



FEDERAL RESERVE BANK OF ATLANTA

Volume XXXI

Atlanta, Georgia, November 30, 1946

Number 11

Huntsville, Alabama, a Study in Community Development

EFFECTS of the war upon the development of some communities in the Sixth District were often severe. The location of military posts and war manufacturing plants in and near the towns caused the populations of many to swell to several times their normal numbers. Within the space of a few months numerous District cities were called on to feed, house, and otherwise supply large numbers of people who had migrated from their peacetime homes to locations near military posts and war plants. As a result of these wartime changes many of the processes that in normal times gradually influenced community development were greatly accelerated. In the space of a few months towns were forced to make adjustments that they would ordinarily have spread over a decade or more. Many of the problems thus created remain unsolved 16 months after the Japanese surrender.

In many cases the end of the war only served to increase local problems. Withdrawal of military posts and war-manufacturing plants left towns face to face with problems of growing unemployment, declining populations, and dwindling retail trade.

Many communities have formed local plans aimed at solving these problems. Since 1943 the Federal Reserve Bank of Atlanta has made studies of several different types of such plans. The October issue of the *Monthly Review* summarized the growth of most of those development corporations in the Sixth District that use the revolving-fund method. Some of the communities have very different problems, however, and many of them do not require a development corporation that extends financial aid. For this reason a description of the plan used by Huntsville, Alabama, may be of use to other communities with problems similar to those of that city.

Huntsville, the seat of Madison County, combines the old and the new, with its dignified old houses and its modern commercial buildings. It lies in a rich agricultural section where hay, cotton, corn, tobacco, and timber are the chief crops. Three bus lines and two railroads, the Southern and the Nashville, Chattanooga and St. Louis Railways, serve the city. Lying about 10 miles from the Tennessee River and 19 from the Tennessee border, the community became an agricultural and trade center early in the history of the state. The town, originally named Twickenham, was chartered as a city only six years after the first settler in 1805 cleared away enough of the wilderness growth for his small farm. About the time of the War of 1812 Andrew Jackson bought considerable land near by because the town showed such promise. One of the state's most historic cities, it was the seat in 1819

of the constitutional convention of the Alabama territory. Though it was also the seat of the first legislature, it was too far from the center of the state to be the permanent capital. Several miles away on the banks of the Flint River a spinning mill had been built in 1818. In 1832 it began manufacturing cotton cloth. Cotton mills, gins, and warehouses have had a prominent part in the industrial history of the city. For many years it was known chiefly as "a cotton-mill town."

The economic situation in Huntsville was radically altered, however, in 1941 when largely through the efforts of the N. C. and St. L. Railway, a large Government war plant known as the Huntsville Arsenal was located there. This arsenal was to specialize in the production of war gasses and chlorine for the Chemical Warfare Service of the Army. A principal reason for its location at Huntsville was the availability there of large amounts of power, furnished by the hydroelectric facilities of the TVA. Work on the arsenal was begun in the fall of 1940, employing at the peak of construction activity 14,000 workers. Shortly afterward the Redstone Arsenal, an Ordnance Department shell-loading plant authorized for erection in Madison County, was located four miles from Huntsville. Slightly more than 3,000 workers were employed at the peak of construction activity at the ordnance arsenal. The original Congressional appropriations for the two totaled 89 million dollars, but actual expenditures approximated a half billion.

Both the arsenals were operated by the Government rather than by private companies. As activity at the Huntsville Arsenal began to get under way in 1942 employment increased, reaching a peak of 6,707 civilian workers three years later. The peak of operational employment at the Redstone Arsenal was reached also in 1945 when it had approximately 4,500 workers.

As a result of the impetus the opening of the arsenals provided, employment rose sharply after 1941. Construction employment in the county reached a peak of approximately 15,000 in January 1942. By May 1944 manufacturing employment in Huntsville had reached approximately 17,000. By that time also total employment in the county had climbed to 30,000, an increase of 68 percent over the 1940 figure.

Reflecting the increased pay rolls and the enlarged business of the community, deposits in the three banks with head offices in Huntsville rose from 1939 through 1945 at almost twice the national rate. From January through December 1941 the volume of freight handled by the Huntsville station of the N. C. and St. L. Railway increased more than 600 percent. The peak was reached in May 1945 when freight traffic to and from

Huntsville over that line alone showed an increase of more than 7,000 percent over the January 1941 figure. This freight business, the railway said, compared favorably with that in cities many times larger.

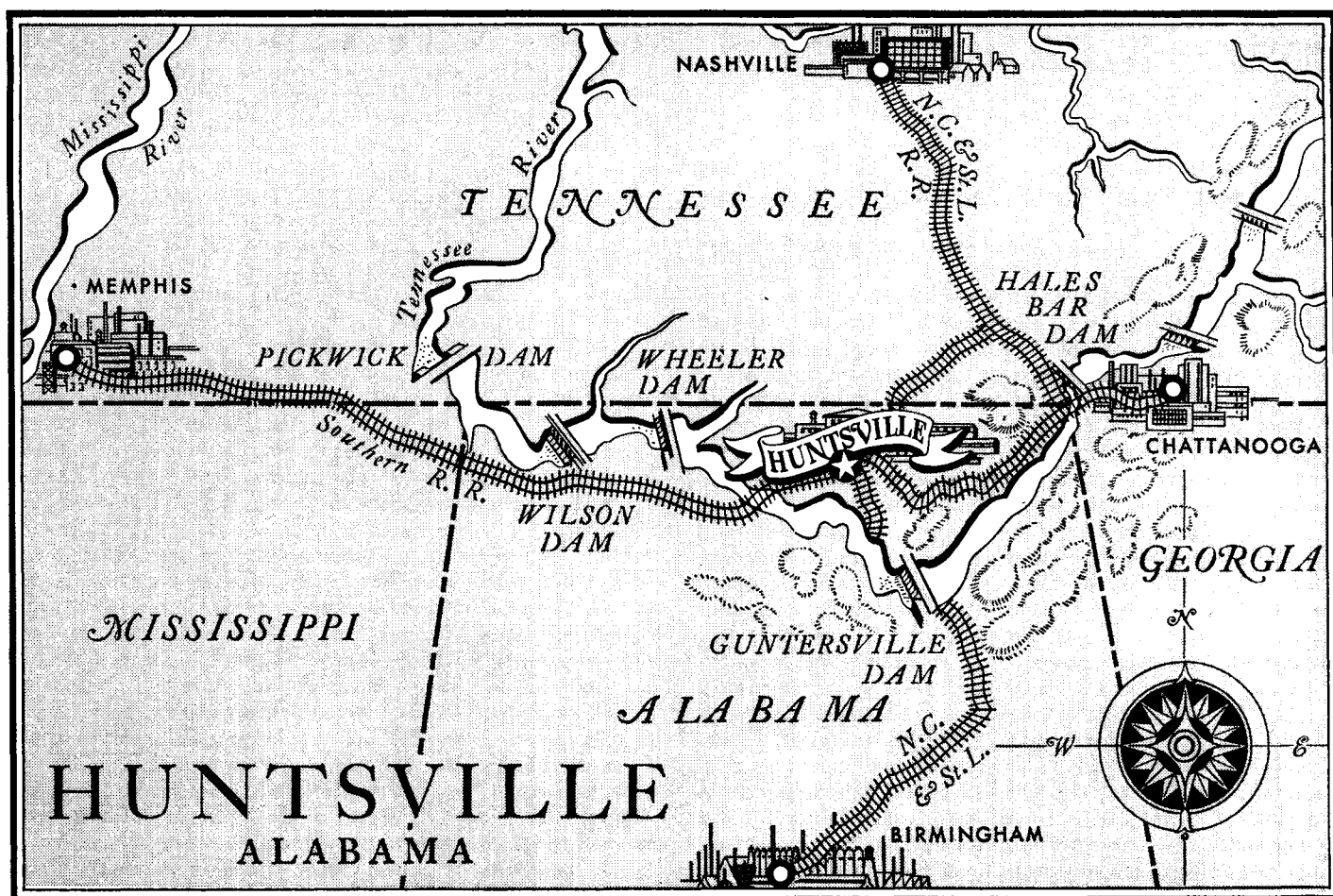
The population of the immediate area, including mill villages and unincorporated residential sections, increased an estimated 69 percent between 1940 and 1943. In the latter year, when the latest local count was made, there was a population of 40,354. To care for the additional workers needed by the arsenals six housing projects were begun. Though one of them was built by the Government, the others were constructed by private builders who, for the most part, had FHA loans. By the early part of 1943 slightly more than 500 homes had been built. While these projects were under way several hundred trailers furnished by the Farm Security Administration were brought in for temporary housing. Slightly more than 1,000 employed at the Huntsville Arsenal, according to a survey made in 1943, commuted distances of 30 miles or more each way. Workers for the arsenals were recruited from surrounding towns and villages. For the most part the new workers were former farmers from the northern part of the state, from Georgia, and from southern Tennessee, who were easily trained for manufacturing jobs.

Even at the height of the wartime prosperity it was generally realized that the end of the war would probably mean a curtailment of Huntsville's new-found prosperity. The Government arsenals might close down as soon as military opera-

tions ceased, cutting off the means of livelihood for a majority of the wage earners in the county. The loss of war pay rolls would in turn affect all retail business and furthermore might result in a shrinkage of the town's population. Anticipation of postwar problems was difficult, however, because of the possibility that the Government might continue to operate the arsenals in peacetime at a low level. But the Employment and Occupational Outlook Branch of the Department of Labor in 1943 published a study of the Huntsville area that showed some local planning necessary for meeting the problem of postwar unemployment.

The late Fitzgerald Hall, president of the N. C. and St. L. Railway, was naturally interested in the industrial development of the entire region served by the railroad. Because of the unusual developments in Huntsville during the war, he was particularly eager that the increased industrialization in Huntsville continue. Like the local leaders, he realized long before the war was over that a curtailment of activity at the arsenals would adversely affect the entire business structure of Huntsville and the surrounding territory unless new factories could be secured to employ the released workers.

In the autumn of 1944 Mr. Hall, and two of the N. C. and St. L. directors, Brownlee O. Curry and the late Robert Strickland, organized a meeting in Huntsville with various community leaders. According to the plan advanced by Mr. Hall at the meeting, plants of the type desired by the community did not have to be subsidized. Whereas other communities might



have a lack of certain natural advantages that must be overcome by offering subsidies, Huntsville possessed advantages that would be enough in themselves to interest firms seeking new locations. The solution to the problem as Mr. Hall saw it was to get in touch with such firms and give them adequate information and offers of nonfinancial assistance. Mr. Hall's expression, "You don't have to buy industry" became the guiding principle of the Huntsville plan.

Out of this meeting grew the Huntsville Industrial Expansion Committee. It was incorporated for legal protection. A steering group was formed of chamber-of-commerce members. Although thus interlocking with the chamber of commerce, the committee is a separate entity. Such services as office facilities and stenographic help were, however, made available to the organization by the chamber.

The committee would invest none of its money in any firm, as specified in the charter, but would use the funds for gathering data, for making contacts with industries, and for advertising Huntsville as an industrial site. Following the plan drawn up at the meeting with Mr. Hall, the group set about raising a working fund of at least \$25,000, half of it to be paid immediately and half to be called for as needed. Businesses were solicited, but each local firm was limited to a contribution of \$250. By the beginning of 1946 the Huntsville Industrial Expansion Committee had 248 members and more than \$26,000 in pledges. Of this amount approximately \$20,000 had been called in by 1946.

The committee saw its duty as twofold. First, it was to get in touch with specific industries that were known to be looking for industrial sites with advantages similar to those of Huntsville. Secondly, it would advertise Huntsville widely as a site for industries and thus attempt to reach those firms whose plans were undeveloped.

Both these projects required reliable information about Huntsville that could be gathered only in the community. With the advice and technical assistance of the Industrial Economics Division of the Tennessee Valley Authority, the group made plans for gathering the facts. The H.I.E.C. engaged a local engineering firm to help conduct this survey.

New Problems and Old

As the information was assembled, one fact became apparent. The problems of Huntsville were not simply the result of the war. They were more basic and of much longer standing. As the committee recognized, two chief problems confronted Huntsville before the war. One of them had been a growing need for industrialization as a means of providing jobs for workers displaced on the surrounding farms. The other was a need to insure a relatively more constant level of employment by greater industrial diversification.

Largely because of improved farming practices the farm population in Madison County from 1930 to 1940 had decreased 10.3 percent. During the same period the urban population had increased 12.9 percent, and the rural non farm population, including that in many of the residential areas surrounding Huntsville, 24.3 percent. As a result of drives recruiting workers for the arsenals, much of the population expansion in Huntsville was owing to the migration from farms. The committee realized that the growing use of machinery in cotton farming during the postwar period would accelerate the displacement of farm workers as it did during the war. Consequently the local planning recognized the need for employment as one that could not be met by merely absorbing

those people released when the arsenals closed but as one that would continue to grow after the war.

Simply increased industrialization of the area might be insufficient to assure the city of continued prosperity. From Huntsville's many years of industrial experience, the committee had learned there were pitfalls as well as advantages in local industrialization.

The town's experiences with textile mills had included problems that involved the whole community. Before the Civil War textiles were an important industry there, but the diversification of the economy was such that other industries in the community overshadowed the importance of cotton textiles. In the period between the Civil War and World War I, Huntsville's economy was strongly affected by the trend in industrial specialization that was spreading over the nation. As large-scale production methods were developed, the smaller plants found their competitive positions weakened. Though to many towns with no special advantage for particular industries it meant a complete loss of all manufacturing, to most small towns this trend simply rang the death knell for industrial diversification. In Huntsville, successive census compilations show, it meant a gradual elimination of the smaller local industries and an increasing dominance of the textile mills in the town's economy.

In the course of time the advantage of a close accessibility to raw materials was strengthened by development of the specialized technical skills that were necessary in the textile industry even during the 1870's and 1880's, when the cotton mills were relatively small. It was not, however, until 1891 that these advantages began to show up in the local economy.

In that year the Dallas Manufacturing Company established a plant in Huntsville for the production of cotton textiles. This plant represented the first of several up-to-date mills that were established in Huntsville during the next few years. In the following decade there was a movement of mills into Madison County, which followed the general pattern of cotton-mill migration into the South at that time. Although some of the capital for these new mills came from local sources, much of it represented outside ownership. During this time the growth of the textile industry primarily accounted for the increase in manufacturing employment.

A Ranking Textile Center

Shortly after World War I the Huntsville textile mills converted from steam to electric power, and through the 1920's they continued to expand their capacity. During the period, however, there was a high casualty rate among the smaller firms. The depression subsequently increased the number of casualties. Despite a decline in the number of textile firms in Huntsville the larger mills there, in contradiction of a national trend toward reduced spindle capacity, continued to expand until 1934. At that time Huntsville ranked not only as the first textile center of Alabama but as the second in the entire Sixth Federal Reserve District.

Beginning in 1935, however, the trend for a reduction of spindle capacity affected the mills in Huntsville. By 1939 the capacity of Madison County mills had dropped 27.5 percent from the 1934 high of 322,748 spindles. This drop was felt throughout the entire economy of the town. The number of wage earners in the county declined from 5,100 in 1929 to 4,200 in 1937 and 2,959 in 1939. By January 1940 those persons on relief or awaiting assignment numbered 2,745.

For the 20 years prior to World War II the backbone of

Huntsville industry was made up of three large textile mills. These mills controlled 86 percent of the total spindle capacity of the county in 1930; by 1940 they controlled almost all of it. At that time they employed 85 percent of the manufacturing wage earners. Local business was, therefore, strongly dependent upon their activity.

These three mills are situated on the outskirts of Huntsville. Until 1945 they had their own villages, company-operated schools, and recreational facilities. In that year the Dallas Manufacturing Company abandoned that policy and sold its mill village. This company in 1945, with a spindle capacity of 53,088, employed 725 workers in the manufacture of cotton sheeting. It is controlled by Deering, Milliken and Company of New York, although for many years there was at least part local ownership.

The largest mill is now the Huntsville Manufacturing Company, controlled by the Lowenstein interests of New York. Until recently it was the property of the Merrimack Manufacturing Company, a producer of brown domestic prints. It had 109,696 spindles in 1945 and employed 850 workers. Since changing ownership, the mill has increased its employment to 1,550. Next largest of the mills is the Huntsville plant of the Lincoln Mills of Alabama, which had 1,200 workers in 1945 and which has 63,252 spindles for the manufacturing of cotton duck. It is controlled by the William L. Barrell Company of New York. These firms at the beginning of 1940 indirectly controlled most of the industrial economy of Huntsville.

In addition to having the three textile mills, Huntsville in 1940 had a number of smaller industries. Chief among these was the Southern Cotton Oil Company, a manufacturer of cottonseed products. The Martin Stamping and Stove Company produced gas and electric heaters, and the Textile Hardwood Manufacturing Company hardwood spindles for the textile industry. One of the larger businesses of the town has always been the handling of cotton, and there are facilities for storing approximately 125,000 bales in local warehouses. Whereas these industries offered a degree of diversity, apparently only one of the larger plants was not concerned with textiles or with cotton in any form.

The committee recognized that Huntsville owed a large part of its growth before 1940 to the textile mills. But the members, several of whom were affiliated with the cotton mills, decided that in view of past experience the future industrialization of the town should be planned to reduce the predominance of any one industry as much as possible. Decreases in the activity of one industry might, if the plan succeeded, be somewhat offset by increases in that of another industry. They felt that the healthiest economic balance could be obtained only if no single industry or related industries employed a majority of the manufacturing workers. Although this practice of diversification would not greatly counteract the effects of a general depression, at least those conditions peculiar to any one industry would be less likely to govern the economic life of the town.

Method of Selection

In addition to gathering this general information about the town, the engineering firm prepared detailed studies for each specific firm known to be interested in new plant sites and then assembled them into a set of working papers. These papers for individual industries contained geological descriptions; information on climate, soil, drainage, transportation

facilities and schedules, labor supply, wage rates, education of workers, available housing, power rates and connections, fuel supply, taxes, and sanitary regulations; and a complete list of freight rates for the commodities used by the particular manufacturing concern. They were designed to answer all questions a prospective firm might ask.

In approaching prospective firms, the committee selected companies that could best utilize the advantages of Huntsville and diversify its industrial structure. The members chose from survey findings the firms whose needs would be most nearly met by the advantages that Huntsville had to offer. Additional surveys would be undertaken where necessary. Before getting in touch with a can-manufacturing concern, for instance, the H. I. E. C. would make a survey of the possible users of cans, such as food-processing concerns and paint companies. With that information the committee could tell at once whether the individual concern would be interested. Assistance in interpreting data was given by the TVA. In addition the TVA recommended a continuing follow-up program to interpret the pertinence of the available technical and economic information to the specific enterprises.

In communicating with individual businesses the H. I. E. C. obtained assistance from three sources. The Alabama State Planning Board had certain contacts that were suitable for the Huntsville area. Some of the frequent inquiries received by the TVA from interested industries were referred to the Huntsville committee. The N. C. and St. L. Railway, through its industrial-development department, gave material assistance in establishing contacts with prospective concerns.

New Plants

Largely as a result of efforts expended by the committee and the other co-operating agencies, including the railway, 10 new concerns were brought to Huntsville in the two years after the committee was organized. At present these plants employ approximately 600 workers. Their monthly pay rolls total approximately \$75,000. Several of the new plants have announced plans for early expansion of their operations.

The largest of the new plants is a factory of the General Shoe Company, of Nashville. This plant now employs approximately 240 workers in the manufacture of work shoes. From the standpoint of employment the next largest plant is the Solvay Chemical Company, at present employing 150 people in the production of chlorine. Leasing several buildings from the Huntsville Arsenal, this company has so far been the only firm able to complete satisfactory arrangements with the War Department for utilizing the idle facilities of the arsenals.

Employing approximately 75 people, the John Blue Implement Company manufactures farm machinery, chiefly fertilizer spreaders. The Huntsville plant represents an extension of operations of the company's original plant at Laurinburg, Markets for the product are found chiefly in the northern-Alabama and southern-Tennessee area, which has always been a heavy user of mineral fertilizers.

Although the three largest of the new firms represent outside capital one of them is completely managed and owned by local interests. This is the General Fluid Machinery Company, which holds patents on a new type of pump and hydraulic jack. It employs approximately 50 workers in the manufacture of these products. The other firms that have en-

tered Huntsville in the past year produce awnings, furniture, toys, and chemicals.

In all cases the plants have been either those of new firms or extensions of existing companies into the South. Wherever they have been extensions the Huntsville additions have represented expansions rather than transfers of location.

During the depression most of the smaller textile mills in Huntsville were liquidated, and many of their buildings have since been found suitable for new industries. Undoubtedly this factor has influenced the structure of the H. I. E. C. Whereas other communities have formed development corporations partly to construct buildings for new industries, the availability of vacant factory space in Huntsville has meant that the energies of the committee could be concentrated on advertising the town and making contacts.

After two years of operation the Huntsville Industrial Expansion Committee still has much work ahead of it, for unemployment in the immediate area remains about the 4,000 mark. With the technical assistance of the TVA, it is publishing a brochure that advertises Huntsville's merits as a future industrial site. The committee is redoubling its efforts to supply interested firms with the specific information they require. In all probability it will continue to function as long as the community needs it and the results warrant its efforts.

The experience of the expansion committee may indicate that, under certain local conditions, greater headway in an industrialization program may often be made without subsidizing any outside manufacturing concerns. Such conditions must, of course, include natural advantages of interest to selected industries. Responsibilities to locally subsidized industries can be irksome at times, and the Huntsville plan has attempted to avoid this pitfall by limiting its assistance to a nonfinancial type.

Not only did the war create problems and accelerate others, but it created many of the opportunities that District towns now have. Because of it many communities received an impetus to industrialization that will carry them on to much further development. These opportunities, however, cannot be taken for granted. Organizations such as the Huntsville Industrial Expansion Committee have a definite place in the development of the region.

THOMAS R. ATKINSON.

Reconnaissance

Sixth District Statistics for October 1946 compared with October 1945

PERCENT DECREASE ◀ PERCENT INCREASE

Department Store Sales

Department Store Stocks

Furniture Sales

Gasoline Tax Collections

Cotton Consumption

Bank Debits

Member Bank Loans

Member Bank Investments

Demand Deposits Adjusted

40 30 20 10 0 10 20 30 40

Sixth District Statistics

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

Item	Nov. 20 1946	Oct. 23 1946	Nov. 21 1945	Percent Change Nov. 20, 1946 from	
				Oct. 23 1946	Nov. 21 1945
Loans and investments—					
Total	2,020,983	2,043,720	2,076,067	— 1	— 3
Loans—total	578,214	552,885	404,524	+ 5	+ 43
Commercial, industrial, and agricultural loans	328,045	305,331	220,872	+ 7	+ 49
Loans to brokers and dealers in securities	6,039	8,852	8,464	— 32	— 29
Other loans for pur- chasing and carrying securities	86,655	90,210	66,735	— 4	+ 30
Real estate loans	41,463	39,706	23,245	+ 4	+ 78
Loans to banks	4,117	3,788	2,459	+ 9	+ 67
Other loans	111,895	104,998	82,749	+ 7	+ 35
Investments—total	1,442,769	1,490,835	1,671,543	— 3	— 14
U. S. direct obligations	1,277,515	1,325,804	1,523,526	— 4	— 16
Obligations guaranteed by U. S.	1,460	1,660	1,121	— 12	+ 30
Other securities	163,794	163,371	146,896	+ 0	+ 11
Reserve with F. R. Bank	377,063	375,983	377,846	+ 0	— 0
Cash in vault	31,100	30,357	31,045	+ 2	+ 0
Balances with domestic banks	135,860	135,553	137,235	+ 0	— 1
Demand deposits adjusted	1,376,329	1,385,769	1,299,252	— 1	+ 6
Time deposits	455,770	455,111	414,205	+ 0	+ 10
U. S. Gov't deposits	102,304	135,756	201,409	— 25	— 49
Deposits of domestic banks	493,527	477,497	571,800	+ 3	— 14
Borrowings	18,000	6,300	23,900	+ 186	— 25

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Report- ing	Oct. 1946	Sept. 1946	Oct. 1945	Percent Change Oct. 1946 from	
					Sept. 1946	Oct. 1945
ALABAMA						
Anniston	3	23,206	21,995	16,946	+ 6	+ 37
Birmingham	6	287,013	253,210	214,300	+ 13	+ 34
Dothan	2	13,433	9,661	11,072	+ 39	+ 21
Gadsden	3	17,235	13,983	13,095	+ 23	+ 32
Mobile	4	105,877	99,839	92,537	+ 6	+ 14
Montgomery	3	70,126	57,808	50,473	+ 21	+ 39
FLORIDA						
Jacksonville	3	223,953	198,111	175,045	+ 13	+ 28
Miami	8	191,808	173,551	149,067	+ 11	+ 29
Greater Miami*	12	269,603	237,673	203,012	+ 13	+ 33
Orlando	2	43,793	41,266	29,433	+ 6	+ 49
Pensacola	3	29,886	27,984	27,089	+ 7	+ 10
St. Petersburg	3	44,875	39,085	31,610	+ 15	+ 42
Tampa	3	97,269	82,222	72,062	+ 18	+ 35
GEORGIA						
Albany	2	16,394	12,416	13,069	+ 32	+ 25
Atlanta	4	716,613	632,994	551,522	+ 13	+ 30
Augusta	3	54,613	48,874	38,680	+ 12	+ 41
Brunswick	2	8,623	7,595	10,728	+ 14	— 20
Columbus	4	56,855	47,714	40,346	+ 19	+ 41
Elberton	2	4,554	3,470	3,418	+ 31	+ 33
Gainesville*	3	13,654	11,668	*	+ 17	*
Griffin*	2	10,961	8,395	*	+ 31	*
Macon	3	58,027	51,543	42,977	+ 13	+ 35
Newnan	2	9,782	8,131	5,259	+ 20	+ 86
Rome*	3	22,321	17,231	*	+ 30	*
Savannah	4	77,904	76,878	71,632	+ 1	+ 9
Valdosta	2	12,172	9,237	9,664	+ 32	+ 26
LOUISIANA						
Baton Rouge	3	68,377	63,297	49,271	+ 8	+ 39
Lake Charles	3	24,979	22,985	18,783	+ 9	+ 33
New Orleans	7	696,749	517,279	435,449	+ 35	+ 60
MISSISSIPPI						
Hattiesburg	2	20,323	14,767	14,937	+ 38	+ 36
Jackson	4	97,858	89,471	66,855	+ 9	+ 46
Meridian	3	31,184	26,555	22,368	+ 17	+ 39
Vicksburg	2	29,782	24,158	21,813	+ 23	+ 37
TENNESSEE						
Chattanooga	4	125,908	113,004	89,418	+ 11	+ 41
Knoxville	4	103,949	94,665	109,264	+ 10	— 5
Nashville	6	269,364	227,271	195,957	+ 19	+ 37
SIXTH DISTRICT						
32 Cities	109	3,632,484	3,111,019	2,694,139	+ 17	+ 35
UNITED STATES						
334 Cities		91,315,000	83,288,000	81,616,000	+ 10	+ 12

* Not included in Sixth District total

** Not available

District Business Conditions

AFTER establishing its highest mark in September for any month on record, the seasonally adjusted index of the value of Sixth District department store sales dropped 20 points during October. Steel-mill activity also dropped during the month, two points to 97 percent of capacity. The coal miners' strike, which has already resulted in the closing down of a number of blast furnaces in the District, is causing a drastic drop in November. Textile-mill activity, on the other hand, stayed during October at about the level reached in September, when it increased so much that the cotton-consumption index for the month was higher than it had been in more than three years. The volume of construction contracts obtained so far this year indicates that the annual total may be the District's second highest on record. Estimate of the cotton crop on November 1 showed another drop, this time to little more than a half-million bales above the 1921 figure, which has been the lowest since 1895. Acreage estimates also had dropped, that for Georgia being the lowest since 1868. In that state also the estimate is for a cotton crop smaller than any it has had since 1878. Employment increased as new plants opened over the District, and, in contrast to the paradoxical situation during some of the postwar months, unemployment declined.

Trade

More than 48 million dollars worth of goods was sold in Sixth District department stores in October. Despite this large volume, the increase in daily average sales from September to October was less than that which ordinarily takes place at this time of the year. Consequently, the seasonally adjusted District index for October was only 347 percent of the 1935-39 average against the September index of 367. It exceeded the October 1945 index of 286 by a considerable margin. In each of the 13 cities of the District for which indexes are computed the increase in sales from September to October was less than would be expected on the basis of seasonal influences. The greater number of business days in October than in September also accounts for some of the decrease in the index of daily average sales. Even though sales at the weekly reporting stores during the first three weeks of November were above those of a year ago, the seasonally adjusted index for November will be about 312, a decrease from that of October.

Inventories increased more than they usually do at this time of the year and more than can be explained by an increase in inventories to meet increased sales. The seasonally adjusted index of department store stocks for the District was 297 percent of the 1935-39 average in October, compared with 277 in September and 211 in October 1945. Stocks were estimated to be 2.3 times the October sales this year, compared with 1.7 times last year.

Preparing for the increased holiday trade Sixth District department stores during recent months made heavy commitments to buy. At the end of October outstanding orders at these stores were 9 percent above what they were a year ago. Orders outstanding at the end of October were less than they were at the end of September, contrary to what happened between these two months in 1944 and 1945. More prompt receipt of ordered merchandise is also indicated. During Oc-

tober the dollar value of merchandise received was 50 percent of the value of orders outstanding at the end of September, compared with 47 percent at the end of October 1945.

Finance

Banks in the large cities of the District continued to expand their loans during October and November. Total loans at the weekly reporting member banks on November 20 were 578 million dollars, a sum 43 percent greater than that of a year ago. The banks reported gains each week during October and November that were sufficient to offset continued declines in Government-security holdings so that the banks' earning assets on November 20 were almost as large as they were both in October and a year ago. Increased loans to business and industry account for the greater part of the increase.

Further increases in bank-lending activity may result from the recent removal of some of the restrictions of Regulation W on consumer credit by the Board of Governors. This removal may increase both borrowing by consumers directly from the banks and purchases of goods on credit from retailers. The amount and time of payment of credit in many types of transactions will depend entirely upon arrangements between the retailers and their customers. Where charge accounts were formerly required to be paid within 60 days, there now is no restriction. Nor are there restrictions on either single-payment loans or on the credit terms for buying articles costing less than \$50.

Under the present revised regulation, down-payment and maturity requirements now apply to only 12 instead of the former 36 major categories of goods. These remaining items include automobiles, major household appliances, radios, phonographs, sewing machines, furniture, and soft-surfaced floor coverings. For all of these items except furniture and floor coverings a down payment of one third is required. The down payment for furniture and floor coverings is 20 percent. The maximum maturity for all regulated instalment contracts is 15 months.

Regulation W, first adopted in 1942, was designed to combat inflationary tendencies in the war economy by limiting the demand for scarce goods. The combination of the regulation and the lack of these goods kept the expansion of consumer credit much below what would have ordinarily taken place during a period of expanding consumer incomes. Recently the total amount of consumer credit has been increasing although the August figure of 8.1 billion dollars was about 1.7 billion below the 1941 level. Total instalment credit, however, was 46 percent below that of the 1941 peak. The principal factor limiting the increase has been the scarcity of automobiles and other durable goods, the purchase of which accounted for the greater part of instalment-sale credit in 1941. Instalment loans in August, on the other hand, were almost as much as they were in 1941. This retention of controls over the 12 groups of items, therefore, continues the control over those types of consumer durable goods for which credit is subject to the widest expansion and contraction. Even under control, instalment contracts were being paid on an average in much less time than the maximum of 15 months provided for in the revised regula-

tion. At department stores reporting to this bank the average instalment contract in October was outstanding for a period of four and a half months. At reporting jewelry stores the period was five months and at furniture stores, six months. These conditions sharply contrast with the payment practices in 1941 when instalment accounts were outstanding on the average of 16 months for furniture stores and of nine months for department stores. The loosening of the regulation may cause some lengthening of the average period of payment, but no immediate return to prewar conditions is expected.

A slower payment of charge accounts may be a possible consequence of this removal of restrictions. Total charge-account credit in the United States increased 68 percent between August of last year to 2.4 billion dollars in August of this year. Some of the recent increase in charge accounts outstanding may be accounted for by a lengthening payment period as well as by the increase in credit sales. During October the average charge-account sale at Sixth District department stores remained on the books for a period of 52 days, compared with 49 days a year ago and 64 days in 1941. During the period of the regulation, stores extending open-account credit did not have to compete with one another in lengthening the time that accounts were allowed to run. Competition now, however, is possible on that basis. As the result of slower collections, there may be an increase in the dollar volume of accounts that a store may carry in relation to its charge-account sales.

Industry

Steel-mill activity in the Birmingham-Gadsden area in October and through the first three weeks of November was at 97 percent of capacity, according to *Iron Age*.

In Alabama and Tennessee the daily average rate of coal output was slightly less in October than it was in the shorter month of September, but in actual tons mined the October output was the greatest since March and, with the exception of that month, the greatest since May 1945.

The coal miners' strike on November 20 was followed by immediate restrictions on coal delivery to consumers and by some curtailment of railroad service.

Construction contracts awarded in the District in the first 10 months of this year total around 700 million dollars, a sum more than 60 percent greater than that for all of 1945. The 1946 total promises to be higher than that for any other year on record with the possible exception of 1942.

Although no over-all picture of the employment situation is available, reports from various localities indicate a recent increase in employment. In September some of the younger workers' return to school caused some reduction in the unemployed rolls. Knoxville, Chattanooga, and Birmingham report increased employment. In the Nashville area there has been an increase, but there, as in other localities, shortages of materials and of workers with certain skills limited expansion in some industries.

An increase of one fourth or more in employment at a freight-car-manufacturing plant in Alabama is expected to take place as rapidly as materials become available, and Mobile's new ship-salvaging industry, soon to be in operation, will employ about a thousand workers. Mobile also has a new wood-products industry that uses wood grown in southern Alabama and Mississippi. Plans have been an-

Sixth District Indexes

DEPARTMENT STORE SALES*						
	Adjusted**			Unadjusted		
	Oct. 1946	Sept. 1946	Oct. 1945	Oct. 1946	Sept. 1946	Oct. 1945
DISTRICT.....	347	367	286	372	374	307
Atlanta.....	400	422	322	428	447	344
Baton Rouge...	379	402	310	409	438	335
Birmingham...	321	347	275	350	361	300
Chattanooga...	369	384	290	387	399	305
Jackson.....	325	334	273	373	384	314
Jacksonville...	431	448	358	461	439	379
Knoxville.....	307	344	315	331	351	340
Macon.....	334	357	277	360	375	299
Miami.....	379	387	279	334	302	246
Montgomery...	328	348	288	374	369	328
Nashville.....	420	434	332	445	443	352
New Orleans...	290	309r	239	322	330r	266
Tampa.....	483	485	354	473	460	347

DEPARTMENT STORE STOCKS						
	Adjusted**			Unadjusted		
	Oct. 1946	Sept. 1946	Oct. 1945	Oct. 1946	Sept. 1946	Oct. 1945
DISTRICT.....	297	277	188	333	305r	211
Atlanta.....	411	405	261	482	432	307
Birmingham...	234	230	139	263	233	157
Montgomery...	322	314	193	365	351	219
Nashville.....	416	436	313	477	473	359
New Orleans...	248	228r	125	280	240r	141

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Oct. 1946	Sept. 1946	Oct. 1945	Oct. 1946	Sept. 1946	Oct. 1945
TOTAL.....	173	174	143	166	167	152
Alabama.....	183	181	148	174	176	179
Georgia.....	171	174	143			
Tennessee.....	141	135	128	148	144	89

LUMBER PRODUCTION*						
	Adjusted**			Unadjusted		
	Sept. 1946	Aug. 1946	Sept. 1945	Sept. 1946	Aug. 1946	Sept. 1945
SIX STATES.....	146	122	103	152	144	107
Alabama.....	175	149	131	164	172	123
Florida.....	92	75	58	89	73	56
Georgia.....	161	138	140	171	155	148
Louisiana.....	108	89	66	112	95	69
Mississippi.....	162	114	96	170	148	101
Tennessee.....	208	218	154	224	262	166

	MANUFACTURING EMPLOYMENT**			GASOLINE TAX COLLECTIONS		
	Sept. 1946	Aug. 1946	Sept. 1945	Oct. 1946	Sept. 1946	Oct. 1945
SIX STATES.....	140	139r	113	157	160	129
Alabama.....	148	145r	134	163	176	135
Florida.....	114	109r	91	133	142	111
Georgia.....	138	136r	105	147	161	121
Louisiana.....	127	129r	123	144	158	130
Mississippi.....	148	147r	113	156	159	139
Tennessee.....	152	151	104	205	173	151

CONSUMERS' PRICE INDEX				ELECTRIC POWER PRODUCTION*			
	Sept. 1946	Aug. 1946	Sept. 1945		Sept. 1946	Aug. 1946	Sept. 1945
ALL ITEMS.....	149	149	134	SIX STATES.....	270	266	252
Food.....	180	181	148	Hydro-generated	263	260	234
Clothing.....	162	156r	144	Fuel-generated	279	273	275
Rent.....	115	115	114				
Fuel, elec., and ice.....	114	114r	111				
Home furnishings.....	158	154r	145				
Misc.....	132	133	131				
Purchasing power of dollar.....	.67	.67	.75				
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	Oct. 1946	Sept. 1946	Oct. 1945		Oct. 1946	Sept. 1946	Oct. 1945
Unadjusted.....	227	225	203	Unadjusted.....	18.9	16.7	14.5
Adjusted**.....	228	227	204	Adjusted**.....	18.7	17.3	14.4
				Index**.....	72.4	66.8	55.6

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

nounced for the construction of two Florida plants that will manufacture rope, twine, cotton baling, and upholstery material from the stems of the palmetto and will also develop the palmetto's chemical by-products, including tannic acid. Construction in Savannah has begun on a new paperboard mill that will have a 30-thousand-dollar weekly pay roll. Plans are being made for the construction of a new 10-million-dollar steam power plant at or near Gadsden, Alabama. The recently authorized DuPont plant at Chattanooga, scheduled for completion in 18 months, is expected to require a thousand workers for construction and an equal number for operation when the plant is completed.

Agriculture

November 1 conditions indicated a national cotton crop this year of 8,487,000 bales, according to the Department of Agriculture. This figure is a reduction of 2.7 percent, 237,000 bales, from the October 1 forecast; 9 percent less than the first estimate of the season, on August 1; and 528,000 bales, or 6 percent, less than the crop produced last year. It amounted to 542,000 bales more than the 1921 crop of 7,945,000 bales, the smallest crop produced since 1895.

Sixty-nine percent of the estimated crop had been ginned by November 1, whereas 58.5 percent of the 1945 crop had been ginned by last year's corresponding date. In the last 10 years ginnings prior to November 1 averaged about 80 percent of production. The grade of this season's crop is running considerably better than last year's low-grade crop, and the average staple length is expected to be the longest on record.

The November estimate was somewhat smaller than that expected by the trade, and in the second week of the month cotton prices advanced about 3.5 cents a pound. On November 14 the 10-market average of spot prices was 31.44 cents a pound. The low for the season, 27.95 cents, occurred a week earlier, and the high, 38.93 cents, on October 2.

The estimates for the six states that are wholly or partly in the Sixth District declined 6 percent between October 1 and November 1. The crop is expected to be 23 percent smaller than last year's production.

With the harvesting of many crops either finished or rapidly nearing completion, there were no changes between October 1 and November 1 in the Department of Agriculture estimates for wheat, oats, tame hay, white potatoes, and sugar cane in the Sixth District. The November estimates were increased for corn in Mississippi and Georgia and for rice in Louisiana. The estimate in November for pecans was down 13 percent from that of a month earlier, and there were decreases of 4 percent in sweet potatoes and 3 percent in peanuts.

Cash farm income in the Six States for the first three quarters of 1946 amounted to about 1.2 billion dollars, a gain of about 7 percent over that for the corresponding part of 1945. Following the lifting of OPA restrictions at the end of June, farm income from these states in July increased 21 percent. July income from marketed crops was up 14 percent from June, and cash received from the marketing of livestock and livestock products increased 32 percent. Although the August total income declined about 3 percent, in September there was an increase of 20 percent, which made the September total 37 percent greater than the one for September of last year.

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS				
Item	Number of Stores Reporting	Percent Change October 1946 from		
		Sept. 1946	October 1945	
Total sales.....	26	+ 2	+ 9	
Cash sales.....	25	+ 3	+ 10	
Credit sales.....	25	+ 5	+ 30	
Accounts receivable, end of month	26	+ 3	+ 53	
Collections during month.....	26	+ 6	+ 48	

INSTALMENT CASH LOANS					
Lender	No. of Stores Reporting	Volume		Outstandings	
		Percent Change October 1946 from		Percent Change October 1946 from	
		Sept. 1946	October 1945	Sept. 1946	October 1945
Federal credit unions.....	44	— 6	+ 70	+ 5	+ 69
State credit unions.....	22	— 33	+ 24	— 4	+ 36
Industrial Banking companies.....	10	+ 4	+ 51	+ 3	+ 75
Industrial loan companies.....	23	+ 5	+ 29	+ 5	+ 33
Small loan companies.....	54	+ 10	+ 19	+ 4	+ 18
Commercial banks.....	34	+ 11	+ 131	+ 5	+ 128

DEPARTMENT STORE SALES AND STOCKS						
Place	No. of Stores Reporting	SALES		INVENTORIES		
		Percent Change Oct. 1946 from		No. of Stores Reporting	Percent Change Oct. 31, 1946, from	
		Sept. 1946	Oct. 1945		Sept. 30 1946	Oct. 31 1945
ALABAMA						
Birmingham.....	5	+ 9	+ 17	4	+ 13	+ 67
Mobile.....	5	+ 9	+ 9	..	..	..
Montgomery.....	3	+ 14	+ 14	3	+ 4	+ 67
FLORIDA						
Jacksonville.....	4	+ 18	+ 22	3	+ 1	+ 44
Miami.....	4	+ 24	+ 36	3	+ 9	+ 71
Orlando.....	3	+ 9	+ 33	..	..	..
Tampa.....	5	+ 16	+ 34	3	+ 4	+ 27
GEORGIA						
Atlanta.....	6	+ 8	+ 24	5	+ 12	+ 57
Augusta.....	4	+ 13	+ 30	3	+ 7	+ 38
Columbus.....	3	+ 4	+ 18	..	..	..
Macon.....	4	+ 8	+ 21	4	+ 2	+ 35
LOUISIANA						
Baton Rouge.....	4	+ 5	+ 22	4	+ 7	+ 46
New Orleans.....	5	+ 10	+ 22	4	+ 17	+ 98
MISSISSIPPI						
Jackson.....	4	+ 9	+ 19	4	+ 15	+ 86
TENNESSEE						
Bristol.....	3	+ 9	+ 19	3	+ 24	+ 51
Chattanooga.....	4	+ 9	+ 27	3	+ 9	+ 144
Knoxville.....	4	+ 6	— 2	..	..	..
Nashville.....	6	+ 13	+ 26	5	+ 1	+ 33
OTHER CITIES*	18	+ 22	+ 23	22	+ 7	+ 41
DISTRICT	94	+ 11	+ 22	73	+ 9	+ 58

* 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 Reporting	SALES		INVENTORIES		
		Percent Change Oct. 1946 from		No. of Firms Reporting	Percent Change Oct. 31, 1946, from	
		Sept. 1946	Oct. 1945		Sept. 30 1946	Oct. 31 1945
Automotive supplies.....	4	— 11	+ 57	3	+ 10	+ 60
Shoes.....	3	— 9	+ 63	..	..	..
Drugs and sundries.....	9	+ 10	+ 17	3	— 3	— 2
Dry goods.....	10	+ 26	+ 63	5	+ 3	+ 174
Electrical goods.....	3	+ 10	+ 77	..	..	..
Fresh fruits and vegetables.....	4	+ 11	— 11	..	..	..
Farm supplies.....	3	+ 10	+ 7	..	..	..
Confectionery.....	6	+ 13	+ 54	..	..	..
Groceries.....						
Full lines.....	31	+ 21	+ 28	15	+ 1	+ 31
Specialty lines.....	10	+ 25	+ 29	6	+ 12	+ 43
Beer.....	4	+ 21	— 23	3	+ 30	+ 46
General hardware.....	8	+ 13	+ 54	3	+ 3	+ 24
Industrial supplies.....	4	+ 25	+ 57	..	..	..
Lumber and building materials.....	4	+ 5	+ 50	..	..	..
Machinery, equip. and supplies.....	3	+ 12	+ 49	..	..	..
Tobacco products.....	4	+ 18	+ 8	..	..	..
Miscellaneous.....	11	+ 23	+ 32	17	+ 11	+ 45
Total.....	121	+ 17	+ 38	55	+ 5	+ 47

*Based on U. S. Department of Commerce figures