



The Spread of Development Corporations

A MOVEMENT gaining popularity among the towns and small cities of the South is the establishment of industrial development corporations. It will be the work of these organizations to increase manufacturing operations in the communities and thus offset the preponderance of agricultural activity. Within the states of this District 18 communities, at least, are now launching enterprises of that type or are planning on doing so and six more are reported to have begun them. Industrial-development corporations have, of course, been used for years in cities over the nation. Only recently, however, have the smaller communities in the South seen that they could be used as a means of attaining sorely needed economic balance within their own localities.

The South's need for industrial growth, to bring about the economic welfare of a greater number of its residents, has long received general recognition. But it was perhaps conditions during World War II, when the Southern people saw for themselves what capacity manufacturing operations could do for the region, that lifted this recognition out of the field of mere discussion and exhortation, for the most part, to a plane of widespread and fairly vigorous activity.

For more than a half century before the war public officials, candidates for office, students of public affairs, editorial writers, and teachers had been spreading the gospel of industrial development and diversification as the economic salvation of the South. Despite the progress made from 1880 through the 1920's, however, a sympathetic Presidential committee could still designate the region in 1938 as the country's "Economic Problem No. 1." This was at a time, too, when the whole nation was recovering from the most severe economic collapse in its history. Though professional Southerners and other people who allowed their hurt pride to blind them to economic realities protested, most serious thinkers admitted the truth of this regional indictment.

The years of progress before the collapse had raised the region's relative economic position only slightly. Income levels and other indexes of economic conditions in the South showed a striking disparity with those for other regions. In this situation the slavish adherence to an agricultural economy built on a few staples—cotton, corn, and tobacco—was a prime factor. Only in those states or subregions where manufacturing activity had become firmly entrenched on a wide scale was there, according to the indexes, a higher economic level. The dissatisfaction, with conditions as they were, was intensified by the conclusions reached in calculating studies made of the region's assets and liabilities, including its resource patterns and labor-capital ratio.

As a result of a birth rate much higher than the death

rate, for years a steady stream of migrants has poured out of the region to sections where work is more plentiful and average incomes are higher. Because of changes wrought by World War II several new factors have now been injected into the surplus labor picture to make the need for industrial expansion even more pressing. With the westward shift of an already reduced cotton acreage, the land in the older states is being turned to more extensive farming. As the region's landowners seek better returns by an increasing use of the mechanical cotton picker, power implements for weed control, and cane harvesters, the lower income groups will lose their place on the agricultural ladder. If the region is to absorb its farm laborers, sharecroppers, and tenant farmers that are displaced during this agricultural revolution, five million new jobs, it is estimated, must be created in non-agricultural enterprises during the next decade.

In addition, former service people and displaced war workers are everywhere resisting a return to the low-income farm jobs. State and Federal veteran and unemployment-fund benefits have somewhat obscured the picture, but it is apparent in many cases that this resistance represents a lasting aversion.

Despite low levels of per capita income and savings, a major proportion of workers with limited industrial skills, and a shortage of venture capital, there has been over the years a great amount of native industrial development. The status of many Southern firms, some of them now grown to big-business stature, in the textile, tobacco, beverage, and metal fields is evidence. In the large capital-using industries, such as iron and steel, light metals, chemicals, oil and gas, transportation, and public utilities, however, outside capital has had control. The consequences of this control to the South in differential rate structures, a tendency to regard its facilities as marginal or peak-load plants, and a restriction of regional development are widely discussed and disputed.

With the development of the National-defense program after the fall of France and of the war program after the bombing of Pearl Harbor, the South rapidly gained additions of Federal funds to its capital investment in plant facilities. The impetus thus given to the region in industrialization was probably of greater relative importance than that given to any other region. Of equal importance was the impact of war demands on regional incomes and savings. As a result of the increased industrial activity, pools of liquid assets and investment capital accumulated in communities all over the South.

As the end of World War II drew near the situation to farsighted men appeared urgent and at the same time hope-

ful. The South would acquire a large labor reserve as the shifts away from intensive farming toward extensive farming and from manual labor toward mechanization took place. Its labor force would swell as service people and war workers returned to civilian status and peacetime work. It possessed the climate as well as the resources favorable for industrial expansion. Furthermore, its communities had surplus capital available in sufficient amounts to finance additional plant facilities for new or expanded industries.

Set as it was against a background of pent-up demand for all kinds of products and of an attitude increasingly favorable to a breaking down of the barriers that had restricted manufacturing in the South, this situation invited the establishment of new businesses. Many of them are accepting the invitation, for during the period since V-J Day business enterprises have sprung up with such rapidity that no accurate current count is available. The staffs of state agencies, local chambers of commerce, and railroad and power-company industrial departments have been busy answering the numerous inquiries and directing prospective industries to desirable locations.

This situation, moreover, accelerated the establishment of local industrial-development corporations to fill a need none of the more traditional agencies could supply. The corporations also do a great deal to avoid the pitfalls of development organizations much less formally set up.

Not many years ago when a community wanted to attract new industries, a common procedure was to extend municipally granted subsidies. Often these took the form of outright gifts of land or buildings, sometimes both. Usually there was the additional inducement of a tax-free status for a time. The cost was borne either indirectly by the taxpayers or directly by prominent citizens and municipal officials who made the necessary donations. In most cases there was no requirement for a detailed examination into the individual enterprise's background, financial status, and managerial setup or into its prospects. Frequently, therefore, the enterprise furnished no lasting utilization of the community's surplus labor and materials but closed its doors at the first signs of difficulty, leaving behind it costs that were to linger long afterward. It was to avoid this wasted effort and money that Mississippi adopted its Balance Agriculture with Industry Plan. For the same reason agencies in other states also began to discourage very informal plans for industrial development with community-subscribed capital and the communities themselves began the practice of forming carefully planned development corporations.

Fashioned along the lines of community programs established in some of the larger cities, such as Louisville, Kentucky, where the Louisville Industrial Foundation has been aiding industrial growth for 30 years, these corporations have followed no one pattern of organization or method of operation. They are organized to bring the local community's labor and capital together with an expanding, or new, business enterprise that could utilize them. Sometimes the man with a plan for a new business comes from the community itself, but often he comes from a neighboring center, or even from outside the region.

Some of the main features of those corporations known to be in existence in the District states are summarized in the accompanying table. Though Millen, Georgia; Monroe and Alexandria, Louisiana; and Brownsville, Winchester, and Murfreesboro, Tennessee, were reported to have such

organizations, the reports have not been confirmed. There are probably other communities in the District that have them.

Of those communities on which information was obtained, Union City, Tennessee, and Tifton, Douglas, Cedartown, and Sandersville, Georgia, have plans for development corporations under discussion at present. Corporations in Sparta, Bainbridge, Warrenton, and Hawkinsville, Georgia, and in Decaturville, Tennessee, are held up by an inability to secure suitable buildings for applicant concerns. In Dunlap, Tennessee, and in Albany and Waycross, Georgia, newly organized corporations are currently negotiating with prospective industries. Those of the corporations that already have industries operating under their plans are in Cordele, Marietta, and Waverly Hall, Georgia, and in Greenville and Jackson, Tennessee.

For the most part the corporations are located in widely scattered counties of both Georgia and Tennessee. The areas in which they fall are primarily agricultural. Hence this method of promoting industrial development is in accord with the state and regional policy of balancing agriculture with industry.

Organization and Capital Structure

As stated in the charters, most of the corporations have for their purpose the advancement and improvement of their respective areas. In most cases the official names of the organizations reflect the purpose. These corporations are usually county-wide in scope, with the principal office and most shareholders of each located in a county seat or principal town. In the case of the small rural county, typical of Georgia and Tennessee, the benefits of new industry as a market for labor and raw materials are apt to spread through the whole county. All but two or three of these corporations have been chartered only since the closing days of the war, indicating wide concern over the possible impact of postwar dislocation on local economies. That the expected local business setbacks have not occurred in no way detracts from the farsightedness of the progressive organizers of these corporations who have learned that the prevention of such setbacks is far less painful and of more lasting value than their cure.

The development funds take the usual corporate form of organization. Bondholders and stockholders have one vote for each bond or share of stock, as the case may be, in the annual elections of from seven to 16 directors. The officers, who serve without pay, are elected by the directors. Like the directors, they represent a cross-section of the usual small-town business leadership. They are bankers, lawyers, doctors, druggists, merchants, newspaper editors, and manufacturers. Often the secretary of the local chamber of commerce is secretary of the development corporation also. In most cases the disbursement of funds and the signing of contracts is left to the discretion of the officers. The bylaws of some of the organizations set up a small executive committee or require approval of a majority of the directors before major decisions can be made. Whether the delay when immediate and decisive action should be taken is too high a price to pay for this safeguard against unwise expenditure is a question difficult to answer.

The capital structures are simple. Except in one case each of them has only one type of stock or bond. But the amounts of authorized capital vary widely, depending upon the size of the town and the ambitions of the organizations'

ORGANIZATIONAL FEATURES OF THIRTEEN SIXTH DISTRICT DEVELOPMENT CORPORATIONS							
City and County	Locally Estimated Population	Name of Corporation	Date Chartered	Present Officers	Capitalization		Type of Security Issued
					Authorized	Paid-in	
Georgia							
Albany	35,000	Albany, Inc.	Aug. 1946	J. T. Haley President	\$300,000	\$ 75,000 (Planned)	3-5% Common stock, planned par value of \$100
Dougherty	42,000						
Bainbridge	10,000	Bainbridge Civic Improvement Corp.	May 1946	J. U. Grimsley President	90,000	100,000 (10,000 in gifts)	2% Bonds in \$100 denominations
Decatur	25,000			J. M. Hughes Secretary			No stock
Cordele	8,000	Crisp County Development Co., Inc.	Oct. 1936 Amended Jan. 1946	Guy T. Cobb President	200,000	52,000	\$15,000 of common stock \$50,000 of preferred stock
Crisp	18,000						
Hawkinsville	4,000	Pulaski Development Co., Inc.	Mar. 1946	J. H. Thompson President	100,000	20,000	175 Shares of \$100 par and 25 shares of no-par stock
Pulaski	9,000			R. H. Lawson Secretary			
Marietta	25,000	Marietta Industrial Association, Inc.	June 1945	R. L. Coggins President	100,000	52,000	Common stock with \$100 par value
Cobb	34,000			J. S. Wingo Secretary			
Sparta	2,000	Hancock County Development Co.	Nov. 1945	M. G. Bound President	30,000	30,000	5% Common stock with \$100 par value
Hancock	13,000			L. L. Stewart Secretary			
Warrenton	1,200	Warrenton Development Co.	Oct. 1944	J. B. Wilhoit President	30,000	30,000	Common stock with \$100 par value
Warren	11,000			Dr. C. S. Evans Secretary			
Waverly Hall	600	Waverly Hall Development Co., Inc.	April 1946	G. B. Saunders President	100,000	26,000	Common stock with \$50 par value
Harris	10,000			J. B. Thompson Secretary			
Waycross	20,000	Ware County Industrial Development Association, Inc.	June 1946	M. M. Monroe President	250,000	93,000	4% Bonds in \$100 and \$1,000 denominations
Ware	32,000			Liston Elkins Secretary			
Tennessee							
Decaturville	500	People's Industrial Development Corporation	Nov. 1945	A. F. Adair President	75,000	.....	Common stock
Decatur	10,000			P. S. Simmons Secretary			
Dunlap	800	Dunlap Building and Real Estate Company	Aug. 1946	F. S. Barker President	100,000	6,000	Common stock with \$100 par value
Sequatchie	3,000			B. F. Groover Secretary			
Greenville	8,000	Greene County Foundation	Mar. 1946	C. B. Austin President	200,000	103,000	Stock certificates
Greene	42,000			Glenn Bewley Secretary			
Jackson	3,500	The Jackson Foundation, Inc.	1945	Wm. Holland President	100,000	65,000	Common stock with \$100 par value
Madison	53,000			Everett Rogers Secretary			

founders. Three of the corporations in Georgia and two in Tennessee have authorized capital of \$100,000. Three others in Georgia and one in Tennessee have larger amounts authorized. Though several of the smaller corporations have had all their capital paid in before they started to build, only two in the larger communities have had their paid-in capital reach \$100,000. In those cases where pledges are paid monthly, however, the available capital is steadily increasing.

Common stock with a par value of \$100 is the type of security usually issued, with a small issue of preferred stock added in one case. Two of the larger corporations, however, are selling only bonds. The bondholders' voting rights are on a similar basis to the stockholders'. Although no limit is placed on the amount of investment that may be made by any individual, a desirably varied and widespread ownership has resulted in practice. In one city an application by an out-of-state resident for stock was welcomed. Colored professional men in that community are also among the stockholders. Companies operating locally have been ready subscribers for stock, even when their principal places of business have been elsewhere. Most of the development organizations hope to earn for their shareholders a return of 2 percent to 5 percent on the investments. Since usually these profits will not be distributed, the returns will be indirect ones in the form of increased business for the community. The capital fund is to be maintained intact or added to and used over and over again.

Lease Arrangements

All the corporations plan to acquire a site and building suitable for each of the accepted industries, constructing or remodeling to suit the requirements of the future occupant. They will then lease the property to the firm, one whose past record, credit rating, and prospects, of course, are satisfactory.

Terms of the leases vary, but 10-year leases at monthly rentals equal to one percent of the cost are the most common type. In any case, the plan calls for the cost of the project to be amortized over the term of the lease, with an option given to purchase at any time during that period. The development corporation's interest may be secured by a mortgage on machinery or improvements that are added by the occupant. Property taxes and insurance, utility-service, and maintenance costs are usually borne by the occupant. Title will be transferred to the lessee when the corporation has been reimbursed for the cost of the building, either by accumulated rent or a lump-sum payment. In one case, however, title is to be vested in the city and county jointly when the bondholders are repaid. This is not a typical case in other respects also. The occupant industry will pay only a nominal rent scaled downward as his employment rises, and funds for reimbursing the shareholders will come from property taxes levied through the county.

Though the organizational and operational features of these corporations vary, the procedure of establishing them follows a pattern. A group of leaders in a community confronted by an agricultural imbalance in the county and a prospect of labor surpluses, or even possible loss of war-created activities, meet to talk over their problems. They begin by carefully considering their community's needs and its prospects as calculated by the chamber of commerce or another local group. They then review what information they have on the

unfortunate experiences of towns that granted outright subsidies to new industries. They have before them correspondence and literature on plans used in other towns. Once local opinion has been sounded out and the availability of resources determined, through private discussions and meetings of local civic clubs, the leaders draw up a plan and apply for a charter. When this has been granted, the work of organizing, electing officers, writing bylaws, and making plans for raising capital is carried out. So far only three corporations in Georgia and two in Tennessee have passed that stage, but the others plan to go ahead as rapidly as possible.

Problems of Operation

Though there are several reasons for a slowing down in the work of the corporations, none of them is a slackening of support or a lack of enthusiasm among the sponsors. Nor has the difficulty of securing local capital or prospective industrial contracts been a deterrent. Some of the corporations, such as the one in Albany, Georgia, are so recently formed that they have not yet had time to carry out the operational phases of their work. In other instances, for example, Waycross, Georgia, and Dunlap, Tennessee, negotiations with interested industries are now being carried on.

Some of the groups have had difficulty securing suitable buildings for their clients or housing for the workers. In at least three instances great difficulties and delays have been encountered when attempts were made to obtain the use of now vacant structures that were built for military uses. Prospective industrial occupants have inspected the structures and found them suitable, but transfers of these surplus war facilities are effected so slowly that none of them has yet been made available.

Building restrictions have constituted a more serious handicap. Priorities to build have been hard to get because of the emphasis placed on diverting materials to home construction. When priorities have been secured, it has been very hard to get a building contractor to undertake the work, because of a fear that material and labor shortages or further restrictions will hold up construction. Housing for workers also has presented problems, which are similar to those common in many sections of the country. In a few cases, however, dwellings built for workers at war plants are available. In some others prefabricated units have been secured from war camps by private concerns and transferred to the community. At Cordele the development corporation itself is building homes for workers.

This work of the Crisp County Development Company, Incorporated, has so far not been duplicated by any of the other organizations. The corporation was organized in 1936, eight years before any of the others were chartered, for the purpose of erecting a building that was to be leased to an incoming hosiery mill. This factory, incidentally, is now well established in the town. No further construction was undertaken until this year, after the corporation was reorganized with greatly increased capital—some of which was in preferred stock. At that time another building was constructed for lease to the Crisp County Manufacturing Company, a maker of ladies' blouses. Soon afterward it was learned that the factory's 150 employees and smaller numbers employed by other newly installed industries would overtax the housing facilities in the city. A housing program calling for the construction of between 30 and 40 dwellings, ranging in price

from \$5,000 to \$9,000, was planned. Of the 20 units begun, seven have been completed. These houses have been sold mostly to veterans, who have first choice for 60 days as well as the advantage of G. I. loan aid in financing their purchases. Sales are made only for cash in order that funds used by the corporation to finance the construction will not be tied up over a long period.

A Corporation at Work

Of the four other development corporations that have actually brought new industries to their towns, the Marietta Industrial Association is believed to be typical. It was organized in June 1945 by some of the city's leading businessmen. These men were seeking to prevent complete loss of the increased business activity the city then had as the site of a large bomber plant. At present slightly more than half the authorized \$100,000 capitalization has been paid in. Supplemented by bank loans, this money has been used to finance the acquisition of four factory buildings at a cost of about \$108,000. One of the buildings was purchased, two were constructed, and a fourth is being completed. The industries using these buildings manufacture furniture, wearing apparel, metal signs, and ceramic products. Their total pay rolls are expected, at full operation, to reach \$300,000 a year for 200 employees. Two of the enterprises are newly organized. Of the other two, one moved to Marietta and one established a branch plant there as a direct result of the association's work.

With each of the industries the Marietta Industrial Association has entered into a lease at a monthly rental rate equal to one percent of the building's cost. The contract covers a minimum of five years and carries the privileges of renewal for another five years and purchase of the building for the unamortized portion of the cost. It is believed that all the industries will exercise their options to purchase. One of them has already indicated an interest in doing so. Under the lease, the occupant pays taxes, insurance premiums, utility charges, and maintenance expense of the building. When one of the buildings is sold, the proceeds will be invested in buildings for other industries. Though dividends are authorized none has been paid, nor is such payment expected. The association plans to maintain its capital as a revolving fund, and its subscribers look for returns only in the increase of business activity that these additional industries will bring to Marietta.

No complete or final appraisal is possible, of course, with the as-yet limited experience in using this type of community encouragement to industry. It is a promising program, however, that other communities eager for an added measure of industrial development may wish to follow.

It must be admitted that under the plans of all these industrial-development corporations there is an element of subsidy to industry. Where tax exemptions are granted the subsidy is obvious and it is apparent that the taxpayers are bearing the cost of increased public services occasioned by the favored industry, but this practice is not widespread. Of course in those cases of free or nominal rents subsidies are equally apparent. But in the usual situation, where the building is acquired by monthly payments over a 10- or 20-year period, the industry is in effect merely getting an interest-free loan for that period. If it were to build its own plant and borrow the money from commercial sources, it would certainly pay interest on the loan as well as instalments on the principal. That all these plans entail some measure of community sub-

sidization does not of course condemn them. The community usually feels that the resulting better employment opportunities for its people, the increased payrolls, and the greater volume of trade that flows through local channels are sufficient return.

A Better Economic Balance

Of course an industry brought in by a development corporation might have located in the town without any concession or other help, but in the competition for industrial plants no progressive community wants to leave that much to chance. Underlying the development-corporation plan is the community's desire to promote a better economic balance, first, between agriculture and industry and, second, among various types of industry. Although no one of the plants established under these plans has so far employed more than a few score persons, together they will do much to absorb surplus labor from the farms and the curtailed war activities. In every community visited for this study a labor survey of the area had been made and the size and make-up of the labor force had been taken into account in negotiations with prospective industries. Another evidence of intelligent community planning by the officers of these corporations is the policy of seeking, wherever possible, industries that will utilize raw materials from the localities. Where more than one industry has been obtained, and where plants are already established, every effort has been made to secure a measure of diversification.

Before a contract is signed with an applicant firm that is operating elsewhere, or has previously operated, a careful study is made of its financial statement. Before one is signed with a new concern, a check is made of its prospects and of the credit rating and financial backing of its founders. In conjunction with other local agencies, as well as with state planning authorities, the officers of the development corporations have tried to secure industries that will be firmly oriented to the regional resources and to local labor conditions. By signing the aided industry to a lease contract the corporations assure the interest of the industry in carrying out its agreement. Certainly the present plan will avoid repetitions of the unhappy experiences many communities have had in the past when they used public- or community-subscribed funds to unwittingly subsidize fly-by-night industries.

The question of what will happen to these plans in the event of a depression is of course unanswerable at this stage. But if the industries aided are economically sound and well managed there is good reason to believe they all will survive. In fact under the plan of the industrial-development corporations, industry and the community might easily give mutual support in time of economic crisis and thus stand off the full force of such a crisis within the community and its immediate vicinity.

C. H. DONOVAN.

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change September 1946 from	
		August 1946	Sept. 1945
Total sales.....	102	- 7	+ 61
Cash sales.....	94	- 8	+ 68
Instalment and other credit sales..	94	- 7	+ 59
Accounts receivable, end of month	101	+ 2	+ 36
Collections during month.....	101	- 5	+ 30
Inventories, end of month.....	81	+ 1	+ 41

Ownership of Bank Deposits in the Reconversion Period

BUSINESS and personal demand deposits constitute one of the most important types of Sixth District liquid assets. Their use has been one of the instruments that have helped sustain employment and income in the face of declining or stable Government expenditures. Businesses and individuals had an estimated 4.3 billion dollars on deposit in all Sixth District banks on July 31. This sum was 5 percent more than they had on deposit at the end of January. Shifts between the various types of owners of these deposits, however, were great. In part, these changes reflect progress made toward reconversion of the District's economy to a peacetime basis.

In percentage terms business deposits, representing about a half of total demand deposits of individuals, partnerships, and corporations, increased in about the same degree that personal deposits did. In terms of dollars, however, business deposits increased 112 million, which was 12 million greater than the increase in personal deposits. Between the dates of previous surveys personal deposits have shown the greatest gains. Apparently individuals have used their bank deposits, which were built up during the war, to purchase goods previously in short supply. About a fifth of the personal deposits, or 406 million dollars, were those belonging to farmers.

These estimates of demand-deposit ownership in the Sixth District are based upon reports made by 97 Sixth District member banks. These banks classified the deposit accounts of individuals, partnerships, and corporations at their banks by type of ownership. From their reports, estimates were made of the amounts in both member and nonmember banks of demand deposits owned by various types of businesses and persons.

With the exception of insurance companies, all types of businesses showed increases in deposits during the six-month period. The increase in the deposits of manufacturing and mining concerns of 41 million dollars was the greatest, followed by a 31-million-dollar increase in the deposits of retail- and wholesale-trade concerns. Previous surveys have shown deposits of companies engaged in retail and wholesale trade increasing much more rapidly than those of manufacturing companies. From July 1945 to January, for example, these deposits increased 16 percent compared with a decline of 13 percent for manufacturing and mining companies.

Ownership changes do not necessarily indicate varying degrees of activity in different types of businesses. In some instances a decline in deposits may measure the success of a particular type of business in reconverting to peacetime conditions. The slowing down of the increase in the deposit balances of retail- and wholesale-trade firms in spite of growth in sales, for example, probably reflects the ability of these concerns to increase their inventories. It also reflects the increase in credit these concerns have given their customers in recent months. The decline in the accounts of public utilities and transportation companies may reflect recent expenditures for capital development. Bank deposits are undoubtedly

one type of assets used to pay for construction, which, as shown elsewhere in the *Review*, has been at a high level.

Many manufacturing concerns were faced with the necessity of making large expenditures when they ceased wartime operations. The survey conducted in January indicated, however, that the decline in mining deposits and manufacturing in the Sixth District had not been as great as it had been nationally. This condition was explained partly by the relatively minor importance of strictly war industries in the District compared with their importance in other districts. The sales by nondurable-goods manufacturers, such as cotton-textile concerns that are the most important manufacturing companies in the District, have been high in recent months. These high sales help explain the increase of 9 percent in District manufacturing and mining deposits for the six months ending in July compared with the decline of 7 percent in the previous six-months period. Changes in other types of accounts are shown in table 1.

TABLE 1
ESTIMATED DEMAND DEPOSITS OWNED BY INDIVIDUALS,
PARTNERSHIPS, AND CORPORATIONS IN ALL COMMERCIAL
BANKS IN SIXTH FEDERAL RESERVE DISTRICT
(In Millions of Dollars)

Type of Ownership	July 1946	Dollar Change Jan. 1945 July 1946	Percent Change Jan. 1945 July 1946	Percent Distribution Jan. 1946
Manufacturing and mining...	470	+ 41	+ 9	10.8
Public utilities, transportation, and communications...	247	+ 1	+ 1	5.7
Retail and wholesale trade...	309	+ 31	+ 4	20.9
All other nonfinancial*	249	+ 3	+ 1	5.7
Total nonfinancial.....	1,875	+ 76	+ 4	43.1
Insurance companies.....	72	- 1	- 2	1.7
Trust funds of banks.....	51	+ 9	+ 23	1.2
All other financial**.....	227	+ 28	+ 14	5.2
Total financial.....	350	+ 36	+ 11	8.1
Total business.....	2,225	+112	+ 5	51.2
Nonprofit organizations.....	98	- 7	- 7	2.3
Personal, including farmers.....	2,018	+100	+ 5	46.5
Foreign.....	1	- 1	- 53	.....
Total individual, partnership, and corporation.....	4,342	+204	+ 5	100.0

*Including construction-contracting establishments, theaters and hotels, laundries, garages, repair shops, and other service establishments.

**Including investment, loan, and insurance agencies; real-estate businesses, etc.

During the war Government-credit expansion was so rapid that most banks in the District shared the resulting phenomenally rapid increase in total deposits. The increase was particularly rapid for banks in communities where the war program brought in unusually large amounts of additional funds created by the banking system as a whole. A bank that did not experience a large wartime increase in business and personal deposits was a rare exception. A survey of deposit changes between 1939 and 1945 of Sixth District member banks showed that only one in 20 had a deposit increase smaller than 200 percent, while one in every three had an increase of more than 500 percent. Only one of the 297 banks surveyed experienced an increase of less than 100 percent.

With the elimination during 1946 of the expansion of the Government debt as the primary factor in deposit creation,

increases in the total bank deposits have become dependent upon the action of private credit. The rise in private credit has been substantial, but it has not been sufficient to offset the decline in Government credit. Recently banks have been faced with the necessity of adapting their operations to decreases in Government deposits occasioned by Government withdrawals for debt redemption. In addition, although personal and business deposits have not declined throughout the District as a whole, these deposits at certain banks have decreased. Declines in deposits at some banks and increases at others may be expected in the future although a smaller total of nongovernment deposits in all banks is not anticipated immediately.

rates of change of these banks in total demand deposits. However, according to the estimates based on the sample of the banks reporting, there were decreases in the deposits of all types of nonfinancial businesses except manufacturing and mining at the banks having deposits of less than one million dollars. These decreases were counteracted by increases in deposits of nonfinancial business concerns and of persons. The result was that the total was approximately the same on July 31 as it was at the end of January. The deposits of retail- and wholesale-trade concerns constituted about one fifth of total demand deposits at the banks in all size groups. The decrease of 19 percent in these accounts at the small banks, therefore, did much to prevent the increase in total deposits. The larger banks' trade accounts showed increases.

The types of persons or businesses who own the greater portion of the deposits at an individual bank will greatly determine the future trends of its deposits. A bank with a large proportion of a certain type of deposit that declines more readily than other types can, of course, expect declines in total deposits greater than those in banks that do not have as large a proportion of that type of deposit unless withdrawals are offset by increases in other types of accounts. The recent survey of liquid assets indicated that during the first quarter of 1946, for example, farmers expected to use their liquid assets to a greater extent than other persons in making purchases of durable goods when they became available. Farmers planned to buy machinery, repair and construct farm buildings, and use their deposits for production purposes. If they are successful in carrying out their plans and if their expenditures during the next six months exceed their cash incomes, a decline in this type of farm deposits may be expected. This decline, of course, will probably be balanced by an increase in other types of deposits, but the latter may not necessarily be kept in the same banks. The coming period in which the total of business and personal deposits will probably be stable or increase only moderately will, therefore, present problems much different from those of the period of rapidly increasing deposits.

CHARLES T. TAYLOR

TABLE 2
PERCENT CHANGES IN OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS IN SELECTED SIXTH DISTRICT MEMBER BANKS WITH DEPOSITS OF FROM ONE TO TEN MILLION DOLLARS

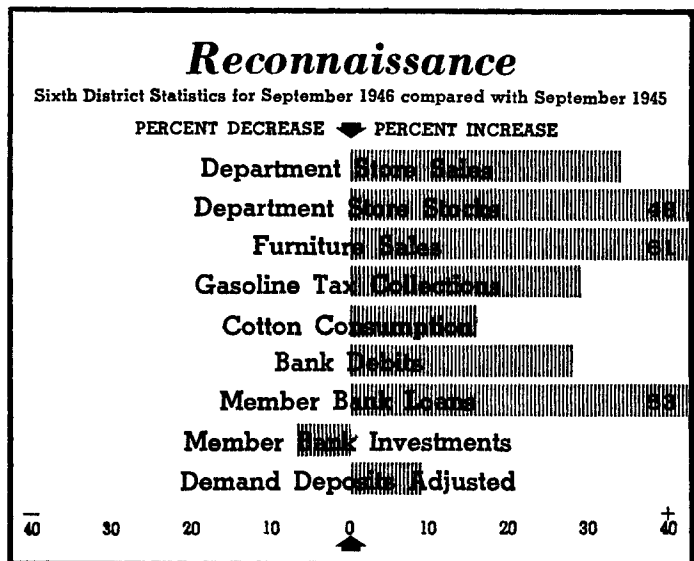
	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	Dist.
Classified Accounts*							
Mfg. and mining.....	+ 79	- 41	+ 35	+ 15	+ 38	- 13	+ 8
Pub. util., trans., and com.....	+ 92	+ 22	+ 9	+ 43	- 39	- 6	+ 6
Retail and wholesale trade.....	+ 0	+ 20	+ 5	+ 7	- 7	- 10	+ 4
All other nonfin.....	- 19	+ 52	- 7	+ 22	+ 21	+ 33	+ 22
Insurance companies.....	+ 5	- 94	+ 35	- 26	+ 66	- 40	- 61
All other financial.....	+ 10	+ 7	+ 88	+ 10	+ 32	+ 5	+ 14
Trust funds—banks.....	+ 288	+ 27	- 71	- 41	.....	.....	+ 18
Nonprofit assns.....	- 36	+ 3	- 7	+ 54	+ 22	- 57	- 24
Personal							
Farmers.....	- 14	+ 43	+ 15	- 39	- 15	- 1	+ 14
Other.....	- 3	+ 10	+ 8	+ 9	- 3	+ 15	+ 7
Total classd. accts.....	+ 5	+ 14	+ 11	+ 6	- 1	- 4	+ 7
Nonclassd. accts.....	- 1	+ 12	- 2	+ 6	- 7	+ 5	+ 3
Total demand deposits indivs., partns. and corps.....	+ 2	+ 14	+ 5	+ 6	- 3	- 0	+ 5

*Accounts above \$3,000 are classified.

The nature of these declines is revealed when the banks reporting changes are grouped by state and by amount of deposits. Table 2 shows by states the percent changes in various types of classified deposits in banks with deposits of from one to 10 million dollars. The most striking feature of the table is the wide variation in deposit behavior from state to state. Still greater variations are found from bank to bank. Manufacturing deposits of \$3,000 or more in these banks increased 8 percent for the District as a whole. The banks in Alabama, however, reported increases of 79 percent, and Florida banks reported a decrease of 41 percent. Changes at the banks in the other states ranged between these two extremes. The changes in the classified deposit accounts of public-utility and transportation companies ranged from a decrease of 39 percent in Mississippi to an increase of 92 percent in Alabama. Equally as great variations are found in other bank groups.

Assuming that the deposits of corporations represent the deposits of the larger business concerns, deposits of the larger concerns of the District have increased more than those of the smaller ones. Corporate business deposits increased 7 per cent compared with the increase of one percent for deposits of other types of business organizations. Deposits of more than \$25,000 by businesses in all banks in the District rose an estimated 10 percent. The amounts of the deposits less than \$25,000 remained almost unchanged.

The differing nature of the deposit structures of the banks of different sizes explains to some extent the differences in



Bank Announcements

THE resignation of Malcolm H. Bryan as first president and the appointment of Lewis M. Clark to that position were announced on October 18 by William S. McLarin, Jr., president of the Federal Reserve Bank of Atlanta. Mr. Bryan, who came with the bank in 1938 and was made first vice president in 1941, resigned to become vice chairman of the Trust Company of Georgia. Mr. Clark, who has been with the bank since 1918, was made vice president in 1936 and was sent to the New Orleans branch as its managing director two years later. In 1941 he returned to Atlanta as vice president.

During October two banks were admitted to membership in the Federal Reserve System and three went on the Federal Reserve Par List. The first of the new member banks, the American Bank & Trust Company of Bessemer, Alabama, was admitted on October 1. This newly organized bank has capital stock of \$100,000, surplus of \$50,000, and undivided profits of \$50,000. Holden S. Naff is president, and Joe P. McDonough vice president and cashier.

The second new member of the System was the North Shore Bank, Miami Beach, Florida, which came in on October 15. This, too, was a new organization, with capital stock of \$400,000, surplus of \$75,000, and total capital account of \$500,000. The officers are Leonard L. Abess, chairman of the board; F. Rouse Smith, president; Shepard Broad, first vice president; Albert Pick, second vice president and cashier; and A. F. Camp, assistant cashier.

The first of the three additions to the Par List was the State Bank of Haines City, Haines City, Florida, which began remitting at par on October 1. It has a capital of \$25,000, surplus and undivided profits of \$49,910, and deposits of \$4,417,294. N. D. Case is chairman, Lisle W. Smith president, Fred Walsma vice president, H. P. Angle vice president and cashier, and Ernest Martin assistant cashier.

The main business of Haines City, which is in the center of the citrus belt, is the handling of fresh citrus fruits. There are eight fresh-fruit houses, four canning plants, and one feed mill in the territory. Haines City has approximately 5,000 population, but the surrounding trade area has approximately twice that amount.

The second addition to the Par List was the State Bank of West Tampa, Tampa, Florida. This newly organized bank, in the territory served by the Jacksonville branch, began remitting at par on October 1. The capital stock is \$100,000, the surplus \$15,000, and the undivided profits \$10,000. Although the community this bank serves is known as West Tampa, it is a part of the municipality of Tampa. The leading industries in the bank's immediate vicinity are cigar and cigar-box factories, two or three garment-manufacturing plants, a large canning plant, a mattress factory, and many wholesale and retail establishments.

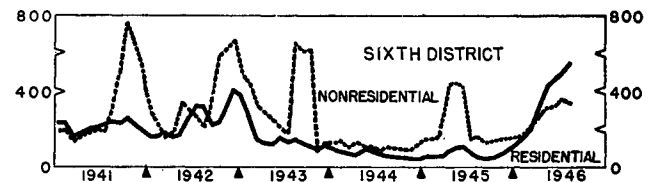
The last of the Par-List additions was the Metairie Savings Bank and Trust Company, Metairie, Louisiana, which began remitting at par on October 15. This is a newly organized bank in territory served by the New Orleans branch. The officers are Maurice J. DeLord, president; Ad Given Davis, first vice president; E. William West, second vice president; Albert Bittenbring, cashier and manager; and Wilton T. Barker, assistant cashier. Its capital is \$168,000, its surplus \$33,000, and its undivided profits \$8,000. The bank serves a population of about 23,000 in an area of seven square miles.

POSTWAR CONSTRUCTION

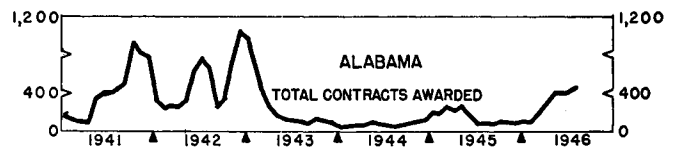
IN THE SIXTH DISTRICT

CONTRACTS AWARDED

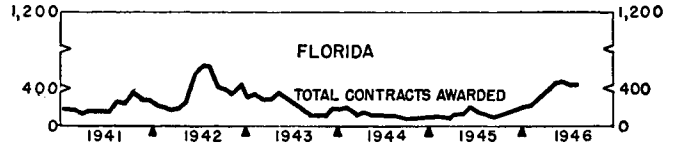
THREE-MONTH MOVING AVERAGE (1935-39=100)



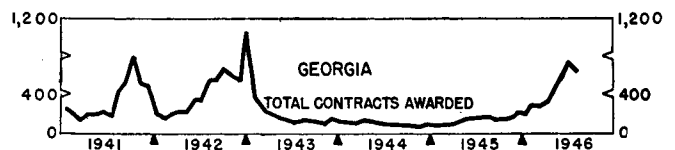
Through August, District construction contracts for 1946 totaled 533 million dollars, exceeding the corresponding 1945 total 65 percent. Forty-one percent was for residential building. Although contracts awarded in August fell short of the 1942 peak they exceeded the prewar average 350 percent.



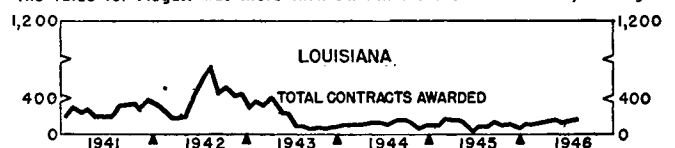
Contracts awarded in Alabama during the first eight months of 1946 amounted to 81.5 million dollars, more than double the value for the same period in 1945. The value of contracts awarded in August was six times the 1935-39 average.



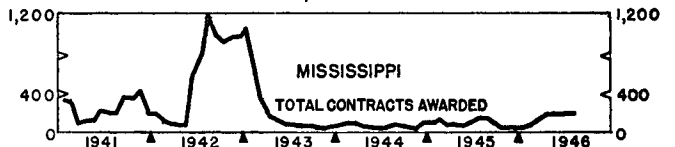
In Florida, contracts awarded in the period were about three times the value of those awarded in the same period of 1945. The index in August was about four and a half times the 1935-39 monthly average.



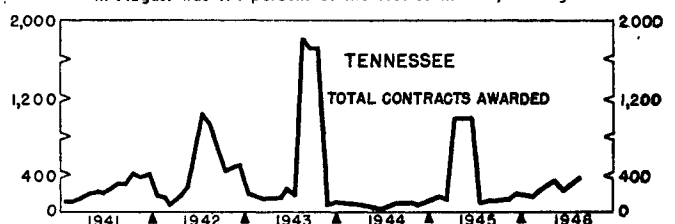
Contracts awarded in Georgia during the first eight months amounted to 151 million dollars, 281 percent above the value for same period last year. The value for August was more than six times the 1935-39 monthly average.



Although the 47 million dollars in contracts awarded in Louisiana exceeded by 47 percent the value of those awarded in the first eight months of 1945, the contracts awarded in August exceeded the 1935-39 average only 34 percent.



Contracts awarded in Mississippi during the eight-month period amounted to 34 million dollars, 70 percent above the same period in 1945. The index in August was 174 percent of the 1935-39 monthly average.



For the eight months contracts awarded in Tennessee amounted to 38 percent less than they did in the same period of 1945, but for August they were 429 percent of the 1935-39 monthly average.

District Business Summary

THOUGH the value of department store sales in the District did not go quite as high during September as preliminary figures had indicated it would, the increase was sufficient, when seasonal adjustments were made, to bring it higher than it has ever been. Farmers, businesses, and consumers all increased their borrowings at member banks during September and the first half of October in sufficient volume to offset declines in Government credit. In industry, steel mills were going almost full tilt as they bent every effort to catch up on back orders. Textile-mill activity increased during September to its highest point in the past several years. In agriculture, declines were estimated on October 1 for most crops in the District. The cotton crop in 1946 was estimated to be the smallest in 23 years. Increases were expected, however, in two of the most important crops—tobacco and citrus fruits.

Trade

Department store sales continued during the first week of October at the high level of September. In the week ending October 12, however, the department stores reporting weekly sold only 17 percent more goods than they did in the corresponding period of 1945. This increase was the smallest for any week of the year except for the periods ending January 5 and March 30. During the week ending October 19 the percent change rose again, to 27 percent.

Higher prices combined with increased spending raised department store sales to an estimated total of 43 million dollars in September. At 367, the seasonally adjusted index for that month set a new record. For the same month in 1945 the index was 274, and for August of this year it was 365. On the basis of the Department of Commerce's index of retail prices, approximately one third of the rise in the dollar volume of September sales above that of the preceding year was accounted for by price increases.

Probably, higher prices also explain part of the increase in the value of department store stocks that were on hand at the end of September. The seasonally adjusted index of stocks for September was 277, compared with 270 at the end of August this year and 186 at the end of September 1945. Inventories are still lower in proportion to sales than they were in the pre-war years, but the stores' inventory position continues to improve each month. During September, it was estimated, merchandise valued at 47 million dollars was received, compared with 32 million in September 1945. Merchandise received during the first nine months of this year was 14 percent greater than the total value of sales, compared with an excess of 7 percent in the same month of 1945.

Sales at other types of retail stores from which this bank collects statistics also continued above the preceding year's levels. At furniture stores they were up 61 percent and at jewelry stores 29 percent. Sales at household-appliance stores were 29 percent greater in September than they were in August.

Since the first of this year the percent increase in charge-account sales at Sixth District department stores has exceeded the increase in cash sales every month. September charge-account sales were 57 percent greater this year than last, but cash sales were up only 7 percent. Increases in credit sales during September accounted for 83 percent of the total increase at those department stores reporting both cash and

credit sales. At reporting jewelry stores 86 percent of the total increase in sales in September was accounted for by the increase in credit sales, and at furniture stores 81 percent.

Between V-J Day and September of this year the index of consumer prices rose slightly more than it did during the same number of months after November 1918. So rapid has been the increase since the weakening of price control that the index of 146 for all items in September is within three points of the highest point the index has ever reached, in June 1920. Clothing prices led the general advance from November 1918 to June 1920, whereas since World War II increased food costs have had the lead.

Increases in the prices of goods and services people buy are not necessarily paralleled by equal increases in personal incomes. With comparatively fixed incomes in the midst of rising prices, many persons are compelled to select and arrange their purchases to fit their incomes. How consumers will react to higher prices is becoming a matter of increasing concern on the part of those businessmen who attempt to determine their business policy with the aid of market research. They realize that, even if there is no so-called buyers' strike, increased prices may cause a falling off in the sales of certain items or classes of goods, depending upon the relative importance consumers place on them. Rising prices intensify the competition of different types of goods and services for the consumers' dollar. Rather than cut down on their purchases of any type of goods some people may prefer using their accumulated savings. Some analysts believe, however, that increased prices may cause declines in the volume of many types of purchases even if there is none in the total amount spent for all goods.

Industry

Industrial activity in the District continues at a high level. In the Birmingham-Gadsden area steel mills were operating in September at a rate reported by *Iron Age* as 99 percent of capacity. This rate has prevailed throughout the third quarter of 1946 with the exception of the last two weeks in August, when operations were reported at 95 percent. In most of the weekly periods since the end of the war the operating rate in this area has been higher than that for the country as a whole. Press reports indicate that in this industrial area the end of the war not only failed to bring any letup in the demand for steel and its products but has resulted in civilian pressure that is greater than even the wartime military demands. The heaviest backlog of orders in the area is reported to be that of the rail mill at Ensley where business already in hand will keep the plant operating at full capacity through 1949. Much the same situation prevails in other major steel products, such as wire, nails, sheets, tin plate, bars, and structural shapes, although some plants are not accepting business for such a long period ahead.

September coal output in Alabama and Tennessee, on a daily-average basis, was up slightly from August and July but somewhat below the level of a year ago.

The rate of textile activity in the District, measured by the daily average consumption of cotton, increased further in September to the highest level in three and one-half years.

The Southern-pine-lumber industry has continued in a state of confusion. In September over the eastern part of the Dis-

Sixth District Statistics

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)					
Item	Oct. 16 1946	Sept. 18 1946	Oct. 17 1945	Percent Change Oct. 16, 1946, from	
				Sept. 18 1946	Oct. 17 1945
Loans and investments—					
Total.....	2,031,652	2,049,421	2,027,796	- 1	+ 0
Loans—total.....	538,204	508,262	341,594	+ 6	+ 58
Commercial, industrial, and agricultural loans.....	293,226	270,642	188,419	+ 8	+ 56
Loans to brokers and dealers in securities.....	9,331	8,961	8,923	+ 4	+ 5
Other loans for pur- chasing and carrying securities.....	90,486	92,875	48,259	- 3	+ 87
Real estate loans.....	40,023	37,935	22,564	+ 5	+ 77
Loans to banks.....	4,070	3,511	1,604	+ 16	+ 154
Other loans.....	101,068	94,338	71,825	+ 7	+ 41
Investments—total.....	1,493,448	1,541,159	1,686,202	- 3	+ 11
U. S. Direct obligations	1,327,848	1,382,179	1,537,218	- 4	- 14
Obligations guaranteed by U. S.....	1,660	1,660	1,379	.....	+ 20
Other securities.....	163,940	157,320	147,605	+ 4	+ 11
Reserve with F. R. Bank.....	365,333	359,781	363,959	+ 2	+ 0
Cash in vault.....	28,311	30,702	28,627	- 8	- 1
Balances with domestic banks.....	163,352	162,527	148,438	+ 0	+ 10
Demand deposits adjusted.....	1,379,185	1,408,518	1,297,889	- 2	+ 6
Time deposits.....	454,568	453,760	409,554	+ 0	+ 11
U. S. Gov't deposits.....	132,221	153,964	175,775	- 14	- 25
Deposits of domestic banks	493,235	458,493	558,623	+ 8	+ 12
Borrowings.....	3,050	1,500	16,500	+ 103	- 82

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Sept. 1946	Aug. 1946	Sept. 1945	Percent Change Sept. 1946 from	
					Aug. 1946	Sept. 1945
ALABAMA						
Anniston.....	3	21,995	20,684	15,302	+ 6	+ 44
Birmingham.....	6	253,210	252,338	189,710	+ 0	+ 33
Dothan.....	2	9,661	9,533	8,589	+ 1	+ 12
Gadsden.....	3	13,983	13,890	10,602	+ 1	+ 32
Mobile.....	4	99,839	93,603	92,790	+ 7	+ 8
Montgomery.....	3	57,808	59,499	41,847	- 3	+ 38
FLORIDA						
Jacksonville.....	3	198,111	213,253	151,891	- 7	+ 30
Miami.....	7	173,551	169,718	121,890	+ 2	+ 42
Greater Miami*	11	237,673	230,155	160,266	+ 3	+ 48
Orlando.....	2	41,266	39,490	24,797	+ 4	+ 66
Pensacola.....	3	27,984	29,056	31,168	- 4	- 10
St. Petersburg.....	3	39,085	38,343	27,938	+ 2	+ 40
Tampa.....	3	82,222	86,779	68,924	- 5	+ 19
GEORGIA						
Albany.....	2	12,416	11,900	9,208	+ 4	+ 35
Atlanta.....	4	632,994	657,587	456,666	- 4	+ 39
Augusta.....	3	48,874	44,584	33,254	+ 10	+ 47
Brunswick.....	2	7,595	8,117	9,333	- 6	- 19
Columbus.....	4	47,714	48,759	35,968	- 2	+ 33
Elberton.....	2	3,470	3,137	2,335	+ 11	+ 49
Gainesville.....	3	11,668	11,442	* *	+ 2	* *
Griffin.....	2	8,395	9,294	* *	- 10	* *
Macon.....	3	51,543	49,638	42,421	+ 4	+ 22
Newnan.....	2	8,131	8,010	4,379	+ 2	+ 86
Rome.....	3	17,231	17,203	* *	+ 0	* *
Savannah.....	4	76,878	74,210	70,957	+ 4	+ 8
Valdosta.....	2	9,237	23,925	7,382	- 61	+ 25
LOUISIANA						
Baton Rouge.....	3	63,297	61,765	41,386	+ 2	+ 53
Lake Charles.....	3	22,985	23,053	18,226	- 0	+ 26
New Orleans.....	7	517,279	522,194	412,187	- 1	+ 25
MISSISSIPPI						
Hattiesburg.....	2	14,767	14,800	13,551	- 0	+ 9
Jackson.....	4	89,471	91,768	65,082	- 3	+ 37
Meridian.....	3	26,555	26,562	20,182	- 0	+ 32
Vicksburg.....	2	24,158	20,787	15,036	+ 16	+ 61
TENNESSEE						
Chattanooga.....	4	113,004	114,157	84,158	- 1	+ 34
Knoxville.....	4	94,665	97,677	112,071	- 3	- 16
Nashville.....	6	227,271	234,305	182,162	- 3	+ 25
SIXTH DISTRICT						
32 Cities.....	108	3,111,019	3,163,121	2,421,392	- 2	+ 28
UNITED STATES						
334 Cities.....		83,288,000	82,728,000	71,169,000	+ 1	+ 17

* Not included in Sixth District total
** Not available

trict weather conditions favored production, but in the western part wet weather added to the hardships of the continued labor shortage and the lack of equipment replacements. The expected return of laborers from the farms to the woods has apparently been delayed. Farm employment, according to Department of Agriculture reports, increased seasonally in September and on October 1 was well above that of the corresponding time last year.

In construction, the lack of materials continues, of course, to be the principal retarding factor. When materials and labor do become available the huge amount of prospective construction should afford employment to all available workers for a considerable period. Much of this building is already in the contract state. The F. W. Dodge Corporation figures indicate, for example, that in this District contracts had already been let, in the 12 months following the end of the war in August 1945, for more residential construction than was reported for any of the last 20 calendar years.

In September there was increased employment in construction in many areas. In the Birmingham and Chattanooga areas there were appreciable increases in employment in the iron and steel industries. At Mobile, however, employment in ship repairing declined.

Finance

October saw Government deposits at reporting member banks in the Sixth District decline further with the continuation of the Treasury's debt-retirement program. Partly because of income-tax payments, declines occurred in nongovernmental deposits represented by demand deposits adjusted during the latter part of September and the first part of October, reaching the lowest point on October 2. During the following two weeks the total rose slightly, and by October 16 the amount was only 2 percent below the figure for September 18 and 6 percent below that for the corresponding date in 1945.

From September 4 through October 16 these banks lent business and agriculture amounts sufficient to increase their commercial, industrial, and agricultural loans by 33 million dollars to a total 56 percent above the figure for the corresponding week last year. Of the total increase of 105 million dollars since last October, about one third occurred during September and the first three weeks of October. The only loans showing decreases between September 18 and October 16 were security loans. Real-estate loans rose 5 percent, loans to banks 16 percent, and other loans 7 percent.

The reporting banks have been making loans directly to consumers to finance their purchases. At the 34 member banks reporting instalment loans each month this type amounted to 20 million dollars more at the end of September 1946 than it did at the end of last September. Of this total gain, the increase in retail instalment credit accounted for about 60 percent. Credit granted to assist in the purchase of automobiles alone explains 36 percent of the increase.

Agriculture

The smallest cotton crop raised in the United States in 25 years is indicated in the Department of Agriculture's October 1 estimate of 8,724,000 bales. This is about 5 percent lower than the estimate of a month earlier, 6 percent below the first estimate of the season on August 1, and 3.2 percent smaller than the 1945 crop.

The 10-market average of spot prices continued its rise through the first week of October, and on October 8 it reached 38.92 cents. The sharp drop of nearly six cents per pound in

the week ending October 19, apparently set off by the attempted liquidation of a large long account, was by some attributed partly to the uncertain outlook for sales of cotton-textile products and in part to the heavy movement of the crop into trade channels.

In the Six States of the Sixth District the 1946 crop, on the basis of the October 1 estimate, is expected to amount to 3,301,000 bales. That would be the smallest crop produced in these states as a whole since 1923. In fact, in the past 44 years for which figures are available, there have been only three years—1921, 1922, and 1923—in which crops of cotton smaller than that forecast for this year have been produced. In the past 44 years Florida, the smallest cotton-producing state in the District, has never had a crop as small as that expected this year. Only once has Georgia produced as small a crop, and in only two years has Louisiana had as small a crop as this year's. In Alabama there have been only seven and in Mississippi only nine of the past 44 years when the crop has been smaller than that of this year. On the other hand, Tennessee has produced only five cotton crops in the last 44 years larger than the expected 1946 crop.

The October 1 estimates show decreases averaging 7.7 percent in the estimates for Sixth District states on September 1, and this year's crop in these states is expected to be about 18 percent smaller than that of 1945. Tennessee is the only one of the states showing an increase over 1945 production. In Alabama very heavy weevil damage in the central part of the state and severe drought in the north during August, followed by unseasonably cool and wet weather in September, were unfavorable for the maturing and opening of late cotton in North Alabama. Picking was delayed and quality of lint lowered in all areas. In Georgia dry weather during August hastened maturity and held weevils in check but caused excessive shedding and limited boll size. Frequent general rains and cool weather in much of September, however, were unfavorable for late maturing bolls and favorable for weevil activity. Excessive rains in Louisiana during the spring and summer and heavy weevil infestation have reduced the average yield per acre more than was earlier anticipated. In August and September conditions have been generally favorable for cotton picking. In September the per acre yield and the estimated crop in Mississippi declined 12 percent, and the October 1 estimate of 1,100,000 bales for that state is about 30 percent less than 1945 production. Tennessee's crop this year, on the other hand, although the latest on record except for two years—1940 and 1945—is expected to be nearly 12 percent larger than that of last year.

Crop estimates by the Department of Agriculture indicate improvement during September in prospects for white and sweet potatoes, tobacco, tame hay, and rice. October 1 estimates indicate that, although production of tobacco, white potatoes, and soybeans in the District will be larger, most other crops will be smaller than those of last year. The first estimate of the 1946-47 citrus crop indicates a total of 62 million boxes of oranges, against 49.8 million boxes last season, and 34.5 million boxes of grapefruit, compared with 32 million boxes last season. No official information is yet available on the effects of the hurricane in Florida on October 8, but press reports indicate that the diminishing winds caused only small damage in the citrus belt.

Sixth District Indexes

DEPARTMENT STORE SALES*						
	Adjusted**			Unadjusted		
	Sept. 1946	Aug. 1946	Sept. 1945	Sept. 1946	Aug. 1946	Sept. 1945
DISTRICT.....	367	365	274	374	321	279
Atlanta.....	422	412	310	447	404	329
Baton Rouge...	402	363	304	438	327	331
Birmingham...	347	370	267	361	325	278
Chattanooga...	384	397	284	399	353	295
Jackson.....	334	360	282	384	331	301
Jacksonville...	448	444	346	439	391	339
Knoxville.....	344	361	310	351	332	317
Macon.....	357	356	260	375	296	273
Miami.....	387	381	265	302	255	207
Montgomery...	348	358	269	369	319	285
Nashville.....	434	459r	319	443	413r	325
New Orleans...	310	304r	217	331	264r	232
Tampa.....	485	433	318	460	376	302

DEPARTMENT STORE STOCKS						
	Adjusted**			Unadjusted		
	Sept. 1946	Aug. 1946	Sept. 1945	Sept. 1946	Aug. 1946	Sept. 1945
DISTRICT.....	277	271r	186	304	292	205
Atlanta.....	405	430	274	432	419	292
Birmingham...	230	214	138	233	215	140
Montgomery...	314	324	208	351	321	232
Nashville.....	436	464r	317	473	464r	344
New Orleans...	226	252r	136	238	236r	143

LUMBER PRODUCTION*						
	Adjusted**			Unadjusted		
	Aug. 1946	July 1946	Aug. 1945	Aug. 1946	July 1946	Aug. 1945
SIX STATES.....	122	119	106	144	134	125
Alabama.....	149	115	139	172	136	160
Florida.....	75	91	61	73	93	60
Georgia.....	138	150	142	155	165	159
Louisiana.....	89	87	69	95	95	74
Mississippi.....	114	128	102	148	142	133
Tennessee.....	218	163	129	262	193	155

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Sept. 1946	Aug. 1946	Sept. 1945	Sept. 1946	Aug. 1946	Sept. 1945
TOTAL.....	174	162	150	167	164	171
Alabama.....	181	171	156	176	171	185
Georgia.....	174	161	150	...	...	...
Tennessee.....	135	129	130	144	149	139

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	Aug. 1946	July 1946	Aug. 1945	Sept. 1946	Aug. 1946	Sept. 1945
SIX STATES.....	140	137r	130	160	158	124
Alabama.....	141	143r	156	176	172	138
Florida.....	110	109r	117	142	140	109
Georgia.....	137	135r	125	161	158	124
Louisiana.....	135	133r	137	158	151	129
Mississippi.....	154	141r	120	153	174	119
Tennessee.....	150	148r	115	173	169	129

CONSUMERS' PRICE INDEX				ELECTRIC POWER PRODUCTION*			
	Aug. 1946	July 1946	Aug. 1945		Aug. 1946	July 1946	Aug. 1945
ALL ITEMS...	149	144	135	SIX STATES...	266	260	277
Food.....	181	170	150	Hydro-generated..	260	273	246
Clothing...	155	153	142	Fuel-generated..	273	244	319
Rent.....	115	n.a.	114	ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Fuel, elec. and ice..	113	113	110		Sept. 1946	Aug. 1946	Sept. 1945
Home furnishings...	155	154	144	Unadjusted...	16.7	15.4	14.3
Misc.....	133	132	130	Adjusted**.....	17.3	17.5	14.8
Purchasing power of dollar...	67	69	74	Index**.....	66.8	67.5	57.1
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				*Daily average basis			
	Sept. 1946	Aug. 1946	Sept. 1945	**Adjusted for seasonal variation			
Unadjusted..	225	224	202	***1939 monthly average=100; other indexes, 1935-39=100			
Adjusted**..	227	224	204	r Revised			
				n.a. Not available			

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change September 1946 from	
		August 1946	Sept. 1945
Total sales.....	25	— 4	+ 29
Cash sales.....	24	— 10	+ 8
Credit Sales.....	24	+ 2	+ 56
Accounts receivable, end of month	25	+ 4	+ 56
Collections during month.....	25	+ 2	+ 46

INSTALMENT CASH LOANS					
Lender	No. of Stores Reporting	Volume		Outstanding	
		Percent Change Sept. 1946 from		Percent Change Sept. 1946 from	
		August 1946	Sept. 1945	August 1946	Sept. 1945
Federal credit unions.....	43	+ 20	+ 95	+ 7	+ 65
State credit unions.....	22	+ 2	+ 77	— 7	+ 24
Industrial banking companies.....	10	+ 5	+ 61	+ 3	+ 77
Industrial loan companies.....	20	— 5	+ 42	+ 2	+ 32
Small loan companies.....	54	— 0	+ 33	+ 2	+ 37
Commercial banks.....	34	— 14	+ 148	— 1	+ 125

WHOLESALE SALES AND INVENTORIES*						
Items	No. of Firms Reporting	SALES		No. of Firms Reporting	INVENTORIES	
		Percent Change Sept. 1946 from			Percent Change Sept. 30, 1946, from	
		Aug. 1946	Sept. 1945		Aug. 31 1946	Sept. 30 1945
Automotive supplies.....	7	+ 28	+ 86	4	+ 7	+ 51
Clothing.....	3	— 17	+ 36	..	..	..
Shoes.....	3	— 6	+ 133	..	..	..
Drugs and Sundries.....	9	— 2	+ 17	..	..	..
Dry goods.....	10	+ 10	+ 58	5	— 3	+ 132
Electrical goods.....	3	+ 10	+ 150	..	..	..
Fresh fruits and vegetables.....	4	+ 12	— 10	..	..	..
Confectionery.....	6	+ 11	+ 64	..	..	..
Groceries.....	..	..	..	..	..	..
Full lines.....	35	— 1	+ 43	16	— 4	+ 79
Specialty lines.....	7	+ 9	+ 22	4	+ 9	+ 60
General hardware.....	10	+ 6	+ 72	4	— 0	+ 32
Industrial supplies.....	5	— 4	+ 20	..	..	..
Lumber and building materials.....	3	+ 44	+ 78	..	..	..
Machinery, equip. and supplies.....	3	+ 12	+ 74	..	..	..
Tobacco products.....	6	+ 8	+ 13	..	..	..
Miscellaneous.....	10	— 17	+ 13	21	+ 3	+ 30
Total.....	124	+ 1	+ 42	57	— 1	+ 59

* Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS						
Place	No. of Stores Reporting	SALES		No. of Stores Reporting	INVENTORIES	
		Percent Change Sept. 1946, from			Percent Change Sept. 30, 1946, from	
		Aug. 1946	Sept. 1945		Aug. 31 1946	Sept. 30 1945
ALABAMA	..	..	..	..	..	..
Birmingham.....	5	— 1	+ 31	4	+ 8	+ 67
Mobile.....	5	+ 5	+ 22	..	..	..
Montgomery.....	3	+ 3	+ 29	3	+ 9	+ 51
FLORIDA	..	..	..	..	..	..
Jacksonville.....	4	— 0	+ 30	3	+ 5	+ 46
Miami.....	4	+ 5	+ 46	3	+ 3	+ 62
Orlando.....	3	+ 12	+ 71	..	..	..
Tampa.....	5	+ 9	+ 50	3	+ 5	+ 19
GEORGIA	..	..	..	..	..	..
Atlanta.....	6	— 2	+ 36	5	+ 3	+ 48
Augusta.....	4	+ 5	+ 42	3	+ 6	+ 31
Columbus.....	3	+ 10	+ 25	..	..	..
Macon.....	4	+ 13	+ 38	4	+ 1	+ 58
LOUISIANA	..	..	..	..	..	..
Baton Rouge.....	4	+ 19	+ 32	4	+ 4	+ 32
New Orleans.....	5	+ 11	+ 43	4	+ 1	+ 66
MISSISSIPPI	..	..	..	..	..	..
Jackson.....	4	+ 3	+ 28	4	+ 6	+ 40
TENNESSEE	..	..	..	..	..	..
Bristol.....	3	— 2	+ 30	3	+ 7	+ 20
Chattanooga.....	4	+ 0	+ 35	3	+ 2	+ 97
Knoxville.....	4	— 6	+ 11	..	..	..
Nashville.....	6	— 5	+ 36	5	+ 2	+ 37
OTHER CITIES*	18	+ 6	+ 31	22	+ 7	+ 39
DISTRICT	94	+ 2	+ 35	73	+ 4	+ 49

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

The National Business Situation

THE Board's seasonally adjusted index of industrial production was maintained in September at the August rate, which was 177 percent of the 1935-39 average. Following the reestablishment of Federal price controls on livestock at the beginning of September, curtailment in marketing resulted in a sharp drop in activity at meat-packing plants; this decline offset, in the total index, further small gains in output of numerous other manufactured products and minerals. After the middle of October, when controls were removed, slaughter operations showed a sharp increase.

Output of durable manufactures rose 2 percent in September, reflecting chiefly further gains in activity in the machinery and transportation-equipment industries. Output of nonferrous metals also continued to rise in September and was at the highest level since the end of the war. Iron and steel production was maintained at about the August rate. Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in September. Nonresidential-building awards dropped one fifth to the lowest level since the end of the war, reflecting chiefly a sharp decline in contracts for factory construction. Residential awards were maintained at the high levels prevailing in July and August.

Department store sales, which were in exceptionally large volume in August, increased by less than the usual amount in September and the early part of October. The Board's seasonally adjusted index was 269 in September as compared with 290 in August and an average level of 257 during the first seven months of the year. Since the middle of September sales have been considerably reduced in two important areas by industrial disputes, and sales in most other Districts of the country have shown a smaller rise than is usual during this season of the year.

In the middle of October Federal price ceilings were removed from livestock and meats and it was indicated that the controls remaining over most other commodities would be discontinued. During the subsequent week prices of livestock, meats, and some other agricultural commodities showed sharp advances and exceeded the previous peaks reached during the lapse of price control in July. Wholesale prices of various other commodities, including cotton, grains, butter, and eggs, declined but were still above the levels prevailing at the end of June. Wholesale prices of industrial products have generally continued to show relatively moderate advances in recent weeks.

Member-bank reserve balances in September and the first half of October fluctuated somewhat, reflecting Treasury debt-retirement operations and quarterly income-tax collections. Required reserves increased somewhat in the first half of September and subsequently showed little change. Reserve-bank holdings of Government securities increased late in September and subsequently declined.

Commercial and industrial loans at weekly reporting banks in 101 leading cities continued to expand rapidly during September and early October. Real-estate and consumer loans increased further, while loans for purchasing or carrying securities continued to decline. Holdings of Government securities were reduced considerably during the period, reflecting largely Treasury cash retirement of certificates October 1.

THE BOARD OF GOVERNORS