State credit unions.....	23	+ 34	+ 2
Industrial banking companies.....	10	+ 6	+ 5
Industrial loan companies.....	21	+ 17	+ 4
Small loan companies.....	47	+ 32	+ 9
Commercial banks.....	34	+ 4	+ 7

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change December 1945 from	
		November 1945	December 1944
Total sales.....	77	+ 14	+ 23
Cash sales.....	67	+ 23	+ 45
Instalment and other credit sales.....	67	+ 13	+ 17
Accounts receivable, end of month.....	74	+ 29	+ 20
Collections during month.....	74	— 0	+ 16
Inventories, end of month.....	59	— 12	+ 29

WHOLESALE SALES AND INVENTORIES*—DECEMBER 1945						
	No. of Firms Reporting	SALES		No. of Firms Reporting	INVENTORIES	
		Percent Change Dec. 1945 from			Percent Change Dec. 1945 from	
		Nov. 1945	Dec. 1944		Nov. 1945	Dec. 1944
Automotive supplies.....	5	— 18	+ 22	4	— 1	+ 25
Shoes and other footwear.....	3	— 28	+ 22	..	.....	.....
Drugs and sundries.....	6	— 11	+ 10	..	.....	.....
Dry goods.....	6	— 60	— 3	..	.....	.....
Fresh fruits and vegetables.....	4	— 1	— 1	..	.....	.....
Farm supplies.....	3	— 9	+ 11	..	.....	.....
Confectionery.....	5	— 1	+ 7	..	.....	.....
Groceries—full-line wholesalers.....	34	— 15	+ 4	16	+ 26	+ 18
Groceries—specialty-line wholesalers.....	8	— 16	+ 2	7	+ 7	+ 37
Beer.....	3	— 12	— 28	3	— 8	— 24
Hardware—general.....	6	— 10	+ 31	..	.....	.....
Hardware—industrial.....	3	— 11	— 17	..	.....	.....
Machinery, equipment, and supplies.....	3	— 3	0	..	.....	.....
Tobacco and its products.....	6	— 4	+ 17	..	.....	.....
Miscellaneous.....	13	— 15	+ 23	20	+ 14	+ 7
TOTAL.....	108	— 15	+ 7	50	+ 17	+ 14

\*Based on U. S. Department of Commerce figures

\*Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS						
Place	No. of Stores Report- ing	SALES		No. of Stores Report- ing	INVENTORIES	
		Dec. 1945 from			Percent Change Dec. 31, 1945, from	
		Nov. 1945	Dec. 1944		Nov. 30 1945	Dec. 31 1944
ALABAMA						
Birmingham....	5	+ 32	+ 8	4	— 30	— 6
Mobile.....	5	+ 35	— 6	..	....	....
Montgomery....	3	+ 35	+ 14	3	— 34	— 12
FLORIDA						
Jacksonville....	4	+ 36	+ 5	3	— 17	+ 12
Miami.....	4	+ 40	+ 20	3	— 26	+ 7
Orlando.....	3	+ 25	+ 5	..	....	....
Tampa.....	5	+ 34	+ 13	3	— 34	— 7
GEORGIA						
Atlanta.....	6	+ 18	+ 19	5	— 26	— 1
Augusta.....	4	+ 36	+ 15	3	— 33	+ 4
Columbus....	3	+ 55	— 2	..	....	....
Macon.....	4	+ 37	+ 14	4	— 36	+ 37
LOUISIANA						
Baton Rouge....	4	+ 41	+ 19	4	— 37	— 7
New Orleans....	4	+ 37	+ 13	3	— 17	— 3
MISSISSIPPI						
Jackson.....	4	+ 33	+ 16	4	— 26	— 10
TENNESSEE						
Bristol.....	3	+ 44	+ 25	3	— 37	— 23
Chattanooga....	4	+ 39	+ 11	3	+ 55	— 9
Knoxville.....	4	+ 33	+ 2	..	....	....
Nashville.....	6	+ 33	+ 18	5	— 26	+ 5
OTHER CITIES*	18	+ 43	+ 12	22	— 19	+ 19
DISTRICT	93	+ 33	+ 13	72	— 24	+ 2

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

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

## Sixth District Trade in 1945

THE retail distribution of merchandise in the Sixth District was greater in 1945 than it has ever been.

► Confidential reports made to this bank by more than ninety department stores scattered over the District disclose that the dollar volume of sales was 13 percent larger in 1945 than it was in 1944. For many years the Federal Reserve Bank of Atlanta has received confidential reports from a representative group of department stores in the District and, with the sales figures thus reported, has maintained an index of the daily average rate of such sales. The index goes back to January 1919. It makes possible a comparison of department store sales by months and years back to that time. Daily average sales in the five-year period 1935 through 1939 are represented by 100 percent and the index for each month in the series shows how sales in that month compared with those in the five-year base period. This is also true of the annual indexes.

The annual index of Sixth District department store sales in 1945 was 275. The total sales volume in 1945, therefore, was two and three fourths times what it was in the 1935-39 period. The annual index has been rising for the past seven years. Indeed, except for a two-point drop in 1938, it has risen each year since the depression level that was recorded in 1932. In that year sales amounted to only 60 percent of the 1935-39 average. The index of 275 for 1945 means that sales in that year were more than four and a half times as great in dollar volume as the 1932 sales.

In the past seven years the largest rise occurred in 1943. There had been increases of 10 percent and 9 percent, respectively, in 1939 and 1940. In 1941 sales increased 18 percent over those for 1940. In 1942 the increase over the 1941 figures was only 12 percent, but in 1943 there was a gain of 26 percent, and in 1944 a further rise of 19 percent.

► The rise of 13 percent from 1944 to 1945 was not shared equally by all reporting cities in the District. The largest increase of 1945 sales, 20 percent, occurred at Augusta, Georgia. Augusta is a city that, in the earlier years of the war, benefited much less from war activities than some of the other places in the District, but it is a separation center where many members of the armed forces are receiving their discharges from the service and this has undoubtedly been an important factor in the large increase in 1945 sales. Montgomery and Atlanta had gains of 19 percent, and Miami, Baton Rouge, and Nashville followed with increases of 17 percent. Next in size of increase was Bristol with a gain of 16 percent, followed by Chattanooga and Jackson with increases of 14 percent. At most of the other reporting cities gains were smaller than the average of 13 percent, and at Mobile, because of the discontinuance of operations at shipyards and other war plants in the area, 1945 sales were 3 percent less than they were in 1944. At Knoxville 1945 sales were up 8 percent from sales of the year before, but it is notable that for almost a year and a half, from August 1943 through December 1944, the increases at Knoxville over the corresponding months a year earlier were larger than those at any other reporting city in the District. At the time there was considerable speculation about the reason for such large gains at Knoxville, but they can now be attributed in large

part to the location of the atomic-bomb plant at near-by Oak Ridge, a city of some 75,000 people, about which little was known until recently.

► During 1945 the largest increases over corresponding months in 1944 came in the first quarter of the year. The index for January, at 214 percent of the 1935-39 average, was up 20 percent from that in 1944, and the index for February was up 22 percent. At 232, the March index was 28 percent higher last year than it was in 1944, whereas in April there was an actual decrease of something less than one half of one percent. This is accounted for by the earlier date of Easter in 1945, April 1. Easter buying thus took place entirely in March, but in 1944 the date of Easter, April 9, had allowed seven business days in April before Easter. The adjusted index, which takes into account not only the effect of seasonal factors on the volume of business but also the changing date of Easter, indicates an increase of 20 percent in March over that month a year earlier, and an increase of 6 percent in April. Last year the index for May was only 4 percent above that in 1944, but the index for June showed an increase of 17 percent in 1945. In the latter half of the year the indexes averaged 12 percent higher than they did in that part of 1944.

The holiday period was characterized by heavy spending for all sorts of goods that were available and by shortages of many kinds of gift merchandise and in regular items that are extensively used as gifts. The reasons that trade has held up in spite of the discontinuance of war activities and some increase in unemployment are numerous. Returning servicemen require civilian clothing, for instance, and many of them who have married in the past few years need furniture and other household equipment. Another important factor is the sharp reduction since midyear in the sale of savings bonds and the increased rate at which they are being turned into cash.

In this District sales of savings bonds in June amounted to 89.8 million dollars. In July they amounted to 73.3 million dollars. The total for August dropped to 37.7 million, that for September to 27.6 million, and the total for October to 24.0 million. The Victory Drive in November and December resulted in sales in those months of 49.5 million dollars and 47.3 million dollars, respectively. The total amount of these bonds that were redeemed in June and July averaged about 34 million dollars, but following the ending of the Pacific War, redemptions increased by almost one half. From August through December they averaged 50.2 million dollars. It can hardly be doubted that a sizable part of this money found its way into retail channels of trade and to some extent counteracted the effect of increased unemployment.

► Of the more than ninety department stores in the District that report their sales, stocks, and other items, about 22 also furnish monthly reports that show in more or less detail their sales and inventories classified by departments or groups of items. Some of these stores report figures for more different departments and groups of items than the others are able to do.

Rather curiously, the largest percentage increases during most of 1945 over corresponding months of 1944 were in

sales of mechanical refrigerators, for which only five stores reported figures. The smallest increase, 16 percent, was reported for June 1945 over that month a year earlier; in April the increase was 59 percent; and for other months through November—December figures are not yet available—the increases were much larger, ranging up to 431 percent for August. For the 11 months, January through November, the total was more than three and a half times as large as sales in that part of 1944. End-of-month stocks of mechanical refrigerators were smaller for each of the first six months of 1945 and for August than they had been at corresponding times a year earlier, but for July and for September, October, and November they were larger.

Probably the greatest scarcity was in radios. Sales in 1945 of seven reporting stores were down 53 percent from the 1944 average, and stocks were also greatly reduced. Press reports in the fall had indicated that there might be some radios available for the holiday trade, but actually there were few, if any at all, for over-the-counter sale. Another item that was in very short supply for the first nine months of the year was cameras. In October and November, however, both sales and stocks of cameras increased over those in the same months of 1944 to such an extent that the January-November total of sales in 1945 was 3 percent larger than the total for that part of 1944. Another scarce item was umbrellas; but even so 1945 sales averaged 3 percent greater than they had the year before. In contrast, with this slight gain in umbrella sales, phonograph and record sales, grouped together, were 70 percent greater than they were in 1944.

Despite the scarcity of men's clothing during most of the year sales in 1945 were 27 percent greater than those made in 1944, and sales of men's furnishings were up 23 percent. The almost complete absence of men's shirts, shorts, and pajamas in the stores became progressively more acute as the year end approached.

Sales of women's and misses' wear as a group increased 19 percent in 1945 over the 1944 volume, sales of coats and suits were up 17 percent, and there was a rise of 28 percent in sales of dresses.

Total sales of home furnishings were up 16 percent from the 1944 figures. In this group the large decrease in sales of radios offset to some extent the increases in mechanical refrigerators, phonographs, and records and increases of 31 percent in sales of furniture and beds, 54 percent in mattresses and springs, and 58 percent in other household appliances.

There has been, of course, during most of the past three or four years, the general complaint that merchandise offered for sale has been in most instances of a quality inferior to that available at comparable prices before the war. These comparisons are of dollar figures and take no account of any changes that might have taken place in prices or in the quality of merchandise.

► In addition to the reports that come from department stores, confidential reports from more than a hundred retail furniture stores are also received by this bank each month. In 1945 the total sales reported by these stores averaged 15 percent greater in dollar value than they did in 1944. Most of these stores, but not all, are able to report the amounts of their sales for cash and those that are charged to instalment or other credit accounts. In contrast to the increase of 15 percent in the year's total sales, the total of cash sales in-

creased 33 percent, and credit sales were up only 13 percent. In January and February 1945 stocks at these retail furniture stores were smaller than they were a year earlier. Beginning in March, however, the stores reported increases for each month, and stocks averaged 11 percent larger for the year than they did in 1944.

► Wholesale distribution of merchandise in the District averaged only slightly higher in the first 11 months of 1945 than it did in that part of 1944. This gain is shown in monthly reports prepared by the Department of Commerce.

Because the wholesale-trade reporting service inaugurated in the early 1920's by the Federal Reserve Banks was taken over some years ago by the United States Department of Commerce, the Banks no longer receive reports directly from wholesale firms. From month to month, however, the Bureau of the Census in the Department of Commerce furnishes the Reserve Banks with statements that show comparisons of the sales, stocks, and collections reported by firms in the respective Reserve Districts. The number of wholesale firms located in the Sixth District that report to the Bureau of the Census varies from month to month; in some months the number exceeds 150, and in others it is considerably lower.

For the January-November period of 1945, total sales by Sixth District wholesale firms reporting to the Bureau of the Census averaged one half of one percent higher than they did in that period a year earlier. That means, of course, that the increases reported in sales by firms dealing in some lines of merchandise were only slightly more than sufficient to offset the decreases reported by firms dealing in other lines of merchandise.

In this District the largest increase for 1945 over 1944 in sales made by wholesale concerns was reported by firms dealing in automotive supplies. Sales in that line increased 34 percent. That is easily understood because the fact that virtually no new cars were available made necessary more frequent and extensive repairs and replacements on the cars that were in use. The next largest increase over 1944, 25 percent, was in sales of electrical goods. In both those lines the largest increases for the first 11 months of the year were in October and November. Sales of fresh fruits and vegetables increased 9 percent, with the largest gains occurring in January and April. The increase in sales of industrial hardware was also 9 percent for the year, with the largest gain coming in January and decreases occurring in October and November. Sales of wholesale grocers dealing in specialty lines were up 8 percent. There were also increases, of 4 percent, in sales of clothing, general hardware, and drugs.

The largest decrease in sales in 1945 compared with those in 1944 was reported by firms dealing in confectionery. Their sales were down 23 percent, and that decrease was, of course, a result of the extreme shortage of sugar. There were decreases of 8 percent in dry goods and 5 percent in tobacco and tobacco products. These decreases may be attributed to the fact that the output of textile mills and of the tobacco manufacturers were, during a large part of the year, going to the armed forces. Sales of beer were down 4 percent, and there were declines of one percent in sales made by firms dealing in paper and paper products and in those made by full-line grocery wholesalers. Sales in the "miscellaneous" group were down 8 percent for the year.

D. E. MONCRIEF

## Sixth District Statistics

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)					
Item	Jan. 23 1946	Jan. 26 1945	Jan. 24 1945	Percent Change Jan. 23, 1946, from	
				Dec. 26 1945	Jan. 24 1945
Loans and investments—					
Total.....	2,311,098	2,306,553	1,814,256	+ 0	+ 27
Loans—total.....	516,154	546,742	352,203	— 6	+ 47
Commercial, industrial, and agricultural loans.....	244,584	250,000	207,642	— 2	+ 18
Loans to brokers and dealers in securities.....	3,186	15,758	5,931	— 80	— 46
Other loans for pur- chasing and carrying securities.....	140,503	154,663	44,176	— 9	+218
Real estate loans.....	24,184	22,996	23,910	+ 5	+ 1
Loans to banks.....	3,019	3,962	2,856	— 24	+ 6
Other loans.....	90,678	99,363	67,688	— 9	+ 34
Investments—total.....	1,794,944	1,759,811	1,462,053	+ 2	+ 23
U. S. direct obligations.....	1,642,736	1,609,782	1,320,615	+ 2	+ 24
Obligations guaranteed by U. S.....	1,458	1,121	18,846	+ 30	— 92
Other securities.....	150,750	148,908	122,592	+ 1	+ 23
Reserve with F. R. Bank.....	381,463	375,099	329,014	+ 2	+ 16
Cash in vault.....	30,041	32,908	28,940	— 9	+ 4
Balances with domestic banks.....	155,131	157,507	144,640	— 2	+ 7
Demand deposits adjusted.....	1,269,824	1,256,672	1,074,283	+ 1	+ 18
Time deposits.....	422,821	415,223	332,519	+ 2	+ 27
U. S. Gov't deposits.....	460,974	472,186	236,700	— 2	+ 95
Deposits of domestic banks.....	607,774	612,069	512,436	— 1	+ 19
Borrowings.....	5,000				

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Dec. 1945	Nov. 1945	Dec. 1944	Percent Change Dec. 1945 from	
					Nov. 1945	Dec. 1944
<b>ALABAMA</b>						
Anniston.....	3	17,609	15,742	19,648	+ 12	— 10
Birmingham.....	3	231,923	219,138	215,371	+ 6	+ 8
Dothan.....	2	11,966	11,263	10,137	+ 6	+ 18
Gadsden.....	3	13,047	13,437	13,386	— 3	— 3
Mobile.....	4	103,592	91,367	127,072	+ 13	— 18
Montgomery.....	3	52,575	50,058	42,246	+ 5	+ 24
<b>FLORIDA</b>						
Jacksonville.....	3	223,238	189,935	212,454	+ 18	+ 5
Miami.....	7	191,871	157,232	165,425	+ 22	+ 16
Greater Miami*	11	270,951	220,051	233,856	+ 23	+ 16
Orlando.....	2	47,109	35,282	34,173	+ 34	+ 38
Pensacola.....	3	30,739	26,928	30,475	+ 14	+ 1
St. Petersburg.....	3	39,127	35,129	30,081	+ 11	+ 30
Tampa.....	3	95,629	82,129	92,525	+ 16	+ 3
<b>GEORGIA</b>						
Albany.....	2	15,947	15,411	14,065	+ 3	+ 13
Atlanta.....	4	649,981	538,722	571,616	+ 21	+ 14
Augusta.....	3	41,482	39,460	43,216	+ 5	— 4
Brunswick.....	2	8,248	9,946	20,098	17	— 59
Columbus.....	4	42,458	39,376	43,315	+ 8	— 2
Elberton.....	2	2,794	3,075	2,380	— 9	+ 17
Gainesville*	3	9,243	10,539	**	— 12	.....
Griffin.....	2	8,138	8,022	**	+ 1	.....
Macon.....	3	50,965	45,147	51,711	+ 13	— 1
Newnan.....	2	7,381	7,756	5,715	— 5	+ 29
Rome.....	3	15,066	17,156	**	— 12	.....
Savannah.....	4	87,876	70,263	102,028	+ 25	— 14
Valdosta.....	2	9,497	9,980	8,030	— 5	+ 18
<b>LOUISIANA</b>						
Baton Rouge.....	3	53,332	49,242	46,985	+ 8	+ 14
Lake Charles.....	3	21,405	20,350	20,538	+ 5	+ 4
New Orleans.....	7	528,028	456,714	500,077	+ 16	+ 6
<b>MISSISSIPPI</b>						
Hattiesburg.....	2	13,999	14,082	14,497	— 1	— 3
Jackson.....	4	75,763	69,989	63,747	+ 8	+ 19
Meridian.....	3	20,553	20,557	18,208	— 0	+ 13
Vicksburg.....	2	20,975	23,649	25,447	— 11	— 18
<b>TENNESSEE</b>						
Chattanooga.....	4	111,908	92,989	105,103	+ 20	+ 6
Knoxville.....	4	120,341	101,569	130,250	+ 18	— 8
Nashville.....	6	253,529	201,442	231,211	+ 26	+ 10
<b>SIXTH DISTRICT</b>						
32 Cities.....	105	3,194,887	2,757,359	3,011,238	+ 16	+ 6
<b>UNITED STATES</b>						
334 Cities.....		101,563,000	79,401,000	91,281,000	+ 28	+ 11
*Not included in Sixth District total						
**Not available						

\*Not included in Sixth District total

\*\*Not available

## Banking Announcements

THE Board of Governors of the Federal Reserve System in Washington on January 1, 1946, announced the reappointment of Frank H. Neely of Atlanta, Georgia, as chairman of the Board of Directors and Federal Reserve Agent of the Federal Reserve Bank of Atlanta for the year 1946. It also announced the appointment of J. F. Porter of Columbia, Tennessee, president of the Tennessee Farm Bureau Federation, as a Class C director of the Federal Reserve Bank of Atlanta and designated him as deputy chairman of the Board of Directors of the Atlanta bank for 1946.

In addition, the Board of Governors reappointed William Howard Smith a director of the Birmingham branch, Charles S. Lee a director of the Jacksonville branch, and John J. Shaffer, Jr., a director of the New Orleans branch. These three branch directors' terms began on January 1 and are for three years.

On January 2 the Board of Governors appointed H. G. Chalkley, Jr., as a director of the New Orleans branch to fill the unexpired term of Major Alexander Fitz-Hugh. Mr. Chalkley is president of the Sweet Lake Land and Oil Company of Lake Charles, Louisiana.

Mr. Neely, chairman of the board of the Federal Reserve Bank of Atlanta, on January 1 announced the reappointments of M. B. Spragins to the board of directors of the Birmingham branch, J. S. Fairchild to that of the Jacksonville branch, Edward Potter, Jr., to the board of the Nashville branch, and T. G. Nicholson to the board of the New Orleans branch. These men will serve for a term of three years beginning January 1.

In addition to the foregoing, Mr. Neely announced the election of Robert Strickland, president of the Trust Company of Georgia, Atlanta, Georgia, as a member of the Federal Advisory Council to represent the Sixth Federal Reserve District. Mr. Strickland's term of one year began January 1.

## Additions to the Par List

On January 11 the Commercial Bank of Daytona Beach, Daytona Beach, Florida, began remitting at par for checks drawn on it when received by the Federal Reserve Bank. This bank, which was formerly known as the Industrial Savings Bank, is a nonmember bank located in the territory served by the Jacksonville branch.

On January 12, 1946, the Commercial Bank of Daytona Beach had capital amounting to \$100,000, undivided profits of \$9,000, and surplus of \$20,000. Its deposits on that date were \$1,404,000.

This bank is officered by L. A. Coleman, president; Blaine B. Barber, executive vice president; R. L. Coleman, vice president; H. C. Coleman, cashier; and R. F. Livingston, D. L. Niver, H. D. Riegle, and Gladys G. Fountain, assistant cashiers.

The bank serves the resort city of Daytona Beach, Florida, which had a population of approximately 22,584 in 1940. Annual tourist business in the city is estimated to be 15 million dollars, and the 9,000 employed civilians in the immediate trading area receive annual wages and salaries of \$13,500,000.

During the year 1945, a total of 81 banks were added to the Federal Reserve Par List in the Sixth District. Of these, 42 were in Tennessee, 15 in Florida, 10 in Alabama, 7 in Georgia, 5 in Louisiana, and 2 in Mississippi.