



## FEDERAL RESERVE BANK OF ATLANTA

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*Sixth District War Plants*

## PART I

**O**FTEN the location of an industry is determined by a complex of economic factors, such as the nearness to markets, the availability of raw materials, the amount and the character of labor supply, financial resources, transportation facilities, the community environment, and other things which vary in importance with the industry. Civic and industrial groups have long recognized these factors. Much of the recent Southern industrialization has come about through their efforts to analyze the potentialities of Southern locations, to correct deficiencies, to point out opportunities to the alert businessmen who establish new industries, and to help these businessmen in the process of launching actual operations.

However important these economic factors are in influencing the industrialization of an area, events that cannot be conveniently classified as such traditional economic factors may be just as important or even more so. One event is a major war. A war creates conditions that make it necessary for the location of an industry to be determined often on other than economic grounds. From the years 1940 through 1945 an investment in industrial plants and equipment in the Sixth District states was made in an amount that at the 1939 rate would have been so invested only over a period of 20 years. These plants were not erected and equipped for the purpose of industrializing the South. Often they were not economically located. Their purpose was simply to help win the war. When the war ceased their task ended. With them, together with older plants, the Sixth District's industry had secured almost five billion dollars in war contracts.

If no more than the production of that amount of war supplies had been accomplished, it would still be enough to justify the cost, a small one compared with other war expenditures. The estimated amount spent in the Six States to enlarge industrial facilities for war production equaled only the average that the United States spent for war purposes during a single week in 1945, or 1.8 billion dollars. Even the money spent to erect and equip the most expensive aircraft plant in the District amounted to little more than half the cost of a battleship, and only three of the District's war plants exceeded that cost.

Despite the emergency character of this development, many people interested in the South's industrial development believed that the wartime industrial expansion might give the natural but slow development of the region's industries the impetus it needed. The war would bequeath the South a greatly enlarged force of trained labor, manufacturing facilities that could be converted, and a more experienced industrial management. Last but not least, it would leave the region more

actively aware of the contributions that manufacturing could make to its progress. Some people even believed that the effects of the wartime expansion could overcome the power of the traditional factors.

And there was evidence to bolster such opinions. Manufacturing employment in the Sixth District states during the war rose to a peak almost twice as high as the 1939 total. Evidently 375,000 of the additional 555,000 employees were placed on the pay rolls of plants that were either enlarged or built with the aid of an estimated 1.3 billion dollars of public funds. Approximately 500 million dollars in private funds was also invested. Communities which had had no industrialization before were prospering under the expanded pay rolls, despite the headaches of rapid industrialization. Almost overnight farm workers, clerks, and housewives became carpenters, welders, and crane operators. The horizon of progress seemed unlimited. A new era for the South had dawned.

During the height of war-manufacturing activity, however, some of the analysts were less optimistic. When District employment was at its highest point in September 1943 a study of the postwar prospects of Sixth District war-manufacturing plants published in the *Monthly Review* concluded: "The wartime additions to manufacturing capacity in the Southeast have been planned for a war economy. While some of the new capacity, undoubtedly, will fit readily into the postwar economic structure of the region, most of it will not. It would seem . . . that a soundly based regional economy should be related to the region's own great resources and to a peacetime market structure rather than be tied . . . to capacity designed for a totally different economic situation."

A War Production Board study made in early 1944 supported this conclusion. Postwar prospects for the successful reconversion of industry depended greatly, it was believed, upon the postwar markets for wartime products. With the coming of peace it was predicted that the market for ships and aircraft would be but 5 percent of the peak war output and the market for munitions, at its best, less than one percent. The study indicated that the value of those District-state war plants that were readily convertible and whose products would probably have a good postwar market made up only 19 percent of the total investment value. Those representing 21 percent of the value, it was predicted, would be found to have a good market but poor convertibility to other manufacture. But the value of those plants for whose products a poor postwar market was expected, including a mere 10 percent represented by the plants with good conversion possibilities, constituted 60 percent of the plants' total value.

Other analysts were aware that much of the wartime economic expansion in the District states was based not on manufacturing operations but on the comparative advantages, including climate, that the District states had as military training sites. Actually, in the District the cost of military installations exceeded the cost of the new industrial facilities, though the reverse was true for the United States as a whole. With the war's end, these analysts predicted, this source of income would almost dry up.

Approximately two years after V-J Day events have confirmed the predictions made by the more careful analysts. Of the 185 plants that were enlarged or built either entirely or partially with public funds, 143 are still in operation. In 1947 they were employing approximately 125,000 persons, a small number compared with the 464,000 at work in them during the peak of wartime employment. The plants that were to be enlarged during the war had on their pay rolls about 87,000 persons before the war program was begun, making a net gain over prewar manufacturing employment of approximately 38,000. During the same period, from 1939 through May 1947, the District states' total manufacturing employment, however, increased 304,000. It constituted 7.1 percent of the nation's manufacturing employment in 1939 and 6.7 percent in May 1947. From these figures it is apparent that the expansion in District manufacturing employment has not come primarily in the war-created industries and that a greater expansion in manufacturing activity took place throughout the nation.

Despite their relatively small contribution to the District's immediate postwar manufacturing development, the war plants do offer potentialities for permanent manufacturing growth. The type of industrial-expansion program that occurred in the District during the war and the events which have taken place since that time explain the immediate postwar developments and the possibilities of future development.

### Wartime Expansion

Although the war machine consumed such peacetime products as food and clothing in greater amounts than people consume them in normal times, its greatest demands were for munitions and for the products of heavy industry. At the midpoint of the war period, in 1943, 88 percent of the value of the prime contracts awarded had, for example, been for metal products. The District states were especially deficient in this type of industry before the war.

From the beginning of the defense program through the early stages of the war the need for speed and efficiency led to the placing of orders for such materials at plants where productive capacity was already sufficient and at others where it might be most easily expanded. To a large extent this productive capacity was outside the District, and consequently relatively few plant additions were made in the area.

Some time after the attack on Pearl Harbor, however, it became evident that the existing industrial plants and additions to them could not possibly supply all the military needs. Moreover, at the time that many new specialized ordnance and aircraft facilities became necessary the manpower shortage in the established industrial areas became acute. It was decided that many of the new plants should be placed where there seemed to be unused manpower rather than in the older industrial areas of the Northeast. Another point in favor of thus placing the new plants was that it carried out the plan of locating as many new plants as possible within the inland

defense zone.

The final structure of the District's war-created industries reflected these factors. First, additions to existing plants were a relatively small part of the total industrial expansion. Excluding the atomic-energy developments, which are also excluded from other tabulations here, estimates based on War Production Board authorizations show that those structural additions and installations of equipment costing \$25,000 and more made at prewar plants constituted only about 27 percent of total expenditures in the Six States. Furthermore, the expansion was concentrated in a few areas.

### Plant Expansions Within the District

This concentration followed naturally on the prewar spotted concentration within the District of that type of manufacturing being expanded throughout the nation. Before the war the District's metal industries were placed chiefly in the Birmingham area, and therefore much of the total expenditure made to enlarge plants in the region was spent there. A substantial increase, financed chiefly by private funds, in the capacity of the Tennessee Coal, Iron, and Railroad Company at Birmingham was the principal wartime expansion in the District's heavy-metal industries. The Defense Plant Corporation also built a plant there, for operation by the Republic Steel Company. Investments in these plants and in additions to smaller ones amounted to approximately 48 million dollars. Thus the total expenditures to enlarge the facilities of the District's iron and steel industry, one which presented good opportunities for postwar continuance, constituted but 12 percent of the total expenditures to enlarge the facilities of existing plants.

Equally concentrated in location were the District's petroleum refineries. Petroleum-refinery additions erected with private funds and by the Defense Plant Corporation in the Baton Rouge and Lake Charles, Louisiana, areas cost in the neighborhood of 174 million dollars and increased the facilities for the Standard Oil Company of New Jersey, the Cities Service Company, and others.

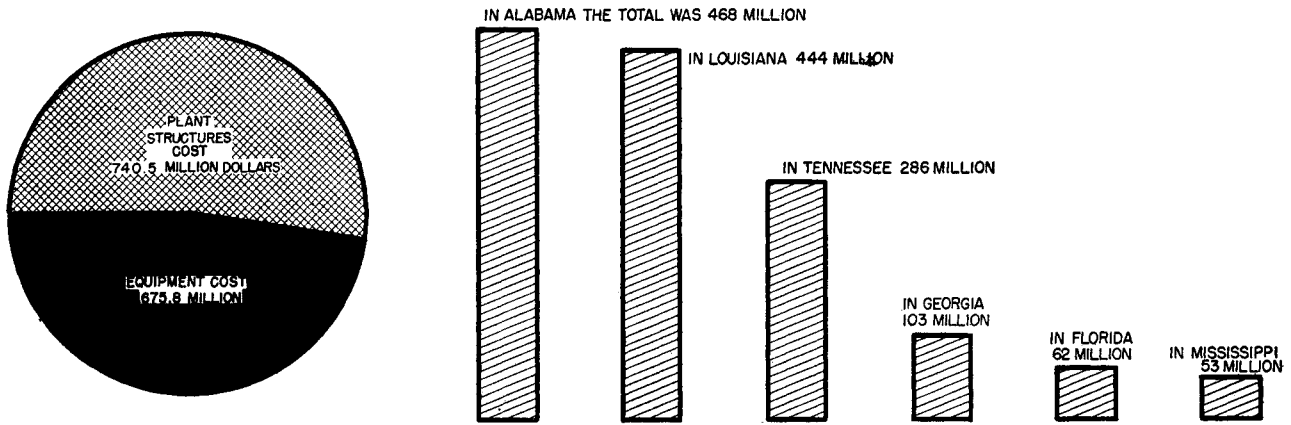
Established shipbuilding concerns had increased their production even before the United States' entry into the war brought additions to their yards. In this industry also the existing plants were concentrated at a few locations. Shipyards in New Orleans, Pascagoula, and Mobile were enlarged at a cost of approximately 60 million dollars. In addition other District ports were expanded.

Iron and steel, petroleum, and shipyard expansion thus accounted for 75 percent of all the enlargements of manufacturing plants taking place in the Sixth District states, with the plants concentrated in relatively few areas. There were, of course, such other plants as the chemical factories where the expanded manufacturing facilities were meant to increase the output of peacetime products, but new facilities at many of the smaller firms took the form of specialized equipment for manufacturing products very different from those of peacetime. This equipment was most often entirely, or almost entirely, financed by a Government agency. Most of it was installed so that the plants could manufacture munitions, including shells, bombs, guns, and other similar articles, and they could not use it in normal operations.

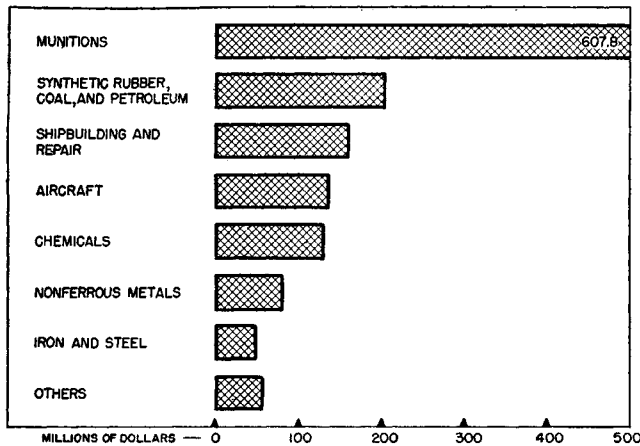
War production meant a radical change in those plants. A small hosiery mill in Tennessee, for example, changed its operations to the manufacture of aircraft parts. Elsewhere in the state guns replaced sawmill machinery as the principal

# SIXTH DISTRICT WAR PLANT EXPANSION

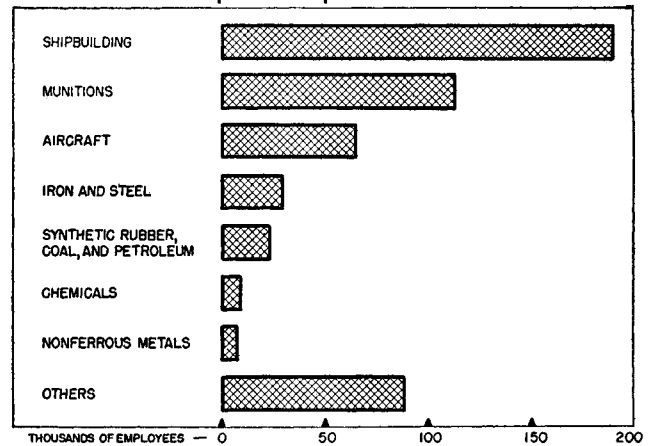
Those war-manufacturing facilities in the Sixth District states that were financed wholly or partly with public funds from 1940-45 cost more than 1.4 billion dollars.



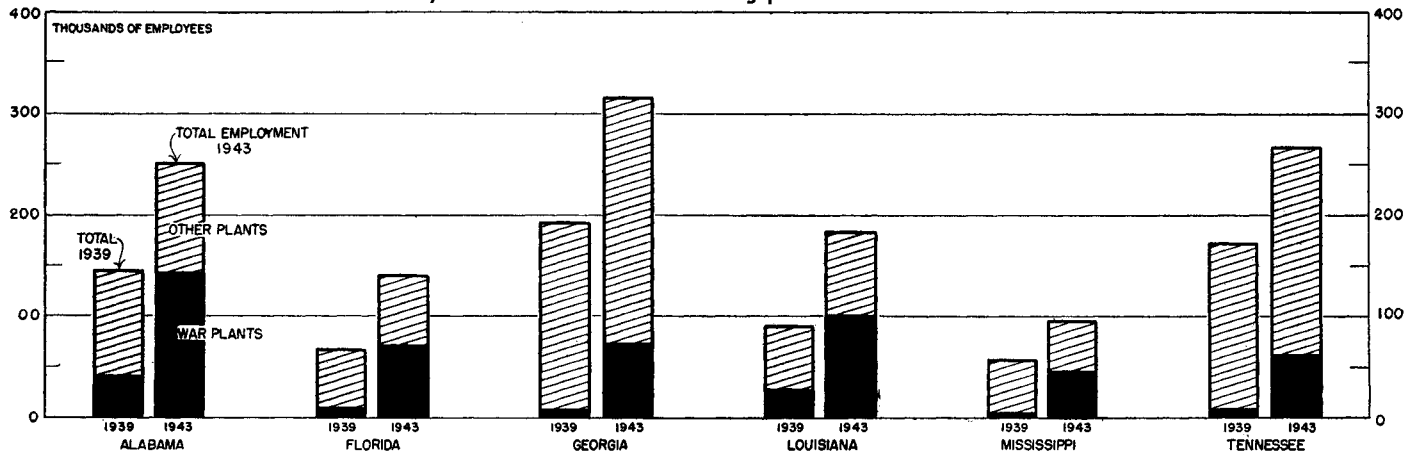
Expenditures for munitions plants exceeded those for other facilities.



Employment at these plants numbered 464,000 at the peak of operations.



The growth in employment at these plants was paralleled from 1939 through 1943, the year of peak manufacturing, by that at other manufacturing plants in the District.



products. Bombs for bathtubs, shells for gas stoves, ordnance parts for machine tools, ammunition boxes for soft-drink coolers, and gas-mask components for buttons were some of the other substitutions made at small- and medium-sized plants in Tennessee.

In Georgia a metal-bed manufacturer began producing machine-gun parts and a refrigerator producer chemical bombs. The employees of another firm were put to work making bombs instead of caskets, and those of still another shells instead of underwear. Louisiana companies whose peacetime products included dehydrators, oil-field equipment, pails, and structural steel switched to the output of shells and bombs. A Florida company suspended the manufacture of fishing tackle for the production of aircraft hydraulic shock struts.

The already established plants at which public funds were invested for structure or equipment were employing 86,750 people before 1940. In the process of turning to specialized war production, these plants increased their employment 102,300.

### New War Plants

Most of the public funds, 78 percent, were spent, however, to build entirely new war plants. Three categories — munitions, ships, and aircraft — were predominant as the products of these new plants.

The Army built numerous arsenals and ordnance works in the District. The War Department built the Huntsville Arsenal and Redstone Ordnance Plant at Huntsville and the Alabama and the Coosa River ordnance plants in the Sylacauga-Childersburg area, representing altogether a cost of more than a quarter of a billion dollars in Alabama. Another quarter of a billion was spent in Tennessee for the Wolf Creek Ordnance Plant at Milan, the Volunteer Ordnance Works at Chattanooga, the Chickasaw Ordnance Works at Millington, and the Holston Ordnance Works at Kingsport. Two plants were built in Mississippi — one at Aberdeen and another, which never operated, at Flora — and one plant was constructed at Minden, Louisiana. In Georgia the Navy built two ordnance plants, one at Milledgeville and the other at Macon. Altogether the 22 new plants for the production of ammunition and explosives cost more than 575 million dollars, 56 percent of the total amount spent on new war plants.

Several things that were later to complicate reconversion difficulties characterized the large new munitions plants. For the most part these establishments were located in cities which had had comparatively small prewar populations. None of them except the Volunteer Ordnance Works at Chattanooga was in or near a city with a population greater than 100,000. Only one of them was in a city in the 50,000 class, and only two were located in cities — Huntsville and Kingsport — having 1940-census populations of between 10 and 15 thousand. Otherwise they were placed in cities whose 1940 populations varied from less than 1,000 to about 7,000. The munitions plants were, however, able to draw upon the labor supply of the surrounding areas, which, of course, are not included in the city censuses.

One common characteristic of most of these plants, their large size, created many housing and kindred problems. In six of the 10 cities peak employment at them during the war exceeded the 1940 populations. Manufacturing was introduced on a large scale in many cities where before the war it had either been on a very limited scale or not at all. All together these plants employed 67,000 persons. The smallest

number employed at any one of them during peak production was 3,800, and the greatest was 9,000.

Another characteristic feature of many of these plants was the type of management. The Coca-Cola Company, Procter and Gamble, General Tire, E. I. du Pont de Nemours, and the Hercules Powder Company all managed plants for the War Department. Seven plants were operated by large corporations which normally turned out products that are very different from ammunition.

### Ships and Planes

Prior to the war the repair of ships, if not their construction, had been a typical industrial activity of most Sixth District ports. The expansion of the yards, however, was so great that they might well be termed new plants. At New Orleans the Todd-Johnson Dry Docks Company, a subsidiary of the Todd Shipyards Corporation, was doing ship-repair work. The Higgins industry, also of New Orleans, had been incorporated in 1930 to build small boats. At Avondale, Louisiana, was the Avondale Marine Ways. Before the war was over 16 million dollars worth of construction to increase the capacity of these Louisiana plants was authorized. In addition to these expansions, entirely new shipbuilding facilities costing more than 14 million dollars were built at plants operated by the Delta Shipbuilding Company and the Pendleton Shipyard Company. All together these Louisiana yards at their peak periods employed 41,600 persons. The workers were about equally divided between the new and the old companies. All but 4,100 represented additional employment under the war program.

In Mississippi, the Ingalls Shipbuilding Company's plant at Pascagoula had been established before the war, but its wartime operations multiplied its prewar employment four and a half times. Although more than six million dollars was spent to enlarge the facilities of shipyards in Florida, the greater part of the investment of more than 53 million dollars in Florida shipyards was put into entirely new facilities. Among the most important were the St. Johns Shipbuilding Company at Jacksonville, the Tampa Shipbuilding Company, the McCloskey and Company shipyards at Tampa, and the J. A. Jones Shipbuilding Company at Panama City. Of the six new facilities only one employed fewer than 5,000 people. Three of them employed about 15,000 each, bringing the total to more than 56,000 persons at the peak of employment. Almost half of Florida's manufacturing workers, or 66,000, were working in shipyards at the time Florida's manufacturing employment was at its height in 1943.

Georgia's shipbuilding was concentrated in its two ports, Savannah and Brunswick. Although additions were made to the facilities of two companies, one in each of the two cities, about four fifths the estimated total investment of more than 32 million dollars in Georgia's shipyards was made in new companies. These firms included the J. A. Jones Shipbuilding Company, of Brunswick, and the McEvoy and the Southeastern Shipbuilding Companies, of Savannah. At its greatest, shipyard employment in Georgia amounted to about 28,000, almost 85 percent of which was in the new plants.

The Ingalls Shipbuilding Company operated a yard also at Decatur, Alabama. Although the Alabama Dry Docks Shipbuilding Company and the Gulf Shipbuilding Company at Mobile were operating before the war, their degree of wartime expansion was so great that they too might be classified as entirely new developments. These three yards cost about

33 million dollars and employed 44,000 persons.

Like the munitions plants, most of the shipbuilding establishments were large units. Unlike the munitions plants, however, they were located at larger cities as well as at small ones. As would be expected for any such large-scale developments, however, housing and transportation problems followed their openings. The smallest cities in which shipyards were built were Pascagoula, Brunswick, and Panama City. At the yards in each of them employment was greater than the prewar population. In most of the cities selected as locations, however, there had been some manufacturing before the war. Another difference was that a large number of the yards were managed by newly organized companies, whereas in the case of the munitions plants existing corporate management had been utilized.

Prior to the war there was almost no manufacture of aircraft in the District states. Therefore, the 65,000 persons working in the aircraft plants during the war represented practically a net addition to Sixth District employment. Those facilities for the production of aircraft and their parts cost 134 million dollars. The War Department's plant at Marietta, Georgia, operated by the Bell Aircraft Company, was the largest single installation. The Consolidated Vultee Aircraft Corporation operated a plant at New Orleans, one at Nashville, and a third at Miami. The Nashville plant was financed to a considerable extent by private funds. The Bechtel-McComb Aircraft Modification Center at Birmingham and Higgins Aircraft, Inc., at New Orleans were other large installations. Wing sections were manufactured at Memphis by the Fisher Body Division of General Motors Corporation.

Large size was characteristic of aircraft plants also. The Bell Aircraft factory at Marietta employed 28,000 persons

during its period of peak operations. Employment at the other plants was from a fifth to little more than a fourth as great. Another common feature was that, for the most part, the District's aircraft plants were final-assembly plants for modification centers instead of plants that manufactured engines or the parts themselves and thus had better reconversion possibilities. Although the companies operated plants before the war, they were outside the District.

#### Chemicals, Aluminum, Rubber, and Petroleum

Although, compared with the investment in munitions plants, aircraft factories, and shipyards, the investment in new plants for the manufacture of other war supplies in the District was small, it would have been considered large in any period other than one of accelerated wartime investment. Moreover, a great part of the investment was placed in fields of manufacture that gave a greater promise of postwar continuance. In any other period an investment of 130 million dollars in new chemical plants would have attracted much more attention than it did. Tennessee and Louisiana locations were the chief sites for these new chemical plants.

Two of the main developments from the point of cost were the plants built by the Defense Plant Corporation and the War Production Board at Lockport and Lake Charles, Louisiana, for the manufacture of such chemicals as ammonia and chlorine as well as for the production of magnesium and magnesium alloys. Also in Louisiana was the plant at Monroe operated by Commercial Solvents Corporation for the manufacture of anhydrous ammonia. All together these Louisiana plants, employing about 8,200 persons during their period of peak operation, represented an investment of approximately 86 million dollars. An additional plant was that operated by

### WAR OPERATIONS

#### War Manufacturing Facilities Financed with Public Funds\*

Sixth District States 1940 - 45

WAR PRODUCT**	NUMBER OF PLANTS			COST*** (Millions of Dollars)					NUMBER OF EMPLOYEES		
	Expanded	New	Total	Structure	Equipment	Total	Percent Publicly Financed	Percent of All Types	Added During War (Thousands)	Percent Added	At Wartime Peak (Thousands)
Aircraft and parts . . . . .	2	10	12	93.8	39.9	133.7	94	9.4	64.8	17.1	64.9
Ships and ship-repair work . . . . .	13	12	25	102.1	58.3	160.4	85	11.4	174.7	46.1	189.8
Guns, ammunition, and explosives . . . . .	44	22	66	406.7	201.1	607.8	98	42.9	94.4	24.9	113.2
Iron and steel . . . . .	4	—	4	12.9	35.1	48.0	47	3.3	5.6	1.5	28.5
Nonferrous metals and products . . . . .	5	3	8	27.8	51.7	79.5	83	5.6	6.7	1.8	8.2
Machine tools, machinery and electric equipment . . . . .	4	—	4	1.1	2.1	3.2	22	0.2	1.5	0.4	3.8
Chemicals . . . . .	9	10	19	58.7	70.8	129.5	99	9.2	8.5	2.3	9.2
Synthetic rubber, coal, and petroleum products . . . . .	5	3	8	21.0	181.9	202.9	82	14.3	4.2	1.1	23.1
Others . . . . .	22	17	39	16.4	34.9	51.3	57	3.7	18.3	4.8	23.7
ALL TYPES . . . . .	108	77	185	740.5	675.8	1,416.3	90	100.0	378.7	100.0	464.4

\*The tabulation excludes plants where authorized expenditures were less than \$25,000, atomic-energy developments, and plants financed entirely with private funds.

\*\*Prewar and postwar products of some companies may differ from these.

\*\*\*Cost figures based on War Production Board Authorizations. Data were adjusted when actual expenditures were known to differ, and plants that were not completed are excluded.

the Gulf Distilling Corporation at Gretna in Jefferson Parish manufacturing ethyl alcohol from molasses.

A number of plants in Tennessee were built and equipped at costs in amounts of seven figures each. They included the Southern Acid and Sulphur Company built at Memphis to manufacture chlorine soda and phenol but never operated; the plant of the Tennessee Products Corporation in Chattanooga, producing benzoate and hydrochloric acid; the East Tennessee Ordnance Works at which the Tennessee Copper Company, of Copperhill, produced sulphuric acid; the plant operated by the Rhom and Haas Company at Knoxville to produce methyl methacrylate sheeting; the Buckeye Cotton Oil Company plant at Memphis, producing chemical cotton pulp; and the National Carbon Company plant at Columbia, producing anphorous carbon electrodes. The total cost of these and other Tennessee chemical plants was 25 million dollars, and the maximum number of employees was about 5,000.

Also among the chemical plants in Tennessee was the plant built by the Defense Plant Corporation and the Rubber Reserve Corporation at Memphis that was operated by the Quaker Oats Chemical Corporation for the manufacture of furfural. The production of furfural, obtained from waste farm products, had been developed in commercial proportions by the Quaker Oats Company in order to utilize the hulls remaining from the manufacture of oatmeal. During the war this material gained importance as a raw product for the manufacture of synthetic rubber, for which purpose this plant was erected. Recently E. I. du Pont de Nemours & Company announced a new process by which a large part of the raw material for nylon can be obtained from this product.

The chief sources of synthetic rubber in the District, however, were the petroleum products from Louisiana. Synthetic-rubber plants costing about 23 million dollars were erected at Lake Charles for operation by the Firestone Tire and Rubber Company and at Baton Rouge for the Copolymer Corporation and the Standard Oil Company of New Jersey. The expansion of the petroleum-products plants themselves, of course, increased the supply of the raw material used in synthetic rubber.

A common characteristic of these chemical, petroleum, and synthetic-rubber plants was the large investment required in comparison with the number of workers employed. In the District as a whole, the total investment for every worker added at such plants up to the time of peak production was approximately \$26,000, compared with the ratio at other types of plants of \$3,000. Another common characteristic was that their location was evidently determined by accessibility to large quantities of electric power.

An entirely new manufacturing development was begun with the construction of facilities to take care of the various processes for the production of aluminum. The Aluminum Ore Company operated a plant constructed by the Defense Plant Corporation in Mobile for the production of alumina; the Reynolds Alloy Company produced aluminum-alloy sheets, rods, and bars at Listerhill, Alabama; and the Reynolds Metals Company was scheduled to operate a plant being erected at Memphis for the manufacture of aluminum extrusions. At Baton Rouge the plant operated by the Aluminum Corporation of America also was producing alumina. Altogether these plants employed about 5,500 people.

Several of the nation's large rubber-tire manufacturers en-

tered the District states to operate plants constructed by the Defense Plant Corporation. The Firestone Tire and Rubber Company at Memphis manufactured rubber boats, life rafts, Navy raincoats, and other rubber products. In Alabama the plant erected for the B. F. Goodrich Company's operation at Tuscaloosa was not completed in time for operation during the war. The Goodyear Tire and Rubber Company operated a plant at Gadsden. These plants together cost about 27 million dollars and employed more than 10,000 people.

### Methods of Financing

Since all the public funds used to finance the construction and equipment of the war plants came ultimately out of the United States Treasury, the particular Government agency through which the funds passed might seem unimportant. Just which agency it was that provided the funds, however, has influenced the problems of surplus-property disposals since the end of the war and, certainly, complicated them. Moreover, the proportion in which public funds were used gives evidence, though not always conclusive, of the confidence that the plant operators had in their postwar prospects.

For the District states as a whole public funds provided for 90 percent of the cost of both structures and equipment at the plants studied. The difference between the degree to which the total cost of construction was financed by public funds and the degree to which the total cost of equipment was financed by them may have no great significance, but it is interesting that public funds financed 94 percent of the cost of structures and 87 percent of the equipment cost. In Tennessee private funds provided for all but 52 percent of the total cost. In Mississippi more than 96 percent of the funds came out of the United States Treasury. In the other states the proportion varied from 83 to 95 percent.

To secure the necessary equipment to convert to war manufacturing some businesses borrowed funds from the Reconstruction Finance Corporation. These were more often small firms. The transactions resembled borrowing from any other source. Although frequently secured by Government contracts, the title to the equipment purchased was vested in the borrower. In such cases no surplus-disposal problems would be involved. The method was used by eight of the companies making plant extensions and by three of the entirely new organizations. One case as typical as any was that of a furniture-manufacturing company that employed approximately 100 people before the war. After securing a contract to make ammunition boxes the manufacturer borrowed approximately \$50,000 from the RFC to purchase the necessary equipment. Later the loan was repaid out of funds received from fulfilling the contract.

More frequently, however, the equipment for small firms converting to the production of such articles as shells and bomb components was financed directly by the War Department, which kept the titles. Very often no erection of structures was involved. In Alabama, for example, where 13 companies converted to the production of ammunition shells and bombs, six of them added no structures to their plants and only one of the seven other companies built its addition with public help. At least 54 established businesses in the Six States were thus assisted by the War Department.

In other instances the equipment was provided through the Defense Plant Corporation. The structures and equipment specified in the contracts remained the property of the Defense Plant Corporation, and the manufacturing companies

rented them. Generally the agreement between the Defense Plant Corporation and the business provided that the manufacturing company would receive preference in the sale of the plant or equipment after the close of the war and that the rents it had paid would be applied on the purchase price. A negotiated price also could be agreed upon which would take into consideration any excessive wartime depreciation and obsolescence. Plants or their equipment ranging in cost all the way from \$30,000 to 90 million dollars were financed in this manner. Additional manufacturing facilities were thus provided for at least 26 existing plants. These facilities represented 70 percent of the total public financing for such plants. Since the end of the war several purchases have been made directly from the DPC, without the intervention of the War Assets Administration.

RFC loans were used relatively infrequently to finance new war plants. The most important source of new-plant financing, measured by cost, was the War Department. It constructed not only the Government arsenals but small plants as well. Navy and Maritime Commission funds paid for shipyard construction. The number of new plants financed through the Defense Plant Corporation exceeded the number financed by the other agencies, though the total amount of the financing was smaller. Consequently, the titles to many of the new war plants, in fact to most of the very large ones, were lodged with the War Department, the Maritime Commission, the Navy Department, or the Defense Plant Corporation.

At most of the war plants the period of peak employment was reached in late 1943, although at a large number it was delayed until 1944 and at a few until 1945. As the winning of the war drew nearer the attention of local communities turned increasingly to their postwar prospects. The conclusion of hostilities in Europe and, soon afterward, those in Japan marked the end of one period of unprecedented industrial change for many communities and the beginning of another.

CHARLES T. TAYLOR

*This is the first of two articles on industrial war plants in the Sixth District states. The second on reconversion experience will appear in the September issue of the Review.*

Sixth District Indexes

DEPARTMENT STORE SALES*						
Place	Adjusted**			Unadjusted		
	July 1947	June 1947	July 1946	July 1947	June 1947	July 1946
DISTRICT.....	336	365	343	269	307	275
Atlanta.....	394	398	380	315	326r	304
Baton Rouge...	368	384	378	309	338	318
Birmingham...	303	353	313	260	304	269
Chattanooga...	302	336	376	251	303	312
Jackson.....	302	335	330	241	282	264
Jacksonville...	405	413	426	336	364	354
Knoxville.....	291	324	333	242	265	276
Macon.....	278	315	320	217	268	250
Miami.....	363	366	335	257	292	238
Montgomery...	326	377	333	264	317	270
Nashville.....	387	395	419	310	363	335
New Orleans...	605	329	286	244	290	229
Tampa.....	441	441	427	366	397	354

DEPARTMENT STORE STOCKS						
Place	Adjusted**			Unadjusted		
	July 1947	June 1947	July 1946	July 1947	June 1947	July 1946
DISTRICT.....	270	280	267	278	283	275
Atlanta.....	369	393	430	357	360	416
Birmingham...	234	225	231	212	211	209
Montgomery...	383	334	290	306	304	232
Nashville.....	496	445	508	429	415	439
New Orleans...	288	294	222	264	276	203

LUMBER PRODUCTION*						
Place	Adjusted**			Unadjusted		
	June 1947	May 1947	June 1946	June 1947	May 1947	June 1946
SIX STATES.....	n.a.	106	130	n.a.	104	132
Alabama.....	n.a.	102	129	n.a.	102	136
Florida.....	n.a.	73	108	n.a.	75	103
Georgia.....	n.a.	124	145	n.a.	123	154
Louisiana.....	n.a.	92	90	n.a.	92	91
Mississippi.....	n.a.	98	135	n.a.	94	128
Tennessee.....	n.a.	166	197	n.a.	166	224

COTTON CONSUMPTION*				CONSTRUCTION CONTRACTS			
Place	July 1947	June 1947	July 1946	DISTRICT....	July 1947	June 1947	July 1946
	TOTAL.....	126	141		143	n.a.	332
Alabama.....	137	148	145	Residential	n.a.	414	542
Georgia.....	120	139	145	Other.....	n.a.	293	365
Tennessee...	117	122	118				

Place	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS***		
	June 1947	May 1947	June 1946	July 1947	June 1947	July 1946
SIX STATES.....	142	141r	135	170	172	152
Alabama.....	156	154r	140	174	185	157
Florida.....	113	112	112	154	165	134
Georgia.....	130	131r	129	160	168	145
Louisiana.....	140	138	134	154	162	139
Mississippi...	152	151r	141	183	178	144
Tennessee.....	152	152r	145	204	182	193

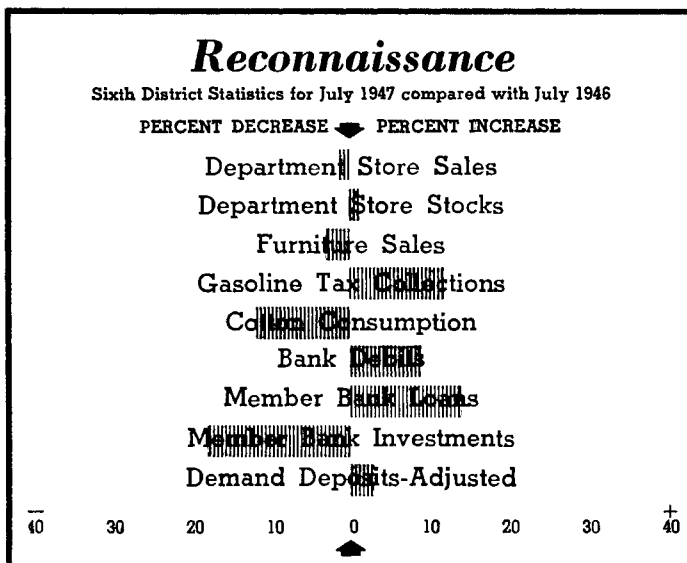
CONSUMERS' PRICE INDEX				ELECTRIC POWER PRODUCTION*			
Place	June 1947	May 1947	June 1946	SIX STATES..	June 1947	May 1947	June 1946
	ALL ITEMS..	162	162r		137	Hydro-generated.	226
Food.....	199	197	150	Fuel-generated.	359	333	216
Clothing...	182	181	153				
Rent.....	n.a.	n.a.	115				
Fuel, elec., and ice..	122	122	112				
Home furnishings.	177	174r	153				
Misc.....	143	144r	133				
Purchasing power of dollar...	.62	.62	.73				

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
	July 1947	June 1947	July 1946
Unadjusted..	251	248	224
Adjusted**..	251	250	224

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	July 1947	June 1947	July 1946
Unadjusted..	17.2	18.4	16.3
Adjusted**..	18.2	18.9	17.3
Index**.....	70.5	73.2	66.8

\*Daily average basis  
 \*\*Adjusted for seasonal variation  
 \*\*\*1939 monthly average=100; other indexes, 1935-39=100  
 r Revised  
 n.a. Not available



## District Business Conditions

### Trade

AT SIXTH District department stores during July and the first part of August consumer spending failed to increase above that in the corresponding period of 1946. In July the seasonally adjusted index of daily average sales was 336 percent of the 1935-39 average, whereas in June it was 365 percent and last July 343. Last month was the first time in 10 years that July department-store sales in the District have failed to register a gain over those for the preceding year. The furniture stores located throughout the District reported their July sales to be 3 percent below those in 1946; jewelers showed their sales to be 16 percent less.

Comparisons between conditions now and conditions as they were in the period 1935 through 1939 show that the District's department stores lead those of the other Federal Reserve districts in the rate of sales increase. The June adjusted index represented a 265-percent increase over the 1935-39 average, much greater than the increase that took place throughout the United States. The United States index was 288, representing a 188-percent increase over the 1935-39 average.

In an appraisal of the present relative economic position of the District, as measured by this index, however, a comparison with more recent figures may have greater significance. During the first six months of 1947, the final figures reported show that Sixth District department stores sold goods 6 percent greater in dollar value than the goods they sold during the first half of 1946. Throughout the United States the corresponding increase was 9 percent. Furthermore, the rate of the District's gain was exceeded by nine of the 11 other Federal Reserve districts. The three Southern districts of Dallas, Richmond, and Atlanta all had the same rate of increase. During the corresponding time in 1946 the Atlanta district had a rate of increase exceeded only by the gains in seven other districts, and during the first half of 1945 it shared with one other district the highest rate in the nation.

That Sixth District consumers in 1947 were able to exceed their heavy spending in 1946 indicates they have retained much of the gain in relative income position they obtained during the war years. The rapid rate of increase in the District during the war compared with increases in other districts is, of course, one reason why each dollar rise in sales at the present time contributes less to a percentage gain than a similar rise did at that time. Even so, the recent lower rates of increase in the District indicate that the wartime influences which raised Sixth District income are diminishing. They also indicate that only further increases in income can make the District retain the economic position it acquired during the war.

In explanations of the high rate of business activity in 1946 inventory building has commonly been given one of the chief roles. Not only retailers but wholesalers and manufacturers increased their inventories more rapidly than their sales increased. The high level of outstanding orders was believed to indicate a further expansion of stocks. At Sixth District department stores in July 1946, for example, stocks and outstanding orders at retail prices together were 6.3 times the July sales.

As the merchants replenished their inventories and obtained

prompter deliveries, however, their outstanding orders began to fall. At the end of May this year, when they were less than half what they were a year earlier, the outstanding orders at the Sixth District department stores were at their lowest point. Since May they have increased somewhat every month, but the increase may merely reflect the stores' tendency to place more of their orders at this time of the year. In July they were 15 percent greater than they were in June, though more than two thirds below the July 1946 level.

The decrease in outstanding orders, however, overstates the decline in the merchants' purchases and the influence of their purchases upon general business activity. Prompter deliveries and a decline in future commitments explain part of the decline. Despite the large decline in outstanding orders, the retail value of merchandise received during the first seven months of 1947 was but 10 percent less than that of merchandise received during the same period of 1946. Nevertheless, as a result of their inventory building, all Sixth District department stores received goods 15 percent greater in retail value than the goods they sold during the same period in 1946, whereas in 1947 sales exceeded merchandise received by 2 percent.

C. T. T.

### Employment and Industry

Six State manufacturing employment showed a slight gain during June, for the first time in seven months, over the figure of the preceding month. Although up to that time other District states had had increased employment since January 1946, the increases had not been sufficient to offset slight decreases in the number of manufacturing workers in Georgia and Florida. In Georgia these decreases were largely in nondurable-goods employment, with cotton-textile layoffs making up most of the change. Declines in the number of manufacturing workers in Florida were caused by seasonal layoffs in the canning industry during the spring.

Cotton consumption in District states declined during July for the sixth consecutive month. Since May, mill consumption has been lower than it was in the corresponding months of 1946. The July decline was brought about largely by the vacations given by a number of mills, and the steady decline in cotton consumption in the first half of 1947 was caused both by readjustment of production schedules with the elimination of extra shifts and by changeovers to lighter constructions of cloth. Apparently the saturation point for cloth prices was reached during the spring, because some declines in cloth prices have taken place in spite of increased cotton prices. Mill margins, as a result, have declined from the March high of 53.37 cents a pound. The industry's production is largely sold for the remainder of the year, and some contracting is being done through the first half of 1948.

Carloadings on Southern railroads during August have been virtually what they were a year ago. In general, however, loadings of grain and livestock have increased and coal shipments and other loadings of less-than-carload-lots have decreased.

Despite shutdowns because of the coal dispute early in July, steel-ingot production was at a higher rate in the Southern district than it was in most of the other sections of the country. Scrap supplies are apparently greater in the District than elsewhere, and Northern mills have been buying



scrap from the Birmingham region for use in their furnaces.

The value of construction contracts during the first half of 1947 exceeded that for the first six months of 1946 in all Sixth District states except Georgia, according to figures supplied by the F. W. Dodge Corporation. In Georgia the index was 263 of the 1935-39 average of 100 for the first half of 1947, compared with 451 for the corresponding period of 1946. The major decline in Georgia occurred in the value of building contracts other than residential. Residential-building contracts in that state for the first half of the year exceeded those for the first six months of 1946 by 8 percent. The increase for the Six States as a whole was 26 percent.

T.R.A.

**Finance**

The earning assets of member banks, represented by their total loans and investments, continued to decline in July as they did during the preceding months of 1947. At all member banks these earning assets on July 30 amounted to 4,201 million dollars, a decrease of six million dollars since June 25 and a decrease of 76 million dollars since the first of the year. Smaller holdings of U. S. Government obligations, which decreased 36 million dollars during July and have declined 124 million dollars since the first of the year, accounted for the decrease in total loans and investments. Loans and discounts expanded 22 million dollars in July and have increased 41 million dollars since the first of the year. There has also been an increase in the holdings of other-than-Government securities.

During the first two weeks of August the weekly reporting member banks in the larger District cities reported increases in their total loans and investments. The greater total resulted from increases of two million dollars in total loans and of 14 million in security holdings. Commercial, industrial, and agricultural loans increased nine million dollars, but this gain was offset by declines in other types of loans.

These banking changes, which were continuations of trends begun in 1946, have been reflected in the earnings statements of the member banks. During the first half of 1947 at 20 of the larger District banks which report weekly, net profits after income taxes were 23 percent less than they were during the first half of 1946. Decreases in the earnings from Government securities and in the profits from the sale of securities, as well as increases in expenses, explained the decline.

The greater amount of loans made by the banks in recent months was responsible, of course, for their greater earnings from loans. These earnings provided 38.7 percent of the total earnings at the 20 banks from January through June 1947, compared with 30.3 percent during the corresponding six months of 1946. There was a decrease in the proportion of earnings provided by interest on Government securities, from 50.3 to 34.3 percent of total earnings. Earnings from loans increased 35 percent. Increases in other types of earnings with the exception of service charges and loan fees were sufficient to offset a 16-percent decline in the earnings from interest on securities, so that the total current earnings were up 5 percent.

Despite the increase in total earnings, expenses grew to such an extent that net current earnings were down 9 percent. Except for the interest paid on borrowed money, which was smaller during the first half of 1947 than it was during the first half of 1946, other types of expenses increased, so that total expenses were 15 percent higher. The greater part of the

**Sixth District Statistics**

Item	Aug. 20 1947	July 23 1947	Aug. 21 1946	Percent Change	
				Aug. 20, 1947	Aug. 21 1946
Loans and investments—					
Total	2,319,712	2,291,111	2,525,280	+ 1	- 8
Loans—total	723,686	703,888	619,713	+ 3	+ 17
Commercial, industrial, and agricultural loans	411,981	397,235	322,684	+ 4	+ 28
Loans to brokers and dealers in securities	7,334	6,836	14,125	+ 7	- 48
Other loans for pur- chasing and carrying securities	80,492	81,050	121,998	- 1	- 34
Real estate loans	56,300	55,657	42,836	+ 1	+ 31
Loans to banks	5,121	6,331	3,172	- 19	+ 61
Other loans	162,468	156,779	114,898	+ 4	+ 41
Investments—total	1,596,026	1,587,223	1,905,567	+ 1	- 16
U. S. direct obligations	369,405	380,719	669,993	- 3	- 45
Obligations guaranteed by U. S.	1,035,034	1,020,484	1,040,621	+ 1	- 1
Other securities	191,587	186,020	194,953	+ 3	- 2
Reserve with F. R. Bank	438,716	433,516	443,388	+ 1	- 1
Cash in vault	39,881	41,537	38,041	- 4	+ 5
Balances with domestic banks	183,020	170,234	200,838	+ 8	- 9
Demand deposits adjusted	1,767,032	1,761,551	1,730,119	+ 0	+ 2
Time deposits	547,161	547,837	534,415	- 0	+ 2
U. S. Gov't deposits	32,241	15,242	239,371	+ 112	- 87
Deposits of domestic banks	468,803	443,963	537,417	+ 6	- 13
Borrowings	5,000	6,000	5,800	- 17	- 14

Place	No. of Banks Report- ing	July 1947	June 1947	July 1946	Percent Change July 1947 from	
					June 1947	July 1946
<b>ALABAMA</b>						
Anniston	3	17,273	18,894	19,386	- 9	- 11
Birmingham	6	269,722	274,394	242,185	- 2	+ 11
Dothan	2	8,840	9,288	8,562	- 5	+ 7
Gadsden	3	15,216	14,847	14,224	+ 2	+ 9
Mobile	4	125,213	123,052	96,326	+ 2	+ 30
Montgomery	3	61,750	62,537	53,385	- 1	+ 16
<b>FLORIDA</b>						
Jacksonville	3	233,020	235,573	200,859	- 5	+ 11
Miami	7	195,464	195,914	178,551	- 0	+ 9
Greater Miami*	12	263,188	268,310	246,225	- 2	+ 7
Orlando	3	38,523	41,677	41,685	- 8	- 8
Pensacola	3	30,121	30,069	28,435	+ 0	+ 6
St. Petersburg	3	42,496	43,443	40,879	- 2	+ 4
Tampa	3	93,689	94,501	87,126	- 1	+ 8
<b>GEORGIA</b>						
Albany	2	13,426	12,685	11,882	+ 6	+ 13
Atlanta	4	703,565	676,146	633,898	+ 4	+ 11
Augusta	3	48,092	45,831	55,011	+ 5	- 13
Brunswick	2	8,308	7,818	8,584	+ 6	- 3
Columbus	4	53,236	51,021	46,615	+ 4	+ 14
Elberton	2	3,136	3,265	2,752	- 4	+ 14
Gainesville*	3	11,955	10,694	10,679	+ 12	+ 12
Griffin	2	9,138	9,951	8,212	- 8	+ 11
Macon	3	56,894	51,198	51,381	+ 11	+ 11
Newnan	2	8,935	6,446	8,981	+ 39	- 1
Rome*	3	17,398	16,992	16,835	+ 2	+ 3
Savannah	4	82,005	81,198	74,275	+ 1	+ 10
Valdosta	2	12,527	9,472	14,027	+ 32	- 11
<b>LOUISIANA</b>						
Baton Rouge	3	79,381	71,884	58,361	+ 10	+ 36
Lake Charles	3	25,912	25,148	21,927	+ 3	+ 18
New Orleans	7	569,891	555,219	605,870	+ 3	- 6
<b>MISSISSIPPI</b>						
Hattiesburg	2	14,524	14,491	14,185	+ 0	+ 2
Jackson	4	100,335	103,259	87,618	- 3	+ 15
Meridian	3	23,181	22,883	26,014	+ 1	- 11
Vicksburg	2	19,458	20,950	22,252	- 7	- 13
<b>TENNESSEE</b>						
Chattanooga	4	126,179	127,879	112,810	- 1	+ 12
Knoxville	4	101,219	99,813	98,102	+ 1	+ 3
Nashville	6	265,789	261,912	249,507	+ 1	+ 7
<b>SIXTH DISTRICT</b>						
32 Cities	109	3,437,320	3,392,707	3,215,655	+ 1	+ 7
<b>UNITED STATES</b>						
334 Cities	...	93,733,000	94,474,000	91,358,000	- 1	+ 8

\*Not included in Sixth District total

increase was accounted for by a bigger wage-and-salary bill. Both the number of officers and employees and the size of individual salaries and wages increased so that the total expense for wages and salaries was up 19 percent.

Substantial declines in the amounts of profits received from the sale of Government securities and recoveries together with an increase in losses and charge-offs on loans combined to bring net profits before income taxes to an amount 18 percent lower than it was during the first half of 1946 and 3 percent lower than it was during the second half of last year. Net profits after taxes were down 23 percent below those of the first half of 1946 and up 1 percent above those of the second half. On an annual basis the ratio of net profits after taxes to total capital accounts was 9.4 percent in the first half of 1947, compared with 12.8 percent during the first half of 1946.

The decline in the importance of Government securities as a source of earnings to the banks was also indicated by the change in the relation of these assets to total assets. During the first half of this year Government securities made up 43.7 percent of total assets and loans 21.8 percent. During the corresponding period of 1946, when the banks still held large amounts of the U. S. certificates of indebtedness purchased during the war-loan drives, Government securities constituted 52.3 percent of the banks' total assets, and loans 17.5 percent. For the corresponding period of 1945 the ratios were 54.5 and 13.9.

There has been a change not only in the relative importance of security holdings and loans to total assets but in the character of loans made by the banks—from those yielding lower rates of interest to those yielding slightly higher rates. Loans to brokers and other security loans, which were high during a great part of the first six months of 1946, have declined to almost half the amount outstanding at the beginning of 1946. At the same time there has been a substantial increase in commercial, industrial, agricultural, real-estate, and consumer loans. As a consequence the average rate of return on loans increased between the two periods from 2.8 to 3.2 percent on an annual basis.

C. T. T.

### Agriculture

Measured by cash receipts from marketings, the unprecedented prosperity of the nation's farmers was continued during the first seven months of this year. The receipts from livestock and livestock products, at 9.2 billion dollars, were 30 percent more than they were during the same period last year, mostly because of a 32-percent rise in livestock prices. Crop receipts, at 5.1 billion dollars, were 22 percent greater than those of the first seven months of last year. Higher crop prices accounted for most of the income increase.

In contrast to all farmers, District farmers received about the same income from marketings in the first half of this year that they did in the corresponding period of 1946. Receipts during the first four months of 1947 were only 597 million dollars, or about 5 percent greater than they were in the same period last year. Livestock receipts for the four-month period were about 35 percent greater than they were for that period in 1946, but crop receipts were about 10 per-

cent lower. Farmers in each of the Six States had larger livestock receipts. Only in Georgia and Alabama, however, did crop receipts exceed those of the first four months of last year.

The lower crop receipts so far this year reflect a smaller income from fruits and vegetables. Last year these two groups of crops accounted for about one third of District farmers' crop income. This year prices were lower for citrus, the most important fruit crop, and the truck-crop output in most District producing areas was smaller.

Because strong demands for most livestock products are expected to continue, the District farmers' income from this source during the rest of the year will probably be well above that of last year. Their income from crops, however, is uncertain.

The returns from cotton, of course, provide the key to the Six State farmers' income position during the coming months. Production, on the basis of August 1 conditions, is estimated at 4,180,000 bales for the Six States, or about 31 percent larger than last year's 3,190,000-bale crop. Although farmers planted only slightly more cotton this year than they did last year, higher yields are expected in Alabama, Mississippi, and Louisiana. The prospective 1.6-million-bale crop in Mississippi is 53 percent larger than last year's crop, and the expected one-half-million-bale Louisiana crop is about double that of last year.

Estimates of total United States production from the 1947 crop were 11.8 million 500-pound-gross-weight bales, based on conditions as of August 1. This estimate is 3.2 million bales larger than the 1946 crop but is a half million bales below the 1936-45 average and about 0.7 million bales below the production goal recommended for 1947.

Because imports are negligible, the carryover on August 1 and the current production represent total supplies available during the season. The August 1 carryover of all cotton in the United States was about 2.5 million bales. This is the lowest carryover since 1929 and is about 4.8 million bales less than the amount on hand at the end of the preceding season.

According to the August production estimates, the total supplies during the 1947-48 season will be about 14.3 million bales, or about two million bales less than the quantity available last season. Not since the 1922-23 and 1923-24 seasons have total supplies been at these extremely low levels.

On the demand side, the factors affecting prices are also favorable. Total 1946-47 utilization of 13.5 million bales is estimated on the basis of 10 million bales for domestic consumption and 3.5 million bales for export. Mill consumption during the 1946-47 season was higher than it was in any other peacetime year. Cotton-textile output during 1946 was 7.5 percent above the 1937-39 average, and the 1947 output is running, on the basis of first quarter figures, about 16.5 percent above the prewar average.

The exports of all types of cotton fabrics during 1946 totaled 775 million square yards, or the greatest amount for any year since 1920. During the first half of this year cotton-fabric exports totaled more than 727 million square yards, or more than 90 percent of the total exported last year. If continued at this average rate during the remainder of the year, the 1947 total exports would approximate 1.5 million yards.

These favorable demand factors are partially a result of

changes in the world cotton position. Though world consumption during the season ending in July 1947 is estimated to have been much higher than it was in the preceding year, it was still only about 95 percent of the prewar average. During the same season world production, however, was about one third less than it was in the prewar years 1935-39. Though world production is moving upward, there are no indications of an early return to prewar levels.

Exports during the 1947-48 season will depend largely on the supply of dollar exchange or credits available to importing countries. In connection with setting the cotton-production goals, the Department of Agriculture estimated that 1947-48 exports would be 3.5 million bales. This estimate assumes the most favorable of the conditions likely to prevail in regard to the dollar exchange and credits of importing countries. New programs for financing the shipment of cotton to Japan and to the occupied zones of Germany are now being developed. Under the new agreements, trade will be conducted through commercial channels without direct Government participation. The credit for financing the shipments will come largely from the Export-Import Bank. Although accurate estimates of the volume of cotton which will be exported under these programs are not available, it is expected that as much as 900,000 bales may be shipped during 1947-48.

Regardless of the financial arrangements which may be made, it appears likely that the export market will be relatively small compared to that of prewar years. Favorable cotton prices, then, will depend largely on domestic consumption.

On the basis of an 11.8-million-bale crop and a 2.5-million-bale carryover, domestic consumption during 1947-48 could be considerably lower than that during the preceding season without an appreciable increase in carryover at the end of the season. In the production-goal recommendation of a 12.2-million-bale crop for 1947-48, a domestic consumption of only 8.5 million bales was assumed.

Under the terms of the 1947 Loan Program the cotton growers are assured a price of 27.94 cents a pound for 15/16-inch middling cotton at average location. If prices were to fall to support levels, however, the District farmers' cotton income, even with a larger production, probably would be lower than it was last year. Whether increases in the District farmers' incomes will be as great as those expected in all farmers' incomes, therefore, depends largely on the domestic demand for cotton in the coming months.

B.R.R.

**State and Local Government**

Although often overlooked as a force in the District economy, one of the largest businesses in the Sixth District is the business of government. Early in 1947 the textile plants, which represent the most important of the Six States' manufacturing industries, had 207,000 workers, but the Federal Government and the state, county, and city governments of the Six States had more than 500,000. In these states during 1947 the pay rolls of just the state- and local-government units will approximate 800 million dollars.

The counties, cities, towns, and villages in January employed 47 of each 100 public employees. Thirty-six of every 100 were on Federal pay rolls, and 17 worked for the state governments. Subsequent reductions, however, have decreased the number of Federal employees.

Since the fall of 1945 total public employment in the Six States has been decreasing, according to the Atlanta regional office of the Bureau of Labor Statistics. This decline has been

**Sixth District Statistics**

INSTALMENT CASH LOANS					
Lender	No. of Stores Reporting	Volume		Outstandings	
		Percent Change July 1947 from		Percent Change July 1947 from	
		June 1947	July 1946	June 1947	July 1946
Federal credit unions.....	43	-10	+102	+6	+69
State credit unions.....	25	+13	+26	+6	+35
Industrial banking companies.....	11	+4	+4	+1	+26
Industrial loan companies.....	19	-6	+1	-0	+31
Small loan companies.....	50	+5	+9	+1	+20
Commercial banks.....	34	+4	+63	+5	+80

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change July 1947 from	
		June 1947	July 1946
Total sales.....	24	-12	-16
Cash sales.....	23	-7	-20
Credit sales.....	23	-15	-12
Accounts receivable, end of month.....	23	-7	+36
Collections during month.....	24	+3	+2

WHOLESALE SALES AND INVENTORIES*						
Items	No. of Firms Reporting	SALES		INVENTORIES		
		Percent Change July 1947 from		No. of Firms Reporting	Percent Change July 31, 1947, from	
		June 1947	July 1946		June 30 1947	July 31 1946
Automotive supplies.....	4	-13	-7	3	0	+65
Clothing.....	3	+20	-40	.	..	..
Drugs and sundries.....	8	+15	8	..	..	..
Dry goods.....	9	+21	-18	4	+2	+48
Wiring, supplies, constr. materials.....	4	-8	+37	4	-19	+61
Electrical appliances and specialties.....	6	-1	+36	5	-7	+216
Confectionery.....	4	-2	-7	..	..	..
Groceries						
Full lines.....	26	+12	+13	13	-4	+74
Specialty lines.....	6	+15	+36	3	-10	+64
General hardware.....	8	+1	+22	3	-5	+57
Industrial supplies.....	4	-6	+7	..	..	..
Jewelry.....	3	-2	-31	3	-1	+12
Lumber and building materials.....	3	-21	+39	..	..	..
Tobacco products.....	7	+9	+2	..	..	..
Miscellaneous.....	21	+8	+16	16	+2	+48
Total.....	116	+6	+11	54	-3	+66

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

DEPARTMENT STORE SALES AND STOCKS						
Place	No. of Stores Reporting	SALES		INVENTORIES		
		Percent Change July 1947 from		No. of Stores Reporting	Percent Change July 31, 1947, from	
		June 1947	July 1946		June 30 1947	July 31 1946
<b>ALABAMA</b>						
Birmingham.....	5	-11	-3	4	+1	+2
Mobile.....	5	-10	+6	..	..	..
Montgomery.....	3	-13	-2	3	+1	+32
<b>FLORIDA</b>						
Jacksonville.....	4	-4	-5	3	-5	-21
Miami.....	4	-8	+8	3	+2	-2
Orlando.....	3	-17	-12	..	..	..
Tampa.....	5	-4	+5	3	-6	-3
<b>GEORGIA</b>						
Atlanta.....	6	+1	+4	5	-1	-14
Augusta.....	4	-14	-5	3	-2	-29
Columbus.....	3	-9	-7	..	..	..
Macon.....	4	-16	-13	4	+0	+1
<b>LOUISIANA</b>						
Baton Rouge.....	4	-5	-3	4	-6	+9
New Orleans.....	5	-12	+8	4	-4	+30
<b>MISSISSIPPI</b>						
Jackson.....	4	-11	-9	4	-6	+5
<b>TENNESSEE</b>						
Bristol.....	3	-17	-1	3	-2	+29
Chattanooga.....	4	-14	-20	3	-1	+31
Knoxville.....	4	-5	-12	..	..	..
Nashville.....	6	-11	-8	5	+3	-2
<b>OTHER CITIES*</b>	18	-10	-4	22	-2	+8
<b>DISTRICT</b>	94	-8	-1	73	-2	+1

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

brought about largely by the Federal curtailments. Between V-J Day and June 1947 approximately 120,000 names were removed from Federal pay rolls in these states.

State and local governments on the other hand have expanded their employment. Many of their functions were suspended during the war because of equipment and manpower shortages and could not be resumed until recently. Often regular employees who went into service were not replaced, and their return after V-J Day increased the employment figures slightly. Some functions of the Federal Government were turned over to state and local authorities after the war. In addition, some of the local-government services have been expanded recently because of increased business activity, new construction, and expanded populations.

Although school-system employees make up about half of all state and local government workers, the number of public educational workers has increased very little. Since 1941 school employment in the Six States has increased only 10 percent, but the number of nonschool workers of state and local governments has increased 33 percent.

The scope of education, which is one of the primary services of local-government units, varies little with changes in community income. Consequently there is little variation in employment in school systems. On the other hand, as the per capita income of a community rises, additions are almost always made to government services involving public works, health, hospitals, recreation, and the like. Thus during the war the much greater additions of nonschool public employees were part of the normal expansion of government functions that accompanied the increases in per capita incomes in the Six States.

Despite wartime increases these states still have fewer public employees among each 1,000 inhabitants than the nation does. In the District states, according to Census Bureau figures, 37 of each 1,000 people were government workers in January 1947, compared with the rate of 44 for the United States as a whole. Of the Six States only Florida exceeded the national average, with 52. Together the District states, however, have virtually the same proportion of public educational workers as the nation has. If the difference between the District states' and the nation's per capita incomes continues to shrink, it is probable that the 533 counties and the almost 2,000 cities, towns, and villages, as well as the states, of the ploymet even more.

T. R. A.

## Bank Announcements

*The newly organized Bank of Leighton, Leighton, Alabama, opened for business on August 2 as a member of the Federal Reserve System. This bank has a capital stock of \$25,000, a surplus of \$25,000, and other capital funds amounting to \$12,500. The officers are Leonard Preuit, president; R. L. Layton, vice president; and J. A. Milner, cashier.*

*The Industrial Banking Company, a nonmember bank in Valdosta, Georgia, began remitting at par on August 4. James A. Parramore is cashier, and Mrs. J. B. McDonald assistant cashier.*

## The National Business Situation

**I**NDUSTRIAL production was at a lower level in July than in June, owing in part to influences of a temporary nature. Retail trade was generally maintained. Prices advanced during July and also the first half of August.

### Industrial Production

Production of manufactures and minerals both declined in July, and total industrial production, according to the Board's seasonally adjusted index, was at 178 percent of the 1935-39 average. This was six points below the June level and 12 points below the March postwar high of 190. Scattered information now available indicates a somewhat higher level for August than for July.

### Employment

Factory employment declined somewhat further in July, after allowance for seasonal changes, while employment in most other nonagricultural lines continued to show little change. Total Government employment was reduced by 120,000 to about 5.3 million persons in mid-July, reflecting a reduction in Federal employment and also a decline of a seasonal nature in other Government employment.

### Construction

Value of construction contracts awarded, according to the F. W. Dodge Corporation, rose in July, reflecting increases in awards for most types of private construction. Awards for private residential work were one-fourth larger than in June as contracts for hotels, apartment hotels, and one-family houses for sale or rent increased substantially. Value of awards for commercial and manufacturing building increased by about one-third. Federal controls on private construction were largely eliminated as of June 30.

### Distribution

Department-store sales showed the usual seasonal decline in July, and the Board's adjusted index remained at the high May and June level. In the first two weeks of August, sales showed less rise than usual and were 4 percent below the corresponding period of a year ago, whereas in July sales were 5 percent higher than last year. This difference reflected in part the sharp temporary rise in sales which occurred in August a year ago and the unfavorable shopping weather in many sections this year.

### Commodity Prices

The general level of wholesale commodity prices advanced somewhat further from July 15 to the middle of August, reflecting chiefly further increases in prices of meats, dairy products, and fuels, and a general advance of about 10 percent in prices of iron and steel products. Prices of new automobiles were generally raised in this period. Steel-scrap prices declined in the middle of August, following sharp advances in preceding weeks.

### Bank Credit

Further additions to monetary gold stock, an inflow of currency from circulation, and purchases of Government security by the Reserve banks increased member-bank reserve balances in July and the first three weeks of August. In August these additions to bank reserves were partly offset by a shift of funds to Treasury balances at Reserve banks as a result of an excess of Treasury receipts over expenditures. Required reserves increased over the period, reflecting continued expansion of deposits at member banks.

THE BOARD OF GOVERNORS