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FEDERAL RESERVE BANK OF ATLANTA

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Education as an Investment in Sixth District Economic Progress

THE opening of the schools this month has resumed for another term an economic activity that, measured by the number of persons participating, is more important than any single industry in the Sixth District. In each of the Six States the number of people going to school exceeds the number of those working in manufacturing plants throughout the District. The number of pupils enrolled in school is also greater than the total number of persons engaged in agriculture in any of the states. Moreover, in terms of its long-run effect on the economic future of the region, the money expended on schools may yield greater returns in dollars and cents than money spent in any single industry or other type of economic activity. Most people who pay taxes know something about the cost of education. They are aware in a general way of the importance of an educated population. Many have no realization, however, of the direct contribution that education, by developing human resources, makes to the economic progress of their region.

Business and industrial leaders have recently devised many plans that promise to expand the region's industry. They have established research organizations, industrial foundations, port organizations, foreign trade facilities and others. Yet, the success of these plans depends on the capabilities of all the people who work with them.

This relationship between human resources and economic advance is apparent to a number of organizations, including the Chamber of Commerce of the United States. Through its committee on education the chamber has published the results of studies showing the importance of education in economic progress. Within the District R. E. Gormley as president of the Georgia Bankers Association has called attention to what has been termed Georgia's educational crisis. In circularizing a booklet, "Challenge to Georgia and Georgians," he wrote to the members, "The educational standards of our state should and must be raised and . . . it is incumbent upon each of us to feel a personal responsibility. . . ." At a meeting held in New Orleans in August, editors of seven Southern newspapers urged improved educational opportunities as one of the means of forwarding the South's economic and social progress. Organized labor has recently started a program of adult education.

As promising as such interest may be, many communities neglect to consider the direct relationship between ignorance and poverty on one hand and between education and economic progress on the other. In an effort to attract new industries to their communities, people frequently go into great detail about physical resources. They give the type, quality,

and quantity of raw materials; the amount of the water supply—its analysis and its cost; and the extent of railroad facilities. If the community is a port, they tell the depth of the channel, the number and type of dock facilities, the marine-repair facilities, and the financial services available. Prospectuses published by such communities seldom give the average educational levels of the labor forces. Information about labor is often limited to such general statements as "An adequate labor supply is available", and education is dismissed with "The city is known for its well-equipped schools." Yet, frequently the community's economic position today is the result of the type of education it provided yesterday. Its economic position tomorrow will be partly determined by how well it is educating its children today.

During the war years the extent to which educational progress has aided the recent economic improvement in the region was clearly indicated. The degree of manufacturing expansion in the District during that time is perhaps much better known than the number of those persons who had to change their type of work in order to make it possible. Between 1939 and the period of peak employment in 1944 the number of factory workers in the Sixth Federal Reserve District increased more than half a million. Manufacturing employment was 1.8 times in 1944 what it was in 1939. The number of new workers was even larger because, aside from having to swell the ranks of industry, they had to replace men going into the armed forces.

Although expansion was rapid, the level of efficiency was as high in the South as it was in the North, according to Richard A. Lester of Princeton University. Dr. Lester based his conclusions on information received in 1945 from 10 industrial consultants and representatives of 40 inter-regional manufacturing concerns and 8 labor unions. The majority of persons reporting to him believed that under similar circumstances of occupations, working conditions, and management, Southern workers were equal to Northern workers in efficiency and sometimes excelled them.

This ability of Southern workers to do their work efficiently while greatly increasing in number was not the result of a background of industrial experience comparable with the rest of the country. Out of every 100 workers in this District only 15 worked in manufacturing plants during 1940, compared with 23 out of every 100 over the nation. This acquisition of new skills in a relatively short time was partly the result of the unusual opportunity offered by the war. Many of the war industries were large-scale activities in which it was possible to break down the complex operations into comparatively sim-

ple elements. There was no need for each worker to learn a wide range of skills. But to a greater extent it was the result of a public investment, begun many years before, that had resulted in a better-educated population.

Educational statistics give a picture of the poor preparation for filling the needs of the war industries Southern workers would have had if educational opportunities had remained as they were in 1900, for example. The majority of them would have been unable to read and understand instructions. As a consequence, they could not have adapted themselves to new occupations as quickly as they did. The chart on page 95 shows that as late as 1900 only 60 percent of the children between the ages of five and 17 years attended school and that they went to school on an average of only 65 days each year. Conditions, however, improved each decade. It was the people receiving a better education in those years who were able to learn new skills and meet the needs of expanded industry.

Despite the phenomenal wartime increase in income, income per person in the District is still low compared with that in the rest of the country. Still further advances in education are necessary to overcome the problem.

Simply stated, under conditions of full employment the way education will increase the District's income is by putting the people to work at better jobs; it is not by putting more people to work. There is no great amount of unemployment either in the nation or the District at present. Many of the District's workers, however, are employed in relatively poor-paying jobs. One reason for the poor pay in those jobs is that they are not productive. The educational level of the worker explains to a great extent the type of work he does and how well he does it.

District agricultural workers are the lowest-paid group. The proportion of these workers in the District is large—35 percent compared with that of 18 percent for the nation. Low productivity per worker is accounted one reason for the poor pay in agriculture. This low productivity, discussed in the August 1944 issue of the *Review*, is in turn attributed to the high ratio of population to land resources. Reducing this ratio, so that the land supports fewer people, immediately brings up the problem of how those who leave the farm are to earn their livings.

One suggested solution advocates providing the displaced agricultural workers with jobs in industry. But even in industry there is a problem of providing more-productive and better jobs. Though manufacturing workers in the Sixth District receive higher incomes than agricultural workers in general, they hold a greater percentage of jobs at lower wages, even on a national pay scale, than do manufacturing workers throughout the country. The table shows the distribution of the more-than-950,000 manufacturing workers in the District during January 1946, compared with the national distribution.

Average Weekly Earnings, United States	Percent of Manufacturing Workers in Each Group	
	Sixth District	United States
\$30-\$34	36.4	16.2
35- 39	27.8	15.4
40- 44	14.6	25.3
45- 49	9.5	30.0
50- 54	8.3	9.6
Unclassified	3.4	3.5
	100.0	100.0

One reason for the preponderance of District workers in the lower-paid groups is that they are working in low-wage paying industries. Another reason is that many of them are unskilled workers. Most studies show that unskilled and semi-skilled Southern workers are more likely to receive lower wages relative to workers in identical Northern industries than are skilled Southern workers.

Wage analyses of the Bureau of Labor Statistics, for example, show that in 1945 Southeastern workers in the machinery industry received an average of 76 cents an hour, compared with a one-dollar national average. The analysts found, however, that in the Southeast skilled workers in the industry received wages that compared favorably with those received by workers in other regions. Unskilled workers for the most part made up the group that received the relatively low wages. A maintenance electrician in the Southeast received on an average \$1.03 an hour in 1945, compared with an average of one dollar for the United States as a whole. The wages of clerical workers in the area in some cases also exceeded the national average. On the other hand, a janitor in the Southeastern machinery industry received 51 cents an hour, compared with 73 cents for the nation. In industry, as well as in agriculture, raising the income means both improving the efficiency of the workers and putting them in more productive and better paying jobs.

Education helps to develop such jobs and improve the workers in at least three ways. It creates industrial opportunities. It increases the ability and productivity of the workers themselves. It makes it easier for workers to change their work.

Industrial Development and Education

Sumner Slichter, a Harvard economist, has pointed out that just as the existence of natural resources helps businessmen to discover opportunities for putting people to work, so does the availability of well-trained people make it easier for the businessmen to discover attractive investment opportunities. The demand for a region's labor depends partly on the quality of the supply of labor available.

Persuading outsiders to establish industries in the community is not the only way jobs are created. The job creators can come from the community itself. If more light finished-goods industries are to be established in this region, there must be a greater number of these job creators. Under modern conditions even a small business requires constant use of the tools provided by education.

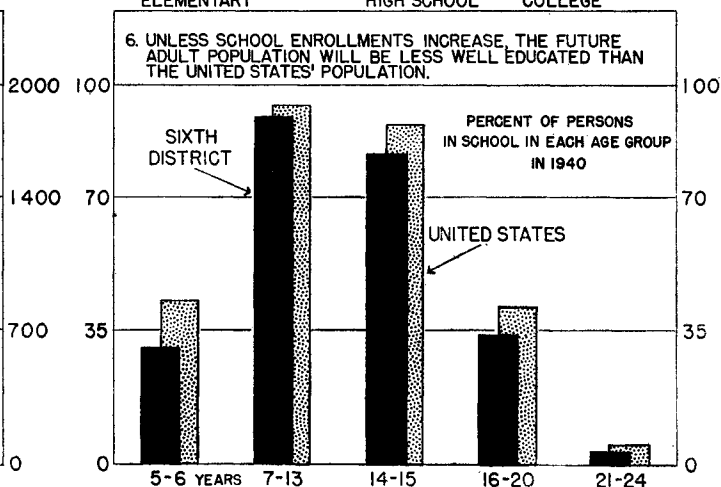
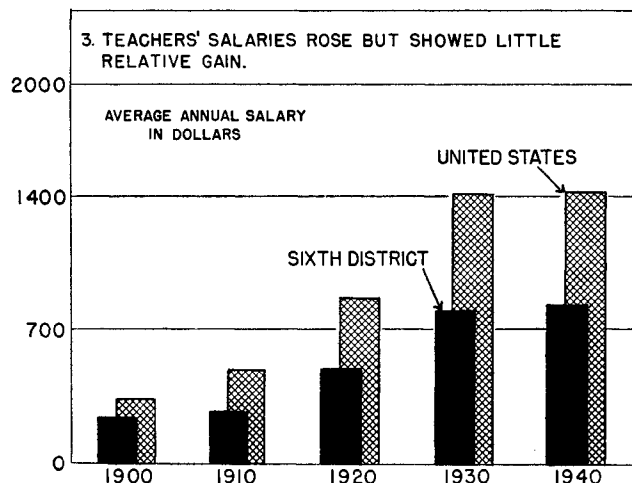
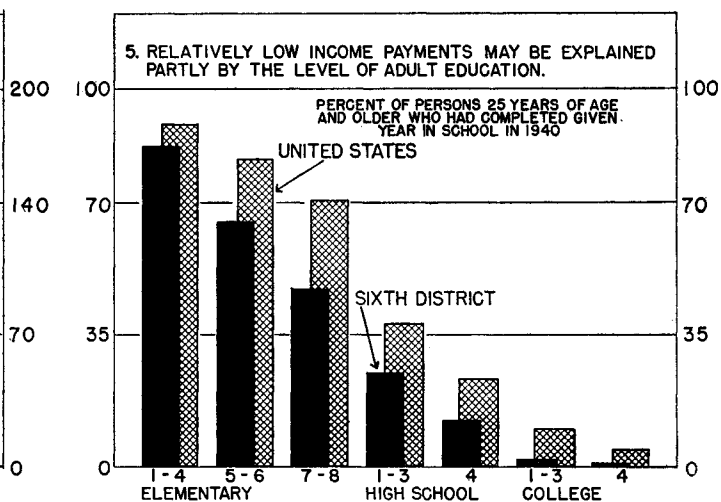
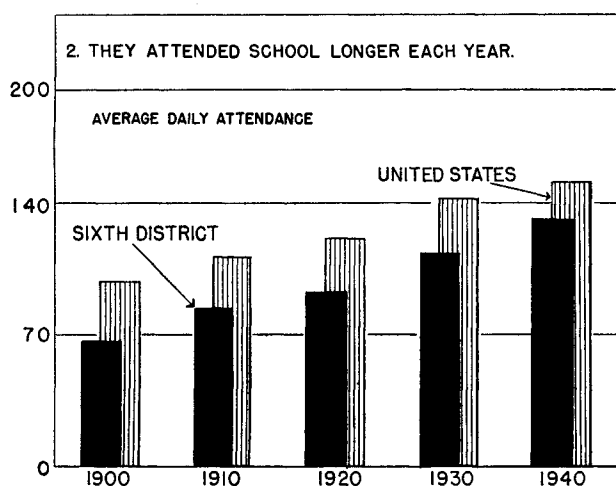
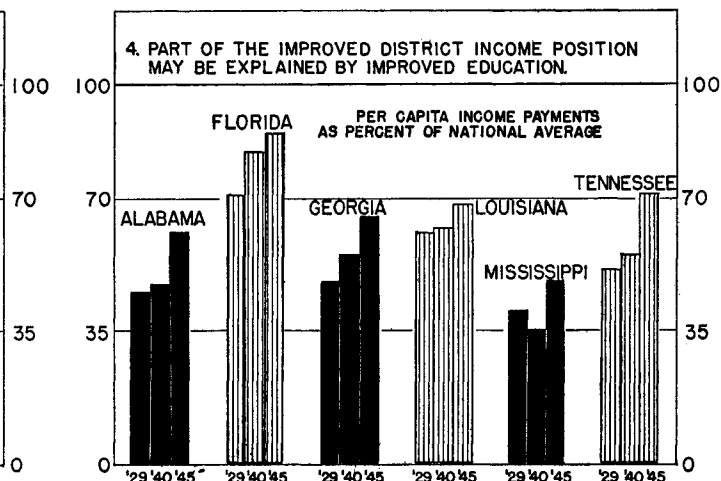
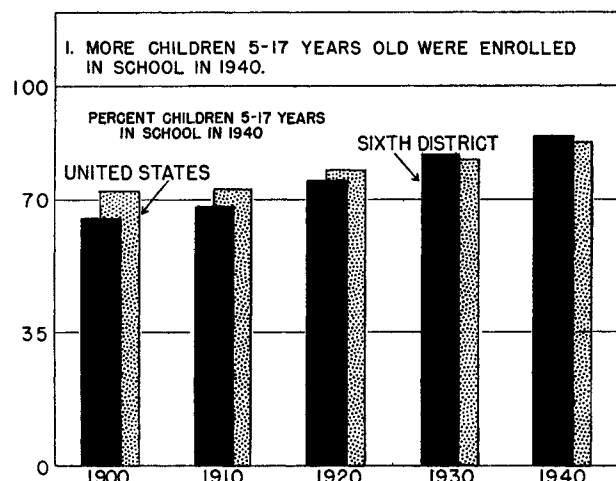
Business in an area is good, according to the United States Chamber of Commerce, in the degree that people have the ability to produce and the ability and desire to buy. The chamber's researchers found that these factors were highest where schools were the best. They found it is in such regions that the average income is the highest, that retail sales are the greatest, and that rentals for homes are the highest.

The tendency of income and education to vary together occurs within this region also. Within the Sixth Federal Reserve District there are wide variations in income. Two measures that show this have been chosen: per capita time deposits in all banks and per capita retail sales by counties.

Differences in the educational level of each county population were determined by finding the percent of persons within it who had gone beyond elementary school. The chart on page 96 shows the wide variation from county to county. To determine how closely the figures on deposits and retail sales corresponded to the variations in educational levels, coefficients of correlation were computed. The relationships were

SIXTH DISTRICT EDUCATIONAL PROGRESS

Education in the District has shown marked progress in recent years. Because of its influence on income it must be further improved to bring Sixth District income up to national levels.



found to be significant. For bank deposits the coefficient was +.45, and for per capita retail sales +.84. Although the coefficients of correlation show that there are other things besides education that explain the variations in time deposits and retail sales, they indicate that an important amount of the variation is explained by education. Per capita time deposits estimated on the basis of educational level were within \$11.54 of the true figure in more than two thirds of the cases and per capita sales within \$57.79 in more than two thirds of the cases.

As in all studies of this kind, it is difficult to isolate the cause of the relationship. Some persons might argue that the levels of bank deposits, retail sales, and education are all caused by the same thing. Education, they might contend, is not the thing that increases income and wealth—it is the result of these things. To some extent this is correct. People with low incomes are often unable to educate their children, and their children in turn are thus unable to earn higher incomes. But if the educational level was the result of income, it would be the result of past income and not present income. The measure of education was, as has been indicated, that of adults of 25 years of age and older, not of how many children were going to school at the present time.

Some parents will make financial sacrifices, see that their children attend high school and perhaps college even when their incomes are comparatively low; others do not realize the importance of education even when their incomes are comparatively high. Just as there are differences in the attitude of parents toward education, there are differences among communities in the prevailing ideas on how to use available financial resources. One community may prefer low taxes to better education. Another may prefer a new stadium to better school buildings and higher teachers' salaries. A state may prefer to keep taxes low rather than to help communities with poor financial resources improve their schools. A community's level of income determines its ability to support education. The attitude of the community determines the degree of support.

Education and Worker Productivity

Technical skills are, of course, important in raising the productivity of a worker and providing opportunities for industry. It is not so much a lack of these skills, however, that limits the advancement of the majority. It may be the lack of such a nontechnical skill, often taken for granted, as the ability to read and work with figures.

At the Research Interpretation Council at the Alabama Polytechnic Institute the staff has compared the reading ability of Southerners measured by the years of school completed with the reading difficulty of printed materials intended to aid farmers and others. It has been found that only a small number of those people the material was intended for could understand it. To read some of the pamphlets that were issued on improved farm practices would, according to the council, require a tenth-grade education. Only about 12 percent of Alabama's farm population 25 years or older had completed their tenth year in school.

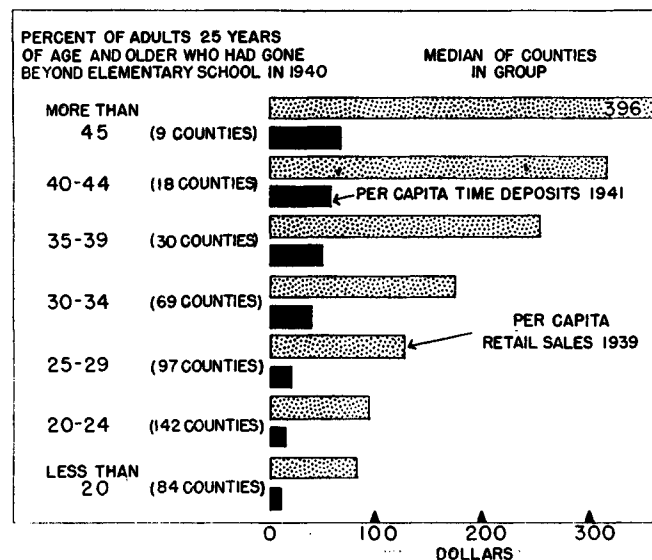
Poorly educated children tend to take up their fathers' lines of work even when that work is poorly paid. A study made, by the Mississippi State College, of the occupations of sons and daughters of Mississippi farmers in 1937 confirms this general conclusion. Dorothy Dickson found that in the five counties studied the lack of schooling was one reason why such large numbers of these children were working in poorly

paid agricultural jobs. Sons with only eighth-grade educations were farming in 78 percent of the cases; only half of the high-school graduates were farming. She concluded that "Little work is available in these Mississippi farms for young people from the elementary schools except in the lower grades of agriculture which are consequently overcrowded."

Education and the Community's Economic Prospects

Those people who go to the trouble to make a careful analysis of their community's labor supply in terms of its educational background will find much to explain their community's past economic development and indicate its prospects for the future. In one Sixth District county they will find that in 1940 half of the population of 25 years of age and older never went beyond the sixth grade. They will find that 7.2 percent never went to school at all, that only 9 percent went beyond the eighth grade, and that only 4.4 percent completed high school. On the other hand, in another county in the Sixth District they will find that at least half of the population completed elementary school and that only 3.8 percent never went to school at all. They will find that 21.2 percent completed high school and that 10.9 percent had at least some college education.

Per capita time deposits in 1941 in the first of these two counties were \$11 and in the second \$58. Per capita retail sales in 1939 in the first were \$66 and in the second \$261. One out of each 1,000 persons in the first county in 1940 made an income-tax return, and 19 in the second. In the first, 52 new passenger cars were sold in 1940 and in the second 95. These illustrations represent conditions in two actual counties within the Sixth District, but not the extremes. Comparisons of conditions in neighboring counties or states within the District, however, do not tell the whole story. In only 42 counties out of the 449 within the Sixth Federal Reserve District was the median school year com-



Per capita time deposits in 1941 and per capita retail sales in 1939 were higher in those counties where a greater proportion of adults 25 years of age and older had more than an elementary-school education. Counties have been grouped by their educational levels, and medians computed for each group.

pleted by persons 25 years of age and older equal to, or better than, the median of 8.4 for all persons in the United States.

One indication of how well the future adult population will be educated is found in the statistics on school attendance for 1940. There are, of course, wide variations from one county to another within the District. A smaller proportion of persons in each age group in 1940, however, were attending school in the Sixth District than of those in the nation as a whole. Moreover, Sixth District students dropped out of school at earlier ages. Not only do fewer children in the area go to school, but they go to school for a shorter time each year. If these conditions continue, the proportions of the future adult population that has completed high school or college will remain comparatively low.

Shorter school terms, lower attendance, lower teachers' salaries, and less adequate public-school properties have resulted in a lower quality of education in the region. In December 1942 from 2.6 to 5.3 times as many men in the District as in the nation on the whole were rejected in the draft because of lack of education. The state making the worst showing was Georgia, with Florida at the top. In Louisiana 2.4 times as many men were rejected, in Alabama 3.2, in Tennessee 3.6, and in Mississippi 4.4.

High school students made much better showings. In the army-navy qualification tests given in April 1943 the scores of Florida high school students were 99 percent of the national average. Students did 78 percent as well as students throughout the country in Louisiana, 86 percent in Florida, 88 percent in Alabama, 92 percent in Tennessee, and 94 percent in Mississippi. These data seem to indicate that, given an opportunity, students in this region can achieve as much as those in other regions.

Action to overcome these deficiencies is increasing. In Florida a Citizens Committee on Education representing varied interests was appointed by the governor late in 1944. In Louisiana the state legislature has appropriated additional funds for schools. The governor of Georgia authorized funds making possible an increase in teachers' salaries of 50 percent above the state minimum. Similar developments are taking place in other states.

Certain general problems were found in all the states. They all had (1) unequal educational opportunities in their various communities, (2) a shortage of adequately trained teachers, and (3) many needs for better school buildings and equipment. It was found that a solution of these problems would be chiefly financial.

The Immediate Problems

Even in the state with the best educational record, Florida, there is marked variation from county to county in educational opportunities. In 1941-42 the current expenses per pupil were less than \$50 in six counties. At the other extreme expenses were \$90 or more. In one of the counties 61 percent of the white teachers had never gone beyond the second year of college and only 19 percent had four years of college training.

Georgia statistics also show the shortage of adequately trained teachers. Recent studies show that between 1943-44 and 1944-45 Georgia elementary and secondary schools lost 6,699 teachers, or a turn-over of one third. Moreover, the greater proportion of those quitting their jobs were teachers who were best qualified.

Many persons believe that the reason for this shortage of well-trained teachers is not hard to find. They point to the

\$1,049 average salary paid Georgia classroom teachers in 1945, which on the basis of 52 40-hour weeks means about 50 cents an hour. Recent wage studies show that in the seamless hosiery industry in West Central Georgia, only the janitors and "loopers with less than one year's experience" were getting hourly wages as low as that. In pulp mills all workers were better paid. Even the recent 50 percent increase in Georgia teachers' salaries, however, does not place the salary of an adequately trained teacher on a par with those received by others in occupations requiring equivalent training.

In Tennessee a survey of elementary and high-school buildings indicated great need for repairs and new buildings. More than one half the roofs and walls needed repairing. Foundations also needed repairs in about 60 percent of the cases. In each state of the District there are similar conditions.

The Public Investment Ahead

Bettering education within the District calls both for more money and for a better distribution of that money. There is a belief that because of the importance of education to the region greater sums can be raised locally. Sacrifices in other directions if necessary, it is believed, would be fully repaid if such sacrifices mean better education. There is another belief that although education is an important influence in increasing the income of a region or community, those regions and communities needing the greatest improvements in education are those least financially able to increase support. Associated with this belief is the idea that because people do not necessarily stay in the community in which they are educated, the provision of equal educational opportunities is a state-wide or even a nation-wide responsibility.

The South has more children out of each 1,000 persons to educate than does any other region and less financial ability. This condition leads some people to conclude that Federal aid is required.

Those persons opposing Federal aid to education believe that the Government subsidies would involve increased and undesirable Federal controls. Some of them believe that there are ample surpluses in the treasuries of even the poorer states to improve education. Moreover, they think that relative educational expenditures do not adequately measure financial need. They would seek improvements through a better organization of the weak school systems.

Even though, despite opposition, Federal aid may be forthcoming in the future, the present community and state responsibility is still great. If the leaders in states and local communities are convinced of education's importance, its financial support will be increased and standards improved. The cost inevitably will be greater. How willingly this cost is assumed will measure the willingness to make a public investment that will return yields in better economic and social conditions throughout the region.

Raising the District's income to a national level is something that will not happen in a year or two. It is a long-term problem. There are now probably a sufficient number of persons with adequate educations in the District to meet the demands that may be made by an expanding industry within the next few years. What the region's relative economic standing will be 20 or 30 years hence, however, will be governed greatly by the education the region gives its children today.

CHARLES T. TAYLOR

Wartime Changes in Consumer Buying Habits

CONSUMER buying habits have been the subject of widespread study in recent years. Knowledge of these buying habits is of utmost importance not only to the economist and business analyst but to both the retailer and producer. The success of production and selling plans depends largely on the knowledge of the needs, desires, and the habits of individual buyers. As more knowledge of consumer buying habits is accumulated, both trade and manufacturing activity will tend to be further tailored to the wants of consumers.

One field in the study of consumer behavior concerns the timing of purchases. Consumers habitually buy more in some months than they do in others and these habits are more or less regular from year to year. Although it long has been recognized that consumer purchases are subject to seasonal variations, the scientific measurement of these forces has been improved in recent years.

Seasonal forces exert a great influence upon department store sales. Since these sales are used widely as an indicator of the broad trends of retail trade activity it is important that some adjustment be made for seasonal fluctuations. By observing monthly changes in sales over a period of years, it is possible to estimate how much of the sales-volume change is caused by seasonal forces. Seasonal adjustment factors computed from these observations are applied to the unadjusted index of department store sales to arrive at the adjusted index published monthly in the *Review*.

The pattern of consumer buying in District department stores may be estimated on the basis of past performance. In this manner it is possible to arrive at an estimate of the consumer-buying pattern in 1946. If the average consumer found that he had spent \$100 in District department stores during the year, he would have spent differing amounts in different months. If he spends on the same pattern as he did during the last few years, he would have spent in January, \$6.67; February, \$7.33; March, \$8; April, \$8.58; May, \$7.92; June, \$7; July, \$6.67; August, \$7.33; September, \$8.50; October, \$8.92; November, \$10; and December, \$13.08. Thus his buying will be low in January and February, higher in the spring months, low again in the summer, and gradually higher during the fall with a peak in December. This is the general pattern. It shows the relative amounts a consumer would spend each month out of each \$100 of yearly expenditures if his purchases were determined solely by seasonal forces, rather than by other influences.

Last year the consumer-spending pattern in the District, as in the nation, was distorted by two factors. The slump in buying following V-E Day made the proportionate sales during summer months abnormally low. Furthermore, in the upward trend of increased intensity of buying that was a general feature of the war years, sales were concentrated even more heavily in the latter part of the year than they would have been if 1945 had been a normal year.

For the most part seasonal variations are caused by weather, style, and custom. Customers tend to buy clothing and other goods in anticipation of changes in seasons. Style consciousness makes this seasonal variation more pronounced. September sales are affected by the customary opening of school and college, while gift occasion sales, especially those fostered by the Christmas-gift custom, are one of the heaviest causes of seasonal variations.

Several cities of the Sixth District show an unusual seasonal pattern in department store sales because of the major occupation of their populations. Department stores sales in the Miami area are strongly influenced by the tourist season. Sales in the late winter and early spring months are much higher there than in either the nation or the District. The estimated normal annual influx of 750,000 tourists in the Miami area adds not only to the number of potential buyers but increases the income of the regular inhabitants. In Miami in a typical prewar year \$9.83 out of each \$100 of department store sales was made in February while in the District as a whole only \$7.33 of each \$100 was spent in that month. In Jackson, Mississippi, and Montgomery, Alabama, payment to farmers for cotton is usually concentrated during the fall months, particularly September and October. While the average District consumer spends only \$8.50 out of each \$100 which he spends in department stores in September, the average Jackson, Mississippi, department store customer spends \$9.58 in that month.

However, estimates of future sales based on seasonal expectation alone would be subject to severe error in any but a completely normal year. Although the general pattern of department store purchases tends to remain the same from year to year, certain months may increase or decrease in importance as selling periods with the passage of time. In the 20 years immediately preceding World War II the seasonal variation in department store sales became more pronounced as holiday selling intensified and summer sales decreased.

During the war years department store sales reflected to a greater extent the influence of timing of stock receipts than they did before. As a result some months changed in importance as selling months from their prewar pattern. Christmas sales were lost by the inability of merchants to supply sufficient goods to meet the unprecedented demand. Thus December sales were lower in proportion to the yearly level. Before the war the average department store customer spent \$14.58 in December out of each \$100 spent yearly in department stores, but during the war because of his inability to buy all that he wanted in that month his proportional purchases were reduced to \$13.08.

On the other hand, many wartime consumers increased the proportion of their November purchases in anticipation of shortages in December. Another selling month that increased in importance was July, for the stock level was higher in proportion to sales then.

Because of such departures from normal conditions seasonally adjusted indexes of department store sales based on the prewar buying pattern do not give a satisfactory picture of wartime retail buying. Complete revision has been made, therefore, in the seasonal adjustment factors for the District index and the 13 individual city indexes.

As soon as stocks of merchandise are in adequate supply consumers probably will revert to their prewar buying habits, and new seasonal adjustments in the index will then be necessary. These adjustments will be announced in the *Review* as they are made.

THOMAS R. ATKINSON

This is the third in a series of articles describing the indicators of District business activity carried regularly in the Review.

Bank Announcements

J. T. BROWN, of Jackson, Mississippi, has been appointed by the Board of Directors of the Federal Reserve Bank of Atlanta to fill the unexpired one-year term of the late Robert Strickland as representative of the Sixth Federal Reserve District. Mr. Brown is president of the Capital National Bank, a prominent attorney, and Hinds County representative in the state legislature.

Two new banks were admitted to membership in the Federal Reserve System in September. The Citizens Bank of Stuart, Stuart, Florida, which was admitted on September 3, has capital stock of \$30,000, reserves of \$10,000, surplus of \$82,700, and undivided profits and deposits of \$2,945,000. James H. Reardon is president, D. S. Hudson executive vice president, Mrs. Ruth B. Stevenson cashier and secretary, and Mrs. Carrie Bell Law assistant cashier.

The Farmers and Merchants Bank, "Inc.", Brewton, Alabama, entered the system on September 16 with capital stock of \$50,000; surplus, reserves, and undivided profits of \$63,700; and deposits of \$2,092,000. The officers are A. W. Adkisson, president; John R. Downs, cashier; and R. J. Murphy and Mrs. W. S. West, assistant cashiers.

Four nonmember banks have been added to the Federal Reserve Par List. The Spring Hill branch of the Farmers and Merchants Bank, Mt. Pleasant, Tennessee, began remitting at par on August 22. It has capital of \$50,000, surplus and undivided profits of \$14,000, and deposits of \$1,200,000. C. A. Brownlow is chairman, and C. A. Whelchel president. H. N. Harrison and C. Y. Clarke are vice presidents, and A. E. Smith is cashier.

The Tropical State Bank, Sebring, Florida, began remitting at par on September 1. It has capital stock of \$25,000, surplus of \$80,000, undivided profits of \$19,570, reserves of \$9,649, and deposits of \$3,834,187. The officers are E. D. Treadwell, president; R. O. Turner, executive vice president; B. F. Williams, vice president; C. L. Longbottom, vice president and cashier; E. O. McAlister and Nandenton Ummethun, assistant cashiers. The newly organized East Point Commercial Bank, East Point, Georgia, began remitting at par on September 3. H. W. Nix is president, L. W. Marshall vice president, and William R. Bowdoin vice president and cashier.

The West Georgia Bank and Trust Company, Carrollton, also a newly organized bank, began remitting at par on September 16. It has a capital of \$100,000 and a paid-in surplus of \$50,000. B. F. Boykin is chairman, M. C. Roop president, P. J. Lawler vice president, and C. P. Cobb cashier.

Revision of Index of Department Store Sales

Because war-time conditions created changes in the seasonal pattern of department store sales, it has been necessary to revise the seasonal adjustment factors for the department store sales indexes. A copy of the revised indexes for the District and its cities may be obtained from the Research Department of this bank.

Sixth District Statistics

INSTALMENT CASH LOANS					
Lender	No. of Stores Report- ing	Volume		Outstandings	
		Percent Change August 1946 from		August 1946 from	
		July 1946	August 1945	July 1946	August 1945
Federal credit unions.....	43	+ 25	+ 72	+ 6	+ 60
State credit unions.....	21	+ 26	+166	+ 6	+ 39
Industrial banking companies.....	10	+ 2	+132	+ 3	+ 79
Industrial loan companies.....	19	+ 3	+ 47	+ 4	+ 34
Small loan companies.....	48	— 1	+ 58	+ 2	+ 69
Commercial banks.....	34	+ 12	+162	+ 8	+169

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change August 1946 from	
		July 1946	August 1945
Total sales.....	103	+ 14	+ 73
Cash sales.....	95	+ 18	+ 95
Instalment and other credit sales..	95	+ 14	+ 68
Accounts receivable, end of month.....	102	+ 3	+ 32
Collections during month.....	102	+ 6	+ 48
Inventories, end of month.....	81	+ 8	+ 41

DEPARTMENT STORE SALES AND STOCKS					
Place	No. of Stores Report- ing	SALES		INVENTORIES	
		Percent Change Aug. 1946 from		Percent Change Aug. 31, 1946, from	
		July 1946	Aug. 1945	July 31 1946	Aug. 31 1945
ALABAMA					
Birmingham.....	5	+ 25	+ 45	4	+ 3
Mobile.....	5	+ 11	+ 24	..	..
Montgomery.....	3	+ 23	+ 35	3	+ 39
FLORIDA					
Jacksonville.....	4	+ 15	+ 35	3	+ 4
Miami.....	4	+ 11	+ 47	3	+ 12
Orlando.....	3	+ 20	+ 58	..	..
Tampa.....	5	+ 10	+ 48	3	+ 6
GEORGIA					
Atlanta.....	6	+ 38	+ 40	5	+ 1
Augusta.....	4	+ 27	+ 49	3	— 15
Columbus.....	3	+ 16	+ 31	..	..
Macon.....	4	+ 23	+ 42	4	+ 10
LOUISIANA					
Baton Rouge.....	4	+ 7	+ 23	4	+ 14
New Orleans.....	5	+ 19	+ 28	4	+ 16
MISSISSIPPI					
Jackson.....	4	+ 30	+ 31	4	+ 7
TENNESSEE					
Bristol.....	3	+ 42	+ 43	3	+ 1
Chattanooga.....	4	+ 18	+ 47	3	— 3
Knoxville.....	4	+ 25	+ 18	..	..
Nashville.....	6	+ 27	+ 53	5	+ 4
OTHER CITIES*	18	+ 12	+ 32	22	+ 7
DISTRICT.....	94	+ 23	+ 38	73	+ 6

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

WHOLESALE SALES AND INVENTORIES*					
Items	No. of Firms Report- ing	SALES		INVENTORIES	
		Percent Change Aug. 1946 from		Percent Change Aug. 1946 from	
		July 1946	Aug. 1945	July 1946	Aug. 1945
Automotive supplies.....	7	+ 22	+ 70	5	— 2
Shoes.....	3	+179	+ 86	..	..
Drugs and sundries.....	8	+ 4	+ 12	..	..
Dry goods.....	8	+ 6	+ 45	4	— 0
Electrical goods.....	6	+ 19	+129	4	+ 21
Fresh fruits and vegetables.....	4	+ 12	— 7	..	..
Confectionery.....	6	— 6	+ 44	..	..
Groceries					
Full lines.....	38	+ 8	+ 30	18	+ 11
Specialty lines.....	8	+ 12	+ 19	6	+ 7
Beer.....	3	+ 28	— 17	3	— 14
General hardware.....	13	— 0	+ 47	6	+ 8
Industrial supplies.....	3	+ 5	+ 16	..	..
Lumber and building materials.....	4	— 9	+ 14	..	..
Machinery, equip. and supplies.....	3	+ 34	+ 64	..	..
Tobacco products.....	8	— 8	+ 4	4	— 2
Miscellaneous.....	17	+ 7	+ 49	17	+ 1
Total.....	139	+ 7	+ 36	67	+ 5

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

District Business Conditions

ACTIVITIES in most business fields in the District pointed to continued gains during September. Department store trade seemed to be well on its way to a new high in the value of goods sold for the month. Business and agricultural loans have increased to a level more than half again as high as that attained in September 1945, adding their weight to the pressure toward greater inflation. Particularly is this added weight true in the case of agriculture, where activity in farm real estate has shown no signs of slowing down and in some sections had passed the 1920 inflationary levels as far back as March of this year. A decline in bank holdings of Government securities, however, has somewhat offset the force of these inflationary pressures.

Trade

Department store sales continued to register increases, with the August seasonally adjusted index at 365. If September sales for all reporting department stores continue as they did during the first two weeks in September at weekly reporting stores, the adjusted index for September will be in the neighborhood of 380, establishing a new record. In July the seasonally adjusted index was 343, and in August 1945 it was 277. The highest rate of increase in August sales over those of a year previous was reported by Orlando's department stores, where the increase was 58 percent compared with 38 percent for the District. Other cities showing increases above the District average were Nashville, 53; Tampa and Augusta, each 48; Miami and Chattanooga, each 47; Birmingham, 45; Bristol, 43; Macon, 42; and Atlanta, 40.

Although increases in sales in District cities have been high in recent months, these increases have been exceeded by those in other Districts. For the four weeks ending September 8, sales increased over the same period in 1945 by 38 percent at District weekly reporting stores. For the United States the increase was 43 percent. The District's increase was exceeded in seven out of the other 11 Districts and equalled by two. These Districts were to some extent those where sales during the war did not expand as much as in this and other regions.

Because of the wide variety of goods sold in department stores, an analysis of the relative changes in sales of the various types of goods sold indicates changes that are taking place in retail trade generally. Sales in the main store of a group of District department stores reporting their sales and stocks by departments were 28 percent larger during the first seven months of 1946 than during the first seven months of 1945. Sales increased in all departments except two—musical instruments and art needlework. Such spectacular sales increases as 1,162 percent in cameras and 1,723 percent in mechanical refrigerators were offset by moderate increases in other lines.

Often, however, those lines showing the greatest percent increases were not those that made the greatest contribution to the increased total of dollar volume. Sales of men's clothing, furnishings, and shoes increased 48 percent, compared with an 18 percent increase of women's and misses' items, but the former accounted for only 11 percent of the total dollar increase in sales, compared with 30 percent accounted for by the latter.

Higher sales of home furnishings made up 37 percent of the

total increase. This increase was widely distributed among the many items required in the setting up and maintaining of a household and partly reflects the resumption of housekeeping by those who were prevented from doing so by wartime conditions. With the exception of sales of housewares that constituted about one fifth of the total increase of sales of home furnishings, no single line showed particular concentration. Combined sales of such items as mechanical refrigerators, other types of household appliances, and radios, whose percentage increase in sales have been spectacular, explain only 16 percent of the total dollar increase in sales of home furnishings. A large part of the increase came from purchases of nondurable goods such as linens, blankets, draperies, and floor coverings.

These figures help explain how the necessary goods could be provided for the recent expanded retail buying in the face of widely heralded reconversion difficulties. These reconversion difficulties have been confined to a great extent to industries producing durable goods. Nondurable production has expanded in most lines, and the sale of these goods accounts largely for the recent rapid expansion in buying. If more of the durable goods such as household appliances had been available, the increase in total sales might have been even larger than it was. There is the possibility, however, that an increase in this type of sales might have limited expansion of buying in other lines.

The extent to which the present high level of consumer buying is supporting present levels of production and employment, especially in the nondurable-goods industries, is indicated by the increased amounts of merchandise that have been received by Sixth District department stores during the first seven months of 1946. During this period all department stores in the District received goods estimated to have a retail value of 296 million dollars. This represents an increase of 74 million dollars or one-third more than was received during the same period in 1945. During the same interval total department store sales are estimated to have increased 25 percent, with the result that the building up of stocks exceeded the increase in sales. The demand for merchandise by the department stores themselves has, therefore, been greater than the demand for merchandise by the customers of those stores.

Stores customarily receive more goods during the first seven or eight months of each year than are sold during that period, with the value of sales exceeding receipts of goods during the remainder of the year. In the first seven months of 1945 merchandise received had a value of 8 percent greater than the value of the goods sold. In the corresponding months of 1946 goods received had a value 15 percent greater than that of goods sold. Part of the increase in goods received may be the result of efforts of the stores to restore sales-stock ratios to their prewar relationships. Anticipation of a high level of sales in the fall and winter months may be also indicated by the continued high level of merchandise received. In August merchandise received was 1.1 times the value of the sales of that month compared with a ratio of 98 percent for August 1945. Outstanding orders at a selected group of department stores were reported to be 25 percent higher than they were a year previously.

The release of the Department of Commerce estimates of income payments by states for 1945 makes possible a more careful analysis of the changes that occurred in the District's income during the war years and that provided the basis for the accumulation of liquid assets and the expansion of retail buying. The expansion in income is not especially significant, since it was going on throughout the country. It is significant, however, that the District's income position increased relative to that of the United States. Understanding the causes for this improvement may help in determining how permanent it will be.

INCOME PAYMENTS TO INDIVIDUALS SIXTH DISTRICT STATES

Total Income Payments
(Millions of Dollars)

	1929	1940	1941	1942	1943	1944	1945
Alabama	802	763	1,037	1,419	1,743	1,902	1,980
Florida	695	900	1,062	1,464	2,082	2,283	2,387
Georgia	956	986	1,241	1,632	2,110	2,336	2,369
Louisiana	862	847	1,066	1,400	1,846	1,967	1,931
Mississippi	544	444	630	881	1,079	1,147	1,159
Tennessee	905	927	1,221	1,508	1,951	2,202	2,353
Six States	4,764	4,867	6,257	8,304	10,811	11,837	12,179
Continental U. S.	82,617	75,852	92,269	115,301	139,285	149,660	152,704

Percent Change in Total Income Payments

	1941	1940 to 1942	1943	1944	1945	1943 to 1944	1944 to 1945
Alabama	+ 36	+ 86	+ 128	+ 149	+ 160	+ 9	+ 4
Florida	+ 18	+ 63	+ 131	+ 154	+ 165	+ 10	+ 5
Georgia	+ 26	+ 66	+ 114	+ 137	+ 140	+ 11	+ 1
Louisiana	+ 26	+ 65	+ 118	+ 132	+ 128	+ 7	- 2
Mississippi	+ 42	+ 98	+ 143	+ 153	+ 161	+ 6	+ 1
Tennessee	+ 32	+ 63	+ 110	+ 138	+ 154	+ 13	+ 7
Six States	+ 29	+ 71	+ 122	+ 143	+ 150	+ 9	+ 3
Continental U. S.	+ 22	+ 52	+ 84	+ 97	+ 101	+ 7	+ 2

Per Capita Income Payments (Dollars)

	1929	1940	1941	1942	1943	1944	1945
Alabama	305	268	359	482	602	677	700
Florida	484	471	531	684	879	950	996
Georgia	329	315	389	507	654	730	745
Louisiana	415	357	433	549	722	788	785
Mississippi	273	202	283	396	483	541	556
Tennessee	349	317	413	513	659	768	813
Six States	349	316	398	518	666	745	769
Continental U. S.	680	575	693	862	1,040	1,133	1,150

Per Capita Income Payments Percent of National Per Capita Income

	1929	1940	1941	1942	1943	1944	1945
Alabama	45	47	52	56	58	60	61
Florida	71	82	77	79	85	84	87
Georgia	48	55	56	59	63	64	65
Louisiana	61	62	62	64	69	70	68
Mississippi	40	35	41	46	46	48	48
Tennessee	51	55	60	60	63	68	71
Six States	51	55	57	60	64	66	67
Continental U. S.	100	100	100	100	100	100	100

Source: U. S. Department of Commerce

The total of income payments to individuals, according to the Department of Commerce, is a measure of the income received by the residents of each state. It covers wages and salaries, proprietors' income, property income, and other types of income. These payments in 1945 amounted to 12.2 billion dollars in the six states of the District. Measured on a per capita basis the payments were \$769 for the Six States in 1945 compared with \$316 in 1940. The degree of improvement varied from state to state as indicated on the table given on this page. In each state, however, the percent increase in income payments was much higher than for the United States as a whole. Income payments for the United States doubled between 1940 and 1945 while District income payments were two and a half times as large.

Since the income payments are measured in dollars, the increasing price level has had something to do with the general expansion in income. That increase, however, did not apply any more to the District than to the nation as a whole except that the rise in agricultural prices was an important contribution to the Sixth District expansion. Part of the expansion during the war years was the result of a continuation of a trend already apparent before the war began. Total income payments in the District in 1940 were higher than in 1929 by 2.2 percent, in contrast with the decline in total United States income payments of 10.8 percent.

The growth of manufacturing in the region was the principal factor explaining this increase from 1929 to 1940. It continued during the war years. Because pay rolls in war manufacturing industries in the District in the last quarter of 1945 were estimated to make up only 4.9 percent of total income payments in contrast with 9.7 percent for the United States, the expansion may be relatively permanent. Another reason for the increase in District payments was the greater-than-national increase in military payments. In the last quarter of 1945 military payments in the Sixth District states, including pay to military personnel, mustering-out payments, and family allowances and allotments, were 16.3 percent of total income payments, contrasted with 9.7 percent for the United States as a whole.

A continuation of this advance in relative income position depends greatly on how well the national economy maintains full production. Expanding or full employment in the District will do much to replace the amounts that will be lost from a decrease in military payments. An expanding economy is also favorable to agriculture since farm prices are particularly sensitive to depressed business conditions. Despite the increased importance of manufacturing, agricultural income looms large in the total of the District's income payments.

Finance

Federal financing has ceased to be an important factor in the expansion of bank deposits and currency. The retirement of debt chiefly through the reduction of the Treasury's cash balance has changed the trend of the continuous wartime increase in total bank deposits. The Treasury's retirement of two billions dollars in certificates maturing September 1, part of which were owned by the banks, and the promised reduction planned for October are being reflected in member-bank statements.

Sixth District weekly reporting member-bank statements reflected these changes during August and the first part of September. Treasury-certificate holdings declined to 374 mil-

Sixth District Statistics

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)					
Item	Sept. 18 1946	Aug. 21 1946	Sept. 19 1945	Percent Change Sept. 18, 1946, from	
				Aug. 21 1946	Sept. 19 1945
Loans and investments—					
Total.....	2,049,421	2,073,645	1,981,920	— 1	+ 3
Loans—total.....	508,262	507,593	331,852	+ 0	+ 53
Commercial, industrial, and agricultural loans.....	270,642	259,431	176,606	+ 4	+ 53
Loans to brokers and dealers in securities.....	8,961	10,383	9,705	— 14	— 8
Other loans for pur- chasing and carrying securities.....	92,875	106,265	54,882	— 13	+ 69
Real estate loans.....	37,935	36,124	24,191	+ 5	+ 57
Loans to banks.....	3,511	3,172	1,763	+ 11	+ 99
Other loans.....	94,338	92,218	64,705	+ 2	+ 46
Investments—total.....	1,541,159	1,566,052	1,650,068	— 2	— 7
U. S. direct obligations.....	1,382,179	1,404,339	1,505,488	— 2	— 8
Obligations guaranteed by U. S.....	1,660	1,659	1,638	+ 0	+ 1
Other securities.....	157,320	160,054	142,942	— 2	+ 10
Reserve with F. R. Bank.....	359,781	372,527	363,772	— 3	— 1
Cash in vault.....	30,702	30,249	30,140	+ 1	+ 2
Balances with domestic banks.....	162,527	149,068	139,937	+ 9	+ 16
Demand deposits adjusted.....	1,408,518	1,394,539	1,280,419	+ 1	+ 10
Time deposits.....	453,760	453,573	403,290	+ 0	+ 13
U. S. Gov't deposits.....	153,964	191,656	199,630	— 20	— 23
Deposits of domestic banks.....	458,493	458,200	516,896	+ 0	— 11
Borrowings.....	1,500	3,800	4,000	— 61	— 62

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Aug. 1946	July 1946	Aug. 1945	Percent Change Aug. 1946 from	
					July 1946	Aug. 1945
ALABAMA						
Anniston.....	3	20,684	19,386	17,377	+ 7	+ 19
Birmingham.....	6	252,338	242,185	178,791	+ 4	+ 41
Dothan.....	2	9,533	8,562	7,108	+ 11	+ 34
Gadsden.....	3	13,890	14,224	10,398	+ 2	+ 34
Mobile.....	4	93,603	96,326	104,413	— 3	— 10
Montgomery.....	3	59,499	53,385	38,276	+ 11	+ 55
FLORIDA						
Jacksonville.....	3	213,253	200,859	168,849	+ 6	+ 26
Miami.....	7	169,718	178,551	123,889	— 5	+ 37
Greater Miami*	11	230,155	246,225	164,066	— 7	+ 40
Orlando.....	2	39,490	41,685	26,089	— 5	+ 51
Pensacola.....	3	29,056	28,435	28,948	+ 2	+ 0
St. Petersburg.....	3	38,343	40,879	24,575	— 6	+ 56
Tampa.....	3	86,779	87,126	69,705	— 0	+ 24
GEORGIA						
Albany.....	2	11,900	11,882	8,781	+ 0	+ 36
Atlanta.....	4	657,587	633,898	472,354	+ 4	+ 39
Augusta.....	3	44,584	55,011	32,357	— 19	+ 38
Brunswick.....	2	8,117	8,584	11,171	— 5	— 27
Columbus.....	4	48,759	46,615	36,981	+ 5	+ 32
Elberton.....	2	3,137	2,752	1,798	+ 14	+ 74
Gainesville*	3	11,442	10,679	* * *	+ 7	* * *
Griffin*	2	9,294	8,212	* * *	+ 13	* * *
Macon.....	3	49,638	51,381	44,401	— 3	+ 12
Newnan.....	2	8,010	8,981	5,669	— 11	+ 41
Rome*	3	17,203	16,835	* * *	+ 2	* * *
Savannah.....	4	74,210	74,275	77,430	— 0	— 4
Valdosta.....	2	23,925	14,027	20,970		
LOUISIANA						
Baton Rouge.....	3	61,765	58,361	40,005	+ 71	+ 14
Lake Charles.....	3	23,053	21,927	16,291	+ 5	+ 42
New Orleans.....	7	522,194	605,870	402,592	— 14	+ 30
MISSISSIPPI						
Hattiesburg.....	2	14,800	14,185	11,051	+ 4	+ 34
Jackson.....	4	91,768	87,618	63,098	+ 5	+ 45
Meridian.....	3	26,562	26,014	17,525	+ 2	+ 52
Vicksburg.....	2	20,787	22,252	12,879	— 7	+ 61
TENNESSEE						
Chattanooga.....	4	114,157	112,810	80,922	+ 1	+ 41
Knoxville.....	4	97,677	98,102	122,777	— 0	— 20
Nashville.....	6	234,305	249,507	188,730	— 6	+ 24
SIXTH DISTRICT						
32 Cities.....	108	3,163,121	3,215,655	2,466,200	— 2	+ 28
UNITED STATES						
334 Cities.....	...	82,728,000	91,416,000	73,208,000	— 10	+ 13

* Not included in Sixth District total

Not available

lion dollars on September 18, more than 5 percent below the level of four weeks previously. The holdings of Treasury bills also declined during the same period by 17 percent and in other Government-bond holdings by 2 percent. Although there was slight increase in the holdings of Treasury notes, total Government securities were 2 percent below what they were in the previous month. Government deposits at reporting member banks continued to decline all through August and September. On September 18 they were 20 percent lower than a month previously and 23 percent lower than a year ago. Demand deposits adjusted showed little change during the month.

With the influence of Government financing removed as a factor in expanding the purchasing power, expansion is now chiefly dependent on other factors. Expansion in private credit such as bank loans, open accounts, consumer credit, and new capital issues is the determining factor governing the amount of deposits and currency. This expansion together with possibly a greater use of deposit and currency now in existence constitute the present chief financial pressures on the price level.

Business and agricultural loans at weekly reporting member banks in this District have shown only moderate increases from week to week, but the gradual increase had raised them on September 18 to a level 53 percent higher than they were a year ago. They have risen 9 percent since the first of the year. There has also been an increase of 57 percent in real estate loans although the amount of such loans does not constitute a large part of the banks' total loans. Other types including consumer loans have remained relatively stable since the first of the year but were 46 percent higher in September 1946 than in the same month in 1945. The amount of this bank's Federal Reserve notes in circulation has remained relatively stable in recent months, and beginning with the week ending August 28 the total outstanding each week has been less than the total outstanding at the end of the corresponding weeks in 1945.

Although the factors tending toward an expansion in deposits and currency have been moderate in recent months in the District, demand deposits other than those of the Federal Government appear to have been used to a greater degree than formerly. The index of the turnover of bank deposits is determined by dividing the volume of debits during the month by the average amount of deposits, converting this to a yearly basis and comparing it with the 1935-39 average. The index thus measures the average use of bank deposits. It has been rising since the first of the year, with the increase amounting to 11.3 percent. During the same period demand deposits adjusted rose 10.2 percent. The index of turnover of 68 in August is higher than at any time during 1945. With deposits so much greater than they were in 1935-39, the inflationary potential of these deposits is very great if they are used to the same degree as they were during the base period.

C. T. T.

Industry and Employment

Industrial production, which showed marked gains in July in all six states of the District, continued to improve in August, according to preliminary estimates. In some centers activity was approaching wartime peaks. In both industry's position at the end of the summer and its future prospects, however, grounds for optimism were apparent. Although no accurate count is available, reports show that in

every state scores of new business enterprises, both industrial and commercial, were established during the year following V-J Day, and especially in 1946. More than 140 new manufacturing plants were reported for Alabama in the first half of 1946, and 130 new manufacturing concerns were announced for the Atlanta area alone in the first eight months.

During August employment in the Sixth District reflected these various factors that were operating on both the national and district business scene. New peacetime records were set, and even the wartime peaks were approached, particularly in Georgia and Louisiana. Unemployment continued high, however, especially in Florida and Tennessee, where the influx of war workers had not been materially offset by their return to their home areas. Veterans constituted most of the male unemployed, but the re-entry of women into the labor market added to the total number in some cities. All indications were that the economy had passed safely over the hump of immediate postwar unemployment. The opening of school would bring about withdrawals from the labor force of many teen-agers and veterans. Payments to veterans of unemployment compensation under the GI Bill of Rights were showing a tendency to decline.

Except for a slight, 5 percent, recession during the middle of the month, blast furnaces and steel mills operated at capacity during most of August. Iron foundries in the northern Alabama-Tennessee area escaped a serious reduction in operations when the CPA changed its allocations of pig iron. Operations in machinery-manufacturing and non-ferrous-metals plants showed little change during the month.

Shipyard activity, one of the industries hardest hit at the war's end, began to show a revival in August, with a promise of even greater activity. Limited construction of special merchant types, conversion of war-cargo vessels, repair services, and shipbreaking accounted for this change. This last operation was part of a nation-wide program to reduce obsolescent ships in order to partially offset the serious shortage developing in a scrap-hungry steel industry.

Cotton-textile-mill activity, which had fallen off in June and July, recovered sharply in August. Cotton consumption and spindle hours were up 10 to 20 percent throughout Alabama, Georgia, and Tennessee. The garment and apparel industry experienced more modest gains.

In the construction industries the full force of pent-up demand has not yet been unleashed to bring about the long promised employment upswing. Activity continued at high levels in most centers despite the builders' misunderstanding of Government policies, which they considered unduly restrictive, and their opposition to them. Lumber, nails, cast-iron soil pipe, plumbing fixtures, and vitreous ware were difficult to secure for some projects.

In the lumber industry the labor shortage was less acute than formerly, but the poor quality of available labor and competition from agriculture were limiting factors. Although the weather was more favorable for logging operations than it had been, critical shortages of trucks, tractors, sawbits, and parts slowed operations because of the necessity for constant repairs. Shortage of available pine stumpage was forcing some mills into hardwoods, and both farmers and pulpwood producers were reported to be switching from pulpwood to saw logs because of the greater return.

Mining output and employment continued the improvement shown in July. Employment in trade, transportation,

Sixth District Indexes

DEPARTMENT STORE SALES*						
	Adjusted**			Unadjusted		
	Aug. 1946	July 1946	Aug. 1945	Aug. 1946	July 1946	Aug. 1945
DISTRICT.....	365	343r	277r	321	275	244
Atlanta.....	412	380r	306r	404	304	299
Baton Rouge....	363	378r	307r	327	318	277
Birmingham....	370	313r	263r	325	269	231
Chattanooga....	397	376r	280r	353	312	249
Jackson.....	360	330r	286r	331	264	263
Jacksonville....	444	426r	343r	391	364	302
Knoxville.....	361	336r	317r	332	276	292
Macon.....	356	320r	261r	296	250	217
Miami.....	381	335r	269r	255	238	180
Montgomery....	358	333r	275r	319	270	245
Nashville.....	456	419r	310r	410	335	279
New Orleans....	301	286r	243r	262	229	212
Tampa.....	433	427r	298r	376	354	260

DEPARTMENT STORE STOCKS						
	Adjusted**			Unadjusted		
	Aug. 1946	July 1946	Aug. 1945	Aug. 1946	July 1946	Aug. 1945
DISTRICT.....	270	267	187	292	275	202
Atlanta.....	430	430	296	419	416	288
Birmingham....	214	231	165	215	209	166
Montgomery....	324	290	233	321	232	231
Nashville.....	458	508	336	457	439	336
New Orleans....	250	222	117	235	203	109

LUMBER PRODUCTION*						
	Adjusted**			Unadjusted		
	July 1946	June 1946	July 1945	July 1946	June 1946	July 1945
SIX STATES.....	119	130	109	134	132	122
Alabama.....	115	129	140	136	136	165
Florida.....	91	108	65	93	103	66
Georgia.....	150	145	145	165	154	160
Louisiana.....	87	90	63	95	91	69
Mississippi.....	128	135	96	142	128	107
Tennessee.....	163	197	149	193	224	176

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Aug. 1946	July 1946	Aug. 1945	Aug. 1946	July 1946	Aug. 1945
TOTAL.....	162	143	137	164	164	152
Alabama.....	171	145	140	171	173	163
Georgia.....	161	145	137			
Tennessee.....	129	118	125	149	142	127

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	July 1946	June 1946	July 1945	Aug. 1946	July 1946	Aug. 1945
SIX STATES.....	135	135	134	158	152	115
Alabama.....	142	139r	162	172	157	119
Florida.....	107	112r	120	140	134	97
Georgia.....	131	130r	129	158	145	112
Louisiana.....	134	134r	139	151	139	110
Mississippi.....	133	141	121	174	144	126
Tennessee.....	147	145r	121	169	193	140

CONSUMERS' PRICE INDEX				ELECTRIC POWER PRODUCTION*			
	July 1946	June 1946	July 1945		July 1946	June 1946	July 1945
ALL ITEMS....	144	137	134	SIX STATES.....	260	251	269
Food.....	170	150	150	Hydro-generated..	273	278	228
Clothing....	153	153	142	Fuel-generated.....	244	216	323
Rent.....	n.a.	115	114	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Fuel, elec., and ice..	113	112			Aug. 1946	July 1946	Aug. 1945
Home furnishings..	154	153	143	Unadjusted..	15.4	16.3	13.3
Misc.....	132	133	130	Adjusted**..	17.5	17.3	15.2
Purchasing power of dollar..	.69	.73	.75	Index**.....	67.5	66.8	58.6
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI				*Daily average basis			
	Aug. 1946	July 1946	Aug. 1945	**Adjusted for seasonal variation			
Unadjusted..	224	218	210	***1939 monthly average=100; other indexes, 1935-39=100			
Adjusted**..	224	218	210	r Revised			
				n.a. Not available			

government, and service fields showed slight increases in most areas reported on during the last month.

The harvesting of early maturing crops such as tobacco and peanuts brought an upturn in agricultural employment. Indications are, however, that mechanization and other labor-saving practices encouraged by wartime labor shortages have wrought a permanent change in agricultural employment, which therefore cannot be expected to reach prewar levels. The food-processing industries began in August to bring about the seasonal upturn in employment in Louisiana and Georgia. This trend will continue and spread to other states, especially Florida, when the bumper citrus harvest begins this fall. Seasonal factors were also just beginning to bring about the usual upturn in the fertilizer and vegetable-oil-processing industries.

C. H. D.

Cotton

Decreased production prospects characterized the cotton crop during August for the District as well as for the cotton belt, with the 1946 crop estimate the smallest since 1921. Estimates on September 1 by the Crop Reporting Board of the Department of Agriculture for both the District and the nation were lower than those of August 1. The present crop will be about one-fourth smaller than the 1939-44 average. The only state in the District with good cotton prospects is Tennessee, which had a reported crop condition on September 1 of 80 percent of the long-time average.

Reports of ginning show 124,948 bales ginned prior to September 1 in the District and 531,503 in the United States. Comparison of these figures with the 1935-44 ginning average shows the District lagging, with only half as many bales reported by September 1 as in the five-year average, while the national output stayed substantially the same.

Generally favorable weather in late August, with resulting good picking conditions, contributed to a high quality of samples from this year's crop. Of the cotton ginned prior to September 1, the percentage of the amount classed as middling and above was 94.3 in Mississippi, 71.5 in Louisiana, 70 in Georgia, and 56 in Alabama. Average staple lengths of the 1946 crop were about 1/32" longer than those for the corresponding date last year.

Cotton prices attained a new 26-year high on September 30, with an average quotation of 38.19 cents from the 10 spot markets. Cotton prices remained fairly steady around 36 cents from August 8 through the earlier days of September.

Farm Real Estate

The Southeastern states as a group led all other areas in the percentage increase in farm-land value per acre from the 1935-39 average to July 1946, according to the Bureau of Agricultural Economics. In the Sixth District, Tennessee, Georgia, and Mississippi had more than doubled their averages, while increases in Alabama, Louisiana, and Florida ranged from seven eighths to two thirds.

The July 1 index (1912-14=100) of average value per acre of farm real estate also showed the Southeastern geographical division leading in increase. The East Central division, containing Tennessee, Alabama, and Mississippi, held the highest index in the nation, 218, 19 points over its 1920 peak. The South Atlantic division, containing Florida and Georgia, had an index of 197, only one point short of its 1920 high. The national index of 147 was 23 points, or 13.5 percent, short of its 1920 high.

Activity in the farm real estate market was indicated by

the increase in the volume of voluntary sales of farm land in the United States for the 12-month period ending in March 1946. The estimated number of voluntary sales and trades was 54.9 per 1,000 of all farms, as compared to 51.5 for 1945, 55.9 for 1944, and 48.8 for 1919. Speculation was evidenced by the fact that about one seventh of all sales during the first quarter of 1946 were resales of tracts held two years or less.

Many transfers were effected by full cash payments or large down payments. In spite of the large number of cash transactions, however, heavy debt existed on many newly acquired farms during the first quarter of 1946. Commercial banks were especially active in extending farm credit, as indicated by their rise as sources of farm loans from 21 percent of the total in the first quarter of 1945 to 26 percent for the same period of 1946. One third of all credit-financed sales showed a remaining debt of three fourths of the buying price, with debt on many farms greater than the previous full value in 1941.

Farm Product Prices

Farm-product prices reached the highest point ever recorded on August 15. The farm price index (1909-14=100) for mid-August was 249, an increase of four points over the July index which equaled the highest index number previously recorded, in May 1920.

Sixth District farmers were especially favored in the upward trend of farm prices because two of their leading cash crops showed price increases well above the composite. The cotton and cottonseed price index on August 15 was 271, but only small amounts of cotton were being sold by farmers in the District at that time. Tobacco, with marketing fairly complete in the flue-cured belt of the District, brought a record high price with an index of 388. Meat animals and dairy products had indexes on August 15 of 294 and 257, respectively. Less favored products were fruits, at 203; poultry and eggs, 199; and commercial truck crops, 162.

At the same time record high prices were set by commodities necessary to farm production, such as feed, fertilizer, and farm machinery. The mid-August index of 214 showed prices the farmers had to pay five points higher than those of July and 34 points above the July 1945 index.

Farmers have operated on a favorable parity ratio since August 1941 by selling their products at prices relatively higher than they paid for commodities bought. The indexes for these two quantities were on par with each other at that time. On July 15 the parity ratio was 123, equal to the previously recorded high of September 1942. The August 15 index showed a one-point decline, due to a relatively greater increase in the prices farmers pay. Since 1914 farmers have had a favorable price relationship on only two occasions, both of which were the results of war.

The nature of farm price activities of the immediate future is problematical. Figures on post-World War I prices, however, show clearly the operation of an unfavorable parity ratio. Farm prices declined from a high of 244 in May 1920 to the lowest point of the decade, 113, in May 1921, whereas the annual index of prices paid by farmers declined only from 201 to 152 in approximately the same period. Though the latter was a decline of considerable proportions, it was not nearly as severe as that of the selling price of farm commodities.

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