



FEDERAL RESERVE BANK OF ATLANTA

Volume XXXIII

Atlanta, Georgia, May 31, 1948

Number 5

The Revival of an Old Industry, Sixth District Wool Manufacturing

THE HISTORY of industrial development shows that manufacturing in a region passes through several broad stages. In each stage the type of manufacturing that predominates results from efforts to combine most profitably the region's factors of production. The most profitable combinations, of course, vary from time to time.

In the early stages, the processes used are likely to be those requiring comparatively large quantities of raw materials and unskilled labor, which are abundant in relation to capital and to labor and managerial skill. Processes that are simple and those that involve only the first steps of transforming raw materials into finished products, therefore, are generally the rule. In the later stages both labor and management possess skills too valuable for use in merely the simple types of manufacturing. As development advances, the processes in which these skills are important to success become more profitable than those in which merely an abundance of unskilled labor or raw materials is important. Manufacturing, therefore, becomes more complex and carries along further the process of transforming the raw materials into finished products. The closer development approaches maturity, the more influence technological advances, capital equipment, and the skill of management and labor have in governing the type of manufacturing that is done in the region.

Although the South has by no means reached industrial maturity, postwar developments in many manufacturing fields are similar to those found in the later stages of manufacturing. One example is made up of the recent entrance of Southern textile firms into a more complex type of manufacture, that of woolen worsteds; the building of new plants in the South for that purpose; and rumored plans for the erection of additional mills. "Southern kidnappers" have been blamed for this development, but a more likely cause probably lies in the changed pattern of economic forces. Recent developments in wool manufacturing in that part of the South covered by the Sixth Federal Reserve District illustrate the way economic factors which influence industrial location at one time may lose their importance at another.

Some wool manufacturing has been carried on in the area covered by the District for more than a century. For much of that time, however, it was practically dormant and in some of the states completely dead. As late as 1947 it was carried on in only three of them, Georgia, Tennessee, and Alabama, with the Georgia and Tennessee mills as the principal producers. The mills using wool alone probably employed no more than 5,500, and the mills using wool to-

gether with other fibers no more than 4,000, out of a total of about 200,000 textile workers in the four leading textile-producing states of the District, which are Alabama, Georgia, Mississippi, and Tennessee. In 1939, the latest year for which production statistics are available, the goods produced by woolen and worsted manufacturers in Georgia and Tennessee were valued at only 2.4 percent of the value of United States woolen and worsted production. For the same year the cotton-textile mills' product in the District states was valued at 25.4 percent of the total United States production of broad-woven cotton cloth. Both the number of employees and the value of the product produced, however, rank the wool industry as being of importance to the District's income but, compared with other industries, not yet of great importance.

In the early years of this country's history both the small farmers and the large plantation owners in the South, as well as in the North, manufactured most of the woolen cloth they used from their own raw materials. Perhaps in that respect George Washington, who recorded that 6,557 yards of woolen cloth were woven between 1767 and 1770 at his Mount Vernon home, was a typical Southern plantation owner. But even in the earliest history of this country, part of the process of wool-cloth manufacturing was being taken out of the home. In 1643, 20 families that were skilled in carding and combing came from Yorkshire, England, to Roxbury, Massachusetts, and set up a factory for the production of wool textiles. Most of the early establishments, many of which did no more than card the wool, were small. They were run as sidelines to grist mills and were worked on a custom basis. Some of them exchanged finished cloth for the farmers' wool. The industry, however, soon began to take in more and more of the processes involved in transforming raw wool into cloth.

In at least that part of the South now included in the District, the development of complete wool manufacture came about slowly. Of the 1,800 complete sets of wool machinery reported for the United States in 1845 only four, two in Georgia and two in Tennessee, were in the area. Undoubtedly there were also many small carding mills. The practice of spinning and weaving at home was declining throughout the South also, however, and between 1845 and the beginning of the War Between the States there was a relatively rapid development of factories in the section. Although the total number of woolen mills in the United States declined between 1850 and 1860, the number in the Six States in-

creased. One or more were reported in each of them except Florida, numbering 23 all together. They produced goods valued at almost \$900,000, which was about 2 percent of the total for the nation, and they employed almost 900 people. At that stage of economic development the region had reached by 1860, the industry was an important one.

In addition there were scattered throughout the region many small carding mills that processed wool brought to them by the local farmers, whose families then spun the yarn and wove the cloth. Most of them employed only one or two workers. The clothing that equipped many Confederate soldiers was made on household looms and in village work shops. At the beginning of the war the Citizens Committee of Franklin County, Tennessee, wrote that "From our wool we can make blankets, clothing, and socks and clothe every man we have in the field (about 900) if necessary." All parts of the Confederacy, however, were not so fortunate; not only was there a dearth of processing facilities, but there was a scarcity of raw materials.

Difficult as the Reconstruction years were, many of the small mills survived. In 1870 the Census of Manufacturers listed establishments for all the Six States except Florida. There were two mills in Alabama, 11 in Georgia, one in Louisiana, 5 in Mississippi, and 15 in Tennessee. The value of their products, however, was at that time less than it had been before the war, though the value of United States' production had more than tripled.

Not only in the South but elsewhere the woolen industry was undergoing somewhat profound changes. For many years it had used raw materials sheared from sheep of the farmers in those areas surrounding the mills. American woolen mills in 1874, it is estimated, used more than nine pounds of domestic wool for every pound of foreign wool. The demands of the growing nation called for even more cloth, however, and its increased wealth demanded better types of fabrics than those that were being manufactured in the rather primitive small-scale establishments scattered throughout the country. More and more of the raw material, therefore, had to come either from abroad or from the Far West. Improved techniques introduced from abroad, particularly from France, made it possible for the Americans with larger establishments to produce the kinds of woolens and worsteds that the country demanded, but the capital required was greater than many of the smaller firms could afford.

As a result of these changes a period of rapid concentration for the industry ensued, during which many of the small local establishments fell by the wayside. Between 1870 and 1890 the number of wool-manufacturing establishments in the United States declined from 3,290 to 1,693, although the value of their products rose from 177 million dollars to 268 million. As the industry became increasingly dependent on raw materials from the West and abroad, its location near the domestic source of raw materials became less important. The concentration was taking place mainly in New England, New York, Pennsylvania, and New Jersey. Specialists in the assembling of the raw material concentrated their activities at the Boston wool market.

These changes did not immediately eliminate, however, all wool manufacturing in the Six States. Though the 34 establishments listed by the Census for 1890 included many small carding mills, they employed 2,275 workers and the value of their output had more than doubled since 1870. Mississippi was the leading producer of woolen cloth in the South, with

its mills employing more than 1,000 workers. The value of total wool manufacture in Mississippi that year was almost a million dollars, not much less than the value of wool goods manufactured in Tennessee, which was the leading producer. Even then, however, signs of a coming decline were apparent. During the 20-year period the production of wool cloth in Louisiana had ceased and the value of woolen products produced in Alabama had declined two thirds.

By 1900 the Mississippi mills employed only a third as many workers and the value of their products had declined to a fourth. Ten years later, according to production reports, the only states in the District that were producing woolen goods were Georgia and Tennessee. By 1914 the goods manufactured in these two states by the 1,600 wage earners amounted to only three fifths of one percent of the United States total. Wool manufacturing had declined in almost every section of the country except the Northeast. Since 1899 the number of factories and mills had fallen from 1,400 to 979. There were only 40 establishments west of Mississippi and only 60 south of the Potomac. Of the latter, 28 were in Georgia and Tennessee. Although the number declined further in the years that followed, the remaining establishments grew so large that by 1939 they employed 4,500 workers in these two states.

Since these mills could survive and grow, the disappearance of the industry in some of the District states and its static condition in others was probably not caused by an inability to process woolens at a profit. Between Reconstruction and 1930 there were opportunities to employ the region's capital and labor in other types of enterprises that would yield greater returns. Many investors and managers preferred, for one thing, to devote their efforts to the growing cotton-textile industry. The region's factors of production could be combined more profitably in cotton-textile manufacturing than they could in wool processing. The technical complexity of woolen manufacturing helps to explain both why the factors of production could be used more profitably in the manufacture of cotton at that time and why some people believe that they might be more profitably employed in wool manufacturing under present conditions.

Woolens and Worsteds

Although wool cloth is manufactured from many types of fleece, it is, of course, primarily produced from sheep wool. The wool used by American manufacturers is customarily classified into apparel and carpet wool, with many minor subdivisions. Though no carpet wool is produced in this country, some apparel wool is produced in each of the states. All the ten largest producing states except Ohio lie west of the Mississippi River. Together they account for 70 percent of domestic production. Each of the District states produced wool in 1947, but the 2.4 million pounds clipped and pulled in them constituted less than one percent of the total United States production. Tennessee led, with 55 percent of the total Six-State production, followed by Louisiana and then Mississippi. The wool produced in these three states made up about 90 percent of total District production.

Even if all the wool produced in the Six States during 1947 had been suitable for use by the Georgia and Tennessee mills, it would have supplied no more than 35 percent of their needs even during 1939, which was, of course, before the present period of increased demands began. Neither is the American domestic apparel-wool production sufficient at

present to supply the needs of the wool-manufacturing establishments throughout the nation. Although before World War II, during which there were unprecedented demands for wool cloth and stockpiling activities, all but approximately 30 percent of the apparel wool used in the United States was of domestic origin, last year domestic wools accounted for only about 20 percent of the total. Under these conditions nearness to primary raw-material sources is, of course, unimportant.

Georgians in Cobb County tell the story of a Confederate soldier from there who, while off with the Army, sent a message home by a friend, asking for a new pair of trousers. Members of his family went right to work. They sheared their sheep, carded the wool, spun it, wove it into cloth, and made the trousers, all in less than a week. That this feat was considered remarkable probably accounts for the survival of the story. Even the household manufacture of homespun was considered complex in those days. In order to produce the finer materials demanded now, however, many more complications have had to be added.

As it comes from the sheep, wool contains many foreign substances. It is dirty. It is tangled with burrs and seeds. It contains grease and, sometimes, such other substances as tar and paint. They all must be removed by "scouring." This process involves washing and carbonizing in a series of complex mechanized steps.

After the wool is scoured, a decision must be reached concerning the kind of fabric it is to go into. If it is to be made into woolens, it will be put through a distinct process. If it is to be made into worsteds, an entirely different process will be used. When yarn is made for woolen cloth the fibers are crisscrossed so that the ends will project outward and the yarn will be soft and fluffy. From these yarns are made such fabrics as woolen blankets and the softer types of cloth for women's suits and men's overcoats. Woolens are spun and woven from shorter fibers than worsteds are. Both virgin and reused wool may be made into woolens, but worsteds are made from virgin wool only. Worsted yarn is spun from long fibers combed parallel. It is woven into such fabrics as gabardine, serge, poplin, and various types of men's suitings. Both the woolen and worsted manufacturers often combine wool with other fibers, such as cotton and rayon and nylon.

No process of wool manufacturing is simple, but the manufacture of woolens is generally considered less complex than the manufacture of worsteds. After the wool is scoured, a woolen mill's first operation is to combine, or mix, the various types of raw materials. They may be all wool or a combination of wool and other textile fibers; and some of them may be reworked wool and "noils," the short fibers that have been removed in processing the wool for worsteds. At this point, if the fabric is not to be dyed in one piece, the raw material may be dyed. It is then treated with an oil emulsion and put through a process of carding, which may involve passage through several machines that open up the fibrous mat, remove any remaining burrs, comb out the wool, and distribute the fiber in a filmy web. As it leaves the machine the web, which is called a "roving," is wound on spools to make it ready for spinning.

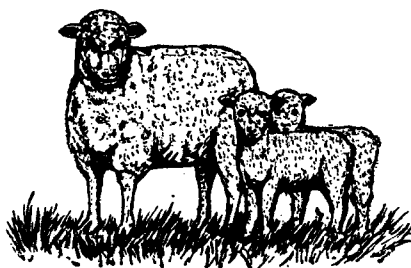
Woolen yarns are spun either by ring spinning or by mule spinning, but three operations are performed by all types of spinning machines. First the roving is drawn out to the desired size, then it is twisted, and finally the spun yarn is wound into a package.

The spinning and weaving of woolens was the type of wool manufacture that first developed in the United States and the type that survived in the South. All the older mills in the District, which had been started by the end of 1910, manufacture woolens. The Hardwick Woolen Mills of Cleveland, Tennessee, for example, which were established in 1880, make woolen cashmeres, suitings, and overcoatings. The Jefferson Woolen Mills, incorporated in 1904, manufacture similar materials at Nashville. At Rossville, Georgia, the approximately 1,500 employees of the Peerless Woolen Mills company, which was established in 1907, make woolens for men's and women's wear as well as auto cloths and blankets. The Lebanon Woolen Mills, incorporated in 1910 at Lebanon, Tennessee, manufacture blankets. Until recently there were no worsted mills in the District states, though there were a few in other parts of the South. In 1943 the number of worsted spindles in place throughout the South equaled, roughly, a third the number of woolen spindles in place in the area, whereas for the United States as a whole there were almost four fifths as many worsted spindles as woolen spindles.

Wool that is to be used for worsted yarn is also carded, but less strenuously in order that the long fibers will not be broken. It emerges from the carding machine in a rough strand, or a "sliver." The sliver was until recently treated only under either the Bradford system or the French system. Both these methods involve "gilling," a process in which the strands are combed into thinner slivers in such a way that the noils are eliminated and the remaining fibers laid parallel. The process includes several steps that vary from system to system and from plant to plant. From it, the material emerges in the form of "wool tops," a clean finely processed wool of relatively long fibers in thick, lightly twisted strands.

The process of spinning the wool tops into yarn differs greatly from the spinning of cotton, essentially because of the length differences of the two fibers. Cotton is a relatively short-staple product, and the staple is comparatively uniform. With it, therefore, the length between the rolls of the spinning frame can be adjusted and kept uniform. Moreover, high-speed machinery can be used. Wool for worsteds not only has a longer staple, but its fiber lengths are not uniform. They vary from less than an inch to five inches. Special spinning processes take care of these characteristics.

The Bradford system, which was developed in England, has generally been followed for spinning the harder types of worsted. The French system, of obvious origin, is generally associated with the softer types. Each of these methods is slower than the cotton-spinning operation, partly because it involves more steps in the drawing-out process. The wool may be put through several more gilling processes than the cotton is and may be doubled several times before the tops are reduced to a spinning size. In the worsted mills of the United States at present, about 80 percent of the worsted yarn is spun on the Bradford system.



The variety of materials in which men's suits are ordinarily available give some indication of the many types of worsted material woven by the mills. Looms placed side by side may be producing quite different materials at the same time. A lot produced for one customer may consist of only a few thousand yards in a particular pattern. Early in the process careful attention to producing yarn in the right size, the correct shade, and the exact quantities required must be begun, sometimes even before the wool reaches the tops stage. The background for a men's chalk-striped suit, for example, often consists of white or gray fiber mixed with the basic color. This mixing must be planned before the wool tops reach the spinning stage. After it has been woven, the cloth must be carefully inspected, mended, washed, napped, pressed, steamed, and put through other finishing processes.

The infinite number of details requiring attention all the way through may account for the rather complete integration in the manufacture of worsted cloth. About three quarters of all the worsted weaving yarn is used by the spinners in their own cloth manufacture.

There is one part of the manufacture, however, that is often performed by other types of concerns for the spinners. A great number of the mills buy already manufactured tops from tops makers, middlemen who commission wool manufacturers to produce certain types of tops that they sell to the spinners. Most tops makers have no manufacturing facilities of their own.

Only a slight familiarity with the cotton-textile industry in this region makes clear the many ways in which it differs from the wool-textile industry, and particularly from the worsted branch. Between 75 and 80 percent of the wool manufactured goes into apparel, and only about 30 percent of the cotton. All the care and skill that go into producing style items, therefore, have been important to a greater segment of the wool industry.

In cotton-textile manufacture it has always been feasible to subdivide the production processes, so that some mills could readily specialize in the production of yarn, some in the weaving of gray goods, some in bleaching and dyeing, and others in finishing the cloth. During the industry's early development in the South those people who went into textile manufacture specialized in the simpler types. For many years the production of the heavier textile fabrics predominated in the South, with the making of the finer materials and the finishing processes left almost entirely to mills in other sections. If some years ago a capitalist in any of the District states had faced an alternative of making an investment in a cotton-textile mill or making one in a wool-textile mill and he preferred the one that would allow him to concentrate on a limited type of production, to utilize relatively unskilled labor, to have his mill near his source of raw material, and to use the raw material that required less processing, he would naturally have chosen the cotton mill.

Since it first began its expansion in the South the cotton-textile industry has undergone a number of changes. Instead of continuing to devote their operations to spinning and the production of heavier textiles and to leave the finishing to manufacturers of other regions, the mills began to spin and weave finer materials and to dye and finish them. Complete integration of the various processes under one management, if not in one establishment, has accelerated since the beginning of World War II.

Southern mills have become dominant in the country's

textile industry. The ability to compete successfully has depended more and more in recent years on management's technical competence and its ability to meet rapidly changing conditions. Any advantage the Southern textile mills had because of cheap labor has been largely removed by upward adjustments in Southern textile wages. The experience obtained in the operation of a highly technical and competitive industry has created a great pool of managerial competence that is one of the region's most valuable factors of production.

The American System

One of the Southern textile firms whose management accumulated such a pool of ability and knowledge is the Newnan Cotton Mills of Newnan, Georgia. This company, which began operations in 1888, specialized for many years in the production of fine yarns, many of them made from mixed fibers. Like many other cotton-textile men, the managers of the firm must have speculated on the possibility of processing wool as well as cotton and synthetic fibers by using the machinery they already had. All textile men had been aware of the slower process involved in spinning worsteds and the resulting increase in expense. Even after the introduction of the Casablanca system of long-draft spinning, which was generally adopted in the cotton-textile industry in the early 30's, most textile men probably agreed with a statement made in Georgia in 1941 that they could not spin wool on cotton machinery unless they mixed at least an equal amount of cotton with it.

Wyllys Taylor, a Southerner who was to become president of the Newnan company in 1938, had begun as early as 1934, however, to explore the possibility of spinning wool on cotton machinery. At the Slater Manufacturing Company in South Carolina, he ran some wool worsted on conventional cotton equipment by using an especially selected short top. The yarn was not as even as regular worsted, but it was suitable as a filling in cotton warp for baby blankets.

At about the same time Karl Nixon, now general manager of the Newnan mills, was also experimenting. After making repeated attempts and making a series of modifications in his equipment, he found that it was possible to spin fibers as long as five inches. The yarns were knitted commercially into jerseys and woven experimentally. The recession of 1937, however, slowed down the experimental work.

Mr. Taylor and Mr. Nixon joined forces in 1938. After they had conquered the spinning difficulties, they began to develop the respinning processing of the wool. Though some of the cotton machines had to be replaced with new equipment, they were able to make adaptations to others. Part of the new machinery, of course, was manufactured for them by the textile-machinery companies, but the mill's own men made many adaptations to it and constructed some of the machines themselves.

Constant experimentation, redesigning, and practice led to a process that has enabled the company to make fine worsted yarns. After adding weaving equipment and a new finishing plant, it could perform all the other processes except scouring. Its woolen worsteds are accepted by leading clothing manufacturers in the nation as being equal in quality to the worsteds produced under either the Bradford or the French system.

The speed of the Newnan system, which is now known as the American system, is greater than that of the conventional

woolen-worsted processes but less than that of regular cotton spinning. Savings under the system, the mill executives say, are not as great as they might seem at first. The chief advantage the Newnan people claim for their system is that it produces an excellent product. Several things about this development are gratifying. It presents, of course, additional evidence of technological initiative and skill in the South. Since Mr. Taylor received his training at Clemson College and Mr. Nixon his training at Georgia Tech, the history of this development should confirm the stress that many people place on the value that higher technical education in the South has to the section's economic progress. Moreover, the success of the Newnan mill in developing this system contributes further evidence of the importance of industrial research. It arose from the research policy of an alert company. To the question "Where is your research department?" an executive of the mill once answered, "The entire plant is a research laboratory."

Machines for use in the American system have been developed by textile-machinery companies. One company claims that the American system, besides offering a superior fiber control, results in a labor savings that has been estimated as high as \$10 annually per spindle with two shifts working. To others the system seems to have disadvantages. They believe that it can only use highly uniform tops of a narrowly defined range. To some companies the new system seems suitable for the spinning of yarn that is to be woven into fabrics of uniform color but, because there are fewer doublings in the new process, not as suitable as others for spinning that involves mixed colored fibers.

Recent Developments

The relatively new expansion of worsted manufacture in the District has come in two ways. Southern textile firms have begun the production of worsteds, and firms in other areas have established new plants in the region.

In Georgia the Bachman Uxbridge Worsted Corporation has put its Macon Textiles, Incorporated, plant on the American system in the past few months. This company, originating in New England, also owns a plant at Cedartown, Georgia, which even before the war was manufacturing cotton-warp woolens and has now adopted a system somewhat similar to the American. Another textile firm which has entered the field is the Callaway Mills, now spinning worsted under the American system in one of its mills at LaGrange, Georgia. One new company is the Highland City Mills, originally incorporated in 1947 as the Coosa Valley Mills, Talladega, Alabama. Its mill is a modernized former cotton mill that is manufacturing worsted yarns entirely under the American system. It is financed by local capital. Another project, recently completed for the Brooks Manufacturing Company, is the new worsted-yarn mill at Greensboro, Georgia.

A more recent development in Georgia is the opening by the M. T. Stephens Corporation, originally of Peace Dale, Rhode Island, of a completely automatic plant at Dublin. The mill will employ between five and six hundred workers. Modern machinery and methods, it is estimated, will effect savings equaling as much as two thirds of the labor costs under older methods. The same company, it is reported, has succeeded in leasing the Naval Ordnance Plant at Milledge-

ville, Georgia, where it will also install modern equipment for the manufacture of worsteds. These developments in the District states parallel earlier developments in other Southern states, particularly in North Carolina, South Carolina, and Texas.

Although the recent developments in the wool-manufacturing industry have been chiefly in the worsted branch there are a number of mills in the District states, of course, that make woolen and mixed yarns. The establishments set up in Tennessee after 1910 include the American Textile Woolen Company's mills at Athens and its Sweetwater Woolen Mills, the Cumberland Gap Woolen Mills at Harriman, and the Springfield Woolen Mills. Their principal products are blankets, overcoatings, and woolens. In Georgia the later mills include the Atlanta Woolen Mills, the Athens Manufacturing Company, and the Armco Mills at Newnan. In Alabama the West Point Manufacturing Company has a mill that produces woolen yarn.

The development of the American system comes at a time when the wool industry needs to do something about the obsolescence of a great part of its machinery. Writing in the *Daily News Record*, Murray E. Wyche states that few mills have re-equipped to take advantage of the many improvements which were developed even before World War II, including new high-production cards, woolen-spinning frames, new machines for high-speed spooling and warping, and new finishing and dyeing equipment. A survey revealed in 1942 that only 38 percent of the looms in use were less than 20 years old. The many war demands for wool cloth kept the mills operating at capacity and thus increased further their need for machinery replacements, but the tight situation in the machine industry has made such replacements difficult.

Whether the American system or another is adopted, many of the worsted mills throughout the country must replace their equipment if they are to keep pace with their competitors. The re-equipment of obsolescent mills, of course, might just as well take place where the woolen-worsted industry is already centered unless there is a greater advantage in locating the modernized operations elsewhere. In the same way, because fundamentally the locational factors that govern the transfer of factories to other regions also govern the establishment of new undertakings, new enterprises might just as well be developed elsewhere if there are no greater locational advantages in the South.

New Economic Opportunities

All these recent changes obviously indicate that no longer are opportunities for using the region's factors of production more profitably confined to the simpler types of manufacturing. They also show that much of the recent growth in the region's wool manufacturing is the result of efforts to use more profitably the managerial skill and the technical knowledge that have become more abundant. Moreover, the growth of the District's worsted industry shows that in selecting the location for a type of manufacturing whose success depends upon this skill and knowledge both nearness to markets and proximity to raw materials often have only a secondary influence.

Despite the greater proximity of the District states to the sheep-raising West, for example, most of the marketing transactions take place at the Boston wool market and most of the wool is actually shipped there. There the sorting and

grading, which are so essential to production under the American system, are done. It is there also that most of the wool is scoured, a process that can be carried on profitably only on a large scale. Near Boston are made most of the wool tops with which a majority of the District manufacturers at present begin their manufacture of worsteds.

As the industry develops in the region it may become large enough to make the establishment of large scouring plants in the South feasible. Wool scouring is already being done to some extent in Texas. It is also possible that more and more plants will make their own tops or that specialized tops-manufacturing plants will be established. Until these events take place, nearness to production materials even in a semiprocessed state cannot stimulate the location of the wool industry in the South.

The garment industry in the South, of course, is growing. In late 1947 the District states were producing, for example, as much as 14 percent of all the men's woolen work and dress trousers made in this country. The manufacture of men's suits and coats, however, is still concentrated in the New York, Rochester, Boston, and Philadelphia areas, which together account for 55 percent of the country's suit manufacture and 65 percent of its overcoat production. Some textile men point out that transportation to this market, of course, costs the Southern manufacturers more than it costs the New England mills. Others believe that this aspect is over-emphasized. They point to the garment industry in the Middle and Far West, to which the District mills are as close as the New England mills are. Still others believe that the local availability of more worsted cloth will lead to further growth in the Southern garment industry and provide a market closer by.

Of much greater importance than proximity to the market have been the availability of labor and the existence of a favorable competitive position. Because the industry has in the past been one that was slow to change, some people charge that both management and labor have become unduly conservative. New manufacturing establishments in the District states do not, of course, have labor that is already experienced in the manufacture of worsteds available, but to some worsted manufacturers this is an advantage.

One Southern textile executive recently observed the relative efficiency of three types of workers in the new methods. One group consisted of workers experienced in the manufacture of worsteds. A second group comprised workers with experience in cotton-textile manufacture. The third consisted of people who had never been inside a textile plant before. This was the group that proved to be the most satisfactory. The conservatism of the experienced worsted workers made it difficult for them to adapt themselves readily to the new methods. It was hard to impress the former cotton-textile workers with the greater care and skill needed in making materials that were worth \$3 a yard instead of the 40-cent-a-yard material with which they had been working. Those who had had no previous experience but received careful training were most willing to use the care required. There is a supply of this type of labor in many Southern communities.

Most authorities expect neither a sudden wholesale migration of wool manufacturing from its present location nor an overnight modernization of the existing plants. Until one or the other of those events takes place, prices of finished wool

products will continue to be governed primarily by the comparatively high costs of the Northern mills. Many Southern mills, because they will be newly equipped, will reap the competitive advantages of modern low-cost machinery and methods.

In recent years woolen and worsted manufacturers have been enjoying comparative prosperity. The longer that condition continues, the more advantageous it will be for new Southern mills. Because most of the men in the armed forces wore wool clothes, their needs during World War II raised wool manufacturing to record heights. The demands of returning veterans for civilian clothing increased activity still further in the postwar years, and high consumer incomes helped maintain production through 1947. Even if high personal incomes continue, wool-manufacturing activity will no doubt be considerably influenced in the future by consumer preferences not only for clothing rather than other consumer goods but for clothing made of wool rather than that made of other fibers.

Since the beginning of World War II wool has annually constituted from 9 to 11 percent of all the textile fibers used in the United States. In the five prewar years ended in 1940 the proportion averaged only 9 percent. Apparently the wool proportion of the total textile fibers used is greater in years of a high rate of business activity and less during periods of a low rate of business activity. In other words, the industry appears to be more sensitive to economic fluctuations than some other industries are. An index of the prices of wool-manufacturing-company stocks, which reflects the earnings of the companies, declined more sharply during the depression of the 1930's than the index of stock prices of cotton-manufacturing companies and, in fact, the index of industrial stocks generally. During the postwar period the index of wool-company-stock prices rose more rapidly than did the indexes of either cotton companies or all industry.

Some people believe, however, that, although it would not be favorable to the industry's development, in the District, a decline in the demand for wool textiles would not necessarily stop the expansion entirely. The Southern worsted mills would at least have relatively new equipment. Others think that a decline in the demand would force the mills to modernize in an effort to reduce their costs and that much of the modernization would be made at new locations in the South.

Prospects

A fairly popular prediction is that the Southern expansion in the manufacture of worsteds marks only the beginning of an expansion like the one which has already taken place in cotton-textile production. There are many points of difference in the two fields, however, not only in mechanical processes but in economic factors as well. Consequently the drawing of too close a parallel may be misleading. A realization of the predictions made for wool manufacturing in this district seems to depend mainly on whether the industry affords a more profitable means of utilizing the region's economic resources than some other industries do. In the District's present stage of economic development, prospects for expansion in this type of manufacturing are greater than they have been for many years.

CHARLES T. TAYLOR

District Business

Meat Prices and Beef-Cattle Prospects

ALTHOUGH there were fewer beef cattle on District farms at the beginning of this year than there were in January 1947, most of the wartime growth of the area's beef-cattle industry has been retained. In the Six States the numbers increased from 3.0 million in 1940 to 4.4 million by 1947. Despite a decrease last year of about a quarter of a million, mostly in Louisiana and Mississippi, farmers in the District states not only had 38 percent more beef cattle on January 1 of this year than they had in 1940 but they also had a slightly larger proportion of the total number for the nation.

This small relative increase may be more significant than the large absolute increase, since beef-cattle numbers over the nation also increased rapidly between 1938 and 1945. Most of the large increase in District beef-cattle numbers occurred simply because farmers in the area were participating in the upward phase of the cattle-numbers cycle. Since some District farmers, particularly those in Florida, Louisiana, and Mississippi, added to their herds more rapidly than the nation's farmers did, however, their wartime increase in beef-cattle numbers may not have been attributable entirely to the cyclic change in numbers.

Part of the District's relative gain, of course, may have been caused by a greater sensitivity to livestock-price changes. A recent study of hog producers' response to hog-price changes showed, for example, that the marginal producers, those whose profit margins usually are the smallest, tended to make greater changes in their production plans when prices changed than the more efficient producers did. Compared to the long-established beef-producing areas, the District has a greater proportion of farmers raising beef cattle who may be marginal producers. In response to the favorable prices in the past few years, such producers probably increased their production more than the growers whose margin of profit is usually greater.

Despite any relative gains the District has had in beef-cattle production, its farmers' chief interest is in obtaining further gains. In this connection recent changes in meat prices, particularly those that narrow the spread between the higher-priced and the cheaper grades of beef, afford some interesting possibilities. Generally the highly concentrated carbohydrates needed to produce the better grade of beef carcass are not locally available. As a consequence most of the beef cattle are either slaughtered, to produce a relatively low-grade beef carcass, or sold as stockers and feeders. A price change that results in relatively favorable prices for low-grade and unfinished beef cattle, therefore, tends to benefit the District cattle producers.

From 16.5 cents a pound in the first week of February the spread between the choice- and the utility-grade-beef carcasses sold at wholesale in Chicago decreased steadily to 5.75 cents a pound in the last week of April. In the latter week utility-beef carcasses were selling for 89 percent as much as the choice carcasses and in the corresponding week last year for 73 percent as much.

In January this year the price of common slaughter steers at Chicago was 59 percent of the average price of choice and prime steers. By March the spread had decreased until the former was 75 percent of the latter average. A year earlier

prices for common steers were only 66 percent of those for choice and prime steers.

Some of the narrowing of the spread between steer prices that has occurred in recent weeks is attributable to the usual seasonal fluctuations. Ordinarily, in late spring the prices for common steers reach their seasonal peak and the prices for well-finished steers are seasonally low. With adjustments made for seasonal variation, however, common-steer prices even in March of this year were high compared with choice- and prime-steer prices. They were also higher in relation to choice- and prime-steer prices than they were during 1937-41.

Since price controls ended, the amount of money that people have to spend has been the most important influence on meat prices. Both the retail value of meat consumed per person and the disposable income per person set new records in 1947, and consumers spent a larger proportion of their incomes for meat than they had in any year since 1934. There was little change in the purchasing power of consumers' disposable income during the first quarter of this year. Meat production was at least 10 percent less than it was in the first quarter last year, and prices have remained comparatively high. The relatively high prices for the lower grades of beef suggest that many consumers may be turning to less expensive cuts instead of increasing the proportion of their total income spent for meat. A comparison of the changes in retail beef prices with the changes that occurred in the spread between prices for the higher- and lower-grade beef steers, however, does not clearly indicate any month-to-month changes in buying habits owing to changes in meat prices. Although there seems to be such a relationship, apparently also there is a lag in time between price changes and changes in consumers' buying habits.

In the short run, of course, a narrowing of the spread between prices for the better grades of beef and those for the poorer grades is of little benefit to District producers. Since smaller supplies are in prospect for the next few years, however, beef-cattle prices are likely to remain comparatively high. In the early stages of a downturn in the beef-cattle-numbers cycle there is usually a large increase in beef production. In other words, as herds are reduced in size or liquidated, large quantities of beef are marketed. Thus, the national decline that began in 1945 has been responsible for the present situation. Last year beef supplies per person were extremely large, but as beef-cattle numbers continue to decline they too will lessen. When beef producers begin to enlarge their herds so as to take advantage of favorable prices, the supply of beef marketed declines still further. To build up their herds cattle growers must, of course, hold young animals for breeding stock, instead of selling all their current production.

If farmers realize their expectations for feed-grain crops, the supplies will be ample for livestock during 1948-49. With ample feed supplies, the demand for stocker and feeder steers should remain strong.

To some extent beef prices may also be affected by the supplies of other meats, particularly pork. Pork production, of course, can be expanded or contracted more quickly than beef production. If the usual relationship between the hog-corn ratio and the size of the pig crop holds, a moderate to

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change April 1948 from	
		March 1948	April 1947
Total sales.....	35	- 2	- 6
Cash sales.....	34	+ 4	- 15
Credit sales.....	34	- 4	+ 1
Accounts receivable, end of month.....	34	+ 16	+ 30
Collections during month.....	34	- 3	+ 19

INSTALMENT CASH LOANS					
Lenders	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change April 1948 from		Percent Change April 1948 from	
		March 1948	April 1947	March 1948	April 1947
Federal credit unions.....	46	+ 5	+ 66	+ 4	+ 62
State credit unions.....	25	- 8	+ 23	+ 3	+ 54
Industrial banking companies.....	11	+ 1	+ 19	+ 1	+ 13
Industrial loan companies.....	20	- 1	- 1	+ 1	+ 7
Small loan companies.....	43	- 13	- 4	- 1	+ 8
Commercial banks.....	34	- 8	+ 40	+ 3	+ 5

WHOLESALE SALES AND INVENTORIES*						
Item	No. of Firms Reporting	SALES		INVENTORIES		
		Percent Change April 1948 from		No. of Firms Reporting	Percent Change Apr. 30, 1948, from	
		Mar. 1948	Apr. 1947		Mar. 31 1948	Apr. 30 1947
Automotive supplies.....	3	- 20	- 1	..	..	..
Electrical group.....	..	..	..	..	..	..
Wiring supplies.....	3	- 15	+ 28	3	+ 4	+ 26
Appliances.....	3	+ 13	- 12	..	..	..
General hardware.....	8	+ 1	+ 13	4	- 7	+ 12
Industrial hardware.....	3	+ 4	+ 7	..	..	..
Jewelry.....	5	- 9	- 4	4	+ 1	- 18
Plumbing and heating supplies.....	4	+ 16	+ 32	3	+ 2	+ 88
Confectionery.....	5	- 10	+ 9	..	..	..
Drugs and sundries.....	11	- 2	0	6	+ 1	+ 6
Dry goods.....	21	- 11	- 6	14	+ 2	+ 12
Groceries.....	..	..	..	..	..	..
Full lines.....	34	+ 1	+ 2	19	- 4	+ 6
Specialty lines.....	6	- 1	+ 6	3	- 7	+ 6
Tobacco products.....	8	- 2	+ 10	..	..	..
Miscellaneous.....	17	- 3	+ 19	17	- 4	+ 35
Total.....	131	- 2	+ 5	73	- 2	+ 16

* Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND INVENTORIES						
Place	No. of Stores Reporting	SALES		INVENTORIES		
		Percent Change April 1948 from		No. of Stores Reporting	Percent Change Apr. 30, 1948, from	
		Mar. 1948	Apr. 1947		Mar. 31 1948	Apr. 30 1947
ALABAMA						
Birmingham.....	4	- 15	+ 5	3	+ 3	+ 28
Mobile.....	5	- 14	+ 11	..	..	..
Montgomery.....	3	- 8	+ 4	3	+ 7	+ 9
FLORIDA						
Jacksonville.....	4	- 9	- 5	3	- 0	+ 28
Miami.....	4	- 20	- 8	3	- 4	+ 12
Orlando.....	3	- 13	+ 16	..	..	..
Tampa.....	5	- 8	+ 0	3	- 3	+ 39
GEORGIA						
Atlanta.....	6	- 11	+ 8	5	- 2	+ 22
Augusta.....	4	- 15	- 13	3	+ 22	+ 34
Columbus.....	3	- 11	+ 12	..	..	..
Macon.....	4	- 17	- 11	4	+ 7	- 10
Rome.....	3	- 4	+ 2	..	..	..
Savannah.....	4	- 10	+ 0	..	..	..
LOUISIANA						
Baton Rouge.....	4	- 13	+ 2	4	+ 5	+ 25
New Orleans.....	5	- 1	+ 14	4	+ 2	+ 12
MISSISSIPPI						
Jackson.....	4	- 0	+ 11	4	+ 1	+ 16
Meridian.....	3	- 4	+ 1	..	..	..
TENNESSEE						
Bristol.....	3	- 9	- 2	3	- 0	- 2
Chattanooga.....	4	- 9	- 2	3	+ 4	+ 4
Knoxville.....	4	+ 20	+ 33	..	..	..
Nashville.....	6	- 16	+ 3	5	+ 5	+ 26
OTHER CITIES*.....	19	- 9	+ 0	22	+ 3	+ 17
DISTRICT.....	104	- 9	+ 5	72	+ 2	+ 19

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

sharp reduction in this year's fall pig crop will occur. Little or no increase in pork production is likely, therefore, until at least the fall of 1949.

In view of the supply-and-demand prospects for the type of beef generally produced by District farmers, the outlook for beef-cattle raising seems unusually favorable. For those of the District farmers who are attempting to establish a permanent enterprise of this type, the changes now occurring may be particularly helpful. The experience of cattle growers over the years has shown rather conclusively, however, that attempts to get in and out of the business in anticipation of future price trends usually end in failure. But, if the beef-cattle enterprises are well integrated into the farm business and adjusted to economically produced feed supplies, such as high-yielding pastures, events of the next few years may provide an unusually good opportunity for the development of a larger and a more efficient beef-cattle industry.

B.R.R.

Industry

Following the termination of the coal strike on April 12 there was, of course, a prompt increase in the production of coal and also a rapid rise in the rate of steel-mill activity. For the four weeks that the miners were idle, the statements of the United States Bureau of Mines indicate, a weekly average of only 74,500 tons of coal was produced in Alabama and Tennessee. Output increased in the succeeding weeks, amounting to 563,000 tons in the last week of April. This was somewhat greater than the average for the 11 weeks preceding the strike and also greater than output in the corresponding week last year. For March and April together, however, the output was substantially less than it was a year earlier.

Steel mills in the Birmingham-Gadsden area, after operating virtually at capacity since the middle of 1946 and even somewhat above the rated capacity in the first two and a half months this year, had reduced their operations because of the coal strike to 41 percent of capacity by April 13. By the week of May 11 they were operating, it was reported, at 98 percent of capacity.

In the first four months of this year cotton-textile mills in Georgia, Alabama, Tennessee, and Mississippi used 7.1 percent less cotton than they did in the first four months last year. Total consumption in March exceeded the February figure, but the daily average rate declined 3.3 percent and in April dropped 3 percent. Last year textile-mill activity in the District declined 8.7 percent from January 1 through April, and 32 percent from January through July. The January-April decrease this year was 7.7 percent.

Continued gains in the value of contracts awarded in the District indicate increased activity in the construction line. According to figures compiled by the F. W. Dodge Corporation, the March total of almost 76 million dollars is larger than the total for either February or January and 47 percent greater than the March 1947 figure. Residential contracts awarded in March, which amounted to 32.5 million dollars, were up 44 percent from those of March last year, and other awards were about 50 percent greater than they were a year ago. In the first quarter total awards were 37 percent greater than they were in the first three months of 1947, with residential contracts 38 percent greater and other awards 36 percent greater. Both this year and last, residential contracts in the first quarter accounted for 44 percent of the total. Since these comparisons are based upon the dollar value of

construction contracts, part of the increase is, of course, attributable to the continued rise in construction costs. The index of building costs compiled by the American Appraisal Company for 30 of the larger cities throughout the country rose 22 percent between February 1947 and February 1948. For Atlanta, the only Sixth District city for which the index is available, the rise was 21 percent. In February, however, the Atlanta index, was 7 percent higher than the index for the group. The 12-month rise in the wholesale-price index of building materials compiled by the Bureau of Labor Statistics was 10 percent, with the index of lumber prices showing a rise of 15 percent.

Improved weather conditions in April and May enabled many lumber mills to resume full operations for the first time in many weeks, and output has reportedly increased. There are reports of occasional uncertainty about the market for some Southern-pine items, but there seems to be no evidence of any weakening in the demand for hardwood lumber. Buyers are still taking all the hardwood lumber available. Furniture factories are actively buying the species they use, flooring factories are taking all the flooring oak available, and the box and crate factories are constantly ordering low-grade stock.

Crude-oil production in coastal Louisiana and Mississippi has been growing in recent years. In 1946 it increased almost 9 percent over that in 1945, and in 1947 there was an increase of 16 percent. In each of the first three months of 1948, production has been at a rate approximately 16 percent higher than the rate in the first quarter of 1947. What is thought to be the first commercial production of oil from an at-sea location was begun early in May at a well in the contested tideland tracts of the Gulf of Mexico. This well is believed to be the only commercial producer completely out of sight of land.

Production of power by Sixth District electric utilities, which has been increasing each month since last July, was greater in March than it had ever been. This record total was 11 percent greater than the total for March last year. Production from the use of water power was only 2 percent greater than it was a year earlier, and the February and January figures were actually lower than they were a year ago, though output from the use of fuels in those two months was greater than it was in the corresponding months last year. March production by use of fuels was 24 percent greater this year. The first-quarter totals for the six states of the District show total production up 8 percent, with production by use of water power 10 percent less than it was and production by use of fuels 34 percent greater.

In the last two weeks of April those railroads composing the Association of American Railroads' Southern district loaded more cars of revenue freight than they did in the corresponding weeks last year, but the weekly average for the month was slightly less than it was a year ago. The increase in the latter part of the month was brought about by the rapid resumption of coal shipments following the termination of the coal strike. Averages of the weekly figures, by the number of cars, for April this year compared with those for last April reveal that a 10-percent decrease of merchandise shipments in less-than-carload lots and carload decreases of 23 percent in grain, 14 percent in livestock, and 5 percent in coal were offset in large part by increases of 12 percent in forest products, 26 percent in coke, and almost 3 percent in miscellaneous freight. The total number of cars

Sixth District Indexes

Place	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	Apr. 1948	Mar. 1948	Apr. 1947	Apr. 1948	Mar. 1948	Apr. 1947
DISTRICT.....	390	368r	353	366	387	350
Atlanta.....	455	398	410	394	428	366
Baton Rouge...	407	417	390	391	433	383
Birmingham...	374	376r	343	341	387r	322
Chattanooga...	350	355	348	338	357	344
Jackson.....	374	352	333	358	346	324
Jacksonville...	437	432r	455	411	436	434
Knoxville.....	450	327	330	416	333	312
Macon.....	284	328	314	276	320	310
Miami.....	352	374	362	359	434	369
Montgomery...	375	374	352	346	362	332
Nashville.....	396	454	400	395	455	406
New Orleans...	366	368	318	363	352	319
Tampa.....	478	499	469	485	507	482

Place	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	Apr. 1948	Mar. 1948	Apr. 1947	Apr. 1948	Mar. 1948	Apr. 1947
DISTRICT.....	379	370	320	376	370	317
Atlanta.....	451	481	371	480	490	395
Birmingham...	305	303	237	316	311	246
Montgomery...	352	336	322	380	356	347
Nashville.....	531	538	423	589	559	469
New Orleans...	335	330	299	357	349	319

Place	GASOLINE TAX COLLECTION***					
	Adjusted**			Unadjusted		
	Apr. 1948	Mar. 1948	Apr. 1947	Apr. 1948	Mar. 1948	Apr. 1947
SIX STATES.....	182	165	163	187	153	170
Alabama.....	192	177	172	195	163	175
Florida.....	195	182	175	209	191	187
Georgia.....	171	164	155	176	150	159
Louisiana.....	167	138	154	164	127	152
Mississippi...	171	140	157	175	126	160
Tennessee.....	191	161	178	193	142	180

Place	COTTON CONSUMPTION*			ELECTRIC POWER PRODUCTION*			
	Apr. 1948	Mar. 1948	Apr. 1947	Mar. 1948	Feb. 1948	Mar. 1947	
	TOTAL.....	154	158	168			
Alabama.....	165	162	181	SIX STATES..	341	338	307
Georgia.....	152	160	167	Hydro-			
Mississippi...	104	110	119	generated.	332	291	325
Tennessee...	132	141	133	Fuel-			
				generated.	353	400	284

Place	MANUFACTURING EMPLOYMENT***			CONSTRUCTION CONTRACTS			
	Mar. 1948	Feb. 1948	Mar. 1947	Place	Mar. 1948	Feb. 1948	Mar. 1947
	SIX STATES..	145	146	144	DISTRICT...	374	349	254
Alabama.....	160	160r	154	Residential.	491	501	340
Florida.....	125	125	127	Other.....	318	276	212
Georgia.....	135	136	133	Alabama...	282	271	184
Louisiana...	138	138	134	Florida...	365	501	384
Mississippi...	148	154r	157	Georgia...	410	285	210
Tennessee...	156	156r	154	Louisiana...	488	425	231
				Mississippi.	193	169	156
				Tennessee.	497	270	198

Item	CONSUMER'S PRICE INDEX			ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	Apr. 1948	Mar. 1948	Apr. 1947	Apr. 1948	Mar. 1948	Apr. 1947	
	ALL ITEMS...	173	172	162	Unadjusted..	19.2	19.1	18.4
Food.....	214	210	200	Adjusted**..	19.5	19.6	18.7
Clothing...	201	200	181	Index**.....	79.2	79.3	72.3
Fuel, elec., and ice..	133	133	122	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings.	196	189	176		Apr. 1948	Mar. 1948	Apr. 1947
Misc.....	148	147	144	Unadjusted..	283	282	248
Purchasing power of dollar....	.58	.58	.62	Adjusted**..	278	282	243

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

r Revised

Sixth District Statistics

CONDITION OF 28 MEMBER BANKS IN LEADING CITIES (In Thousands of Dollars)					
Item	May 12 1948	April 14 1948	May 14 1947	Percent Change May 12, 1948 from	
				April 14 1948	May 14 1947
Loans and investments—					
Total.....	2,293,140	2,296,500	2,328,944	— 0	— 2
Loans—total.....	832,211	834,076	705,619	— 0	+ 18
Commercial, industrial, and agricultural loans.....	513,150	519,664	407,996	— 1	+ 26
Loans to brokers and dealers in securities.....	6,464	6,566	7,132	— 2	— 9
Other loans for pur- chasing and carrying securities.....	58,167	58,082	83,462	+ 0	— 30
Real estate loans.....	76,016	75,157	55,667	+ 1	+ 37
Loans to banks.....	6,239	4,845	3,817	+29	+ 63
Other loans.....	172,175	169,762	147,545	+ 1	+ 17
Investments—total.....	1,460,929	1,462,424	1,623,325	— 0	— 10
U. S. direct obligations.....	380,087	379,003	435,326	+ 0	— 13
Obligations guaranteed by U. S.....	894,659	899,844	1,000,536	— 1	— 11
Other securities.....	186,183	183,577	187,463	+ 1	— 1
Reserve with F. R. Bank.....	453,348	451,168	433,121	+ 0	+ 5
Cash in vault.....	43,376	43,283	41,148	+ 0	+ 5
Balances with domestic banks.....	194,035	207,214	214,849	— 6	— 10
Demand deposits adjusted.....	1,749,613	1,743,764	1,722,498	+ 0	+ 2
Time deposits.....	544,760	545,065	546,798	— 0	— 0
U. S. Gov't deposits.....	46,111	41,389	68,663	+ 11	— 33
Deposits of domestic banks.....	466,815	490,790	515,415	— 5	— 9
Borrowings.....		3,000	1,500	..	..

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Apr. 1948	Mar. 1948	Apr. 1947	Percent Change Apr. 1948 from	
					Mar. 1948	Apr. 1947
ALABAMA						
Anniston.....	3	19,904	22,282	19,383	— 11	+ 3
Birmingham.....	6	303,512	339,851	274,089	— 11	+ 11
Dothan.....	2	11,090	12,030	9,201	— 8	+ 21
Gadsden.....	3	17,785	18,045	15,746	— 1	+ 13
Mobile.....	5	139,550	150,120	111,130	— 7	+ 26
Montgomery.....	3	67,639	75,622	63,144	— 11	+ 7
FLORIDA						
Jacksonville.....	3	253,407	283,428	233,998	— 11	+ 8
Miami.....	7	252,454	291,680r	212,923	— 13	+ 19
Greater Miami.....	12	356,246	413,231r	306,039	— 14	+ 16
Orlando.....	3	54,833	54,274	42,893	+ 1	+ 28
Pensacola.....	3	30,745	37,453	30,609	— 18	+ 0
St. Petersburg.....	3	57,992	60,256	52,628	— 4	+ 10
Tampa.....	3	108,397	120,039	102,357	— 10	+ 6
GEORGIA						
Albany.....	2	17,086	17,208	13,564	— 1	+ 26
Atlanta.....	4	786,828	807,176	696,947	— 3	+ 13
Augusta.....	3	57,534	57,688	53,542	— 0	+ 7
Brunswick.....	2	8,647	8,784	8,379	— 2	+ 3
Columbus.....	4	54,972	57,625	54,244	— 5	+ 1
Elberton.....	2	3,872	3,875	3,415	— 0	+ 13
Gainesville.....	3	14,002	13,741	11,267	+ 2	+ 24
Griffin.....	2	10,800	10,823	10,072	— 0	+ 7
Macon.....	3	62,440	60,213	51,503	+ 4	+ 21
Newnan.....	2	8,205	7,903	6,362	+ 4	+ 29
Rome.....	3	21,222	21,490	18,422	— 1	+ 15
Savannah.....	4	86,418	94,610	76,503	— 9	+ 13
Valdosta.....	2	9,902	10,671	11,401	— 7	— 13
LOUISIANA						
Baton Rouge.....	3	88,517	88,368	67,507	+ 0	+ 31
Lake Charles.....	3	32,701	31,780	24,420	+ 3	+ 34
New Orleans.....	7	615,676	641,450	566,402	— 4	+ 9
MISSISSIPPI						
Hattiesburg.....	2	14,776	16,137	15,038	— 8	— 2
Jackson.....	4	118,714	149,611	97,471	— 21	+ 22
Meridian.....	3	28,974	28,947	24,771	+ 4	+ 21
Vicksburg.....	2	23,593	25,483	20,571	— 7	+ 15
TENNESSEE						
Chattanooga.....	4	135,725	142,212	118,689	— 5	+ 14
Knoxville.....	4	107,981	107,444	100,150	+ 0	+ 8
Nashville.....	6	280,979	280,415	261,432	+ 0	+ 7
SIXTH DISTRICT						
32 Cities.....	110	3,861,848	4,102,680r	3,440,412	— 6	+ 12
UNITED STATES						
333 Cities.....		102,354,000	107,621,000	87,771,000	— 5	+ 17

* Not included in Sixth District total
r Revised

loaded averaged less than one percent below the average for April 1947.

At the middle of March in most areas, information from the various sources reporting on employment indicate, there were small increases in the estimated number of nonagricultural workers over the estimate for the middle of January. Over-all estimates indicate such increases in Georgia, Louisiana, and Tennessee but a decrease of less than one half of one percent in Mississippi and a slight decline for Florida, which is attributed indirectly to a seasonal decline in the citrus industry and idleness in lumber manufacturing because of continued rainy weather.

Increases were reported in March at paper-manufacturing plants in Savannah, Macon, and Mobile. Shortages of steel caused some declines at metal-fabricating plants at various points, but textile mills in most areas had more workers than they had two months earlier. At Mobile and at Tampa reduced operations at the shipyards have resulted in rather substantial declines in the number of people employed in that industry. At Tampa, however, steady gains in employment in other industries have offset the drop of 2,650 shipyard workers since April a year ago. Since the middle of March improved weather conditions have favored increased employment in both lumber manufacturing and construction work, April reports indicate further slight gains in employment in the Atlanta, Columbus, and Macon areas, a decline in the Rome area, and a balancing of increases and decreases in the Savannah area. Increased employment in construction was reported in each instance, but there has been a seasonal reduction in the number of workers employed in fertilizer-manufacturing plants.

D. E. M.

Prospects for Sixth District Deposits

This April, for the first time in many years, individuals and businesses had less deposits at the Sixth District weekly reporting banks in leading cities than they had in the corresponding period of the preceding year. Not only had this condition been unprecedented in the District since 1938, but it was contrary to conditions prevailing throughout the United States as a whole. The average weekly decrease of four million dollars in demand deposits adjusted during April amounts to a less-than-one-percent decline. It may be temporary and of no great significance. It does, however, contrast with the national increase of 1.6 percent. Moreover it once more directs attention to past speculations on the possibility of a postwar run-off of District deposits.

Deposits in the banking system are principally created, of course, by an expansion in loans and investments of commercial banks. Between 1941 and 1946 the nation's banks increased their loans and investments to 140 billion dollars. Of the approximately 79-billion dollar increase, all but 4 percent resulted from the bank's investing in Government securities. Their total deposits rose approximately 74 billion dollars during the period.

Sixth District banks participated in the expansion with an increase in total loans and investments of 4.1 billion dollars, or 223 percent. This rate of increase was almost double that for the nation's banks. Total deposits expanded at an even greater rate which was more than twice the national rate. That the percentage increase was greater in the District than it was for the United States is best explained by the wartime conditions, under which the Treasury was spending more

funds in the District than it was raising there by either taxation or borrowing.

Surveys of the ownership of business and personal demand deposits, which have been conducted by this bank with the cooperation of member banks at about six-month intervals since July 1943, have made it possible to estimate closely the extent to which various types of businesses and persons shared in the general deposit increase. Between the date of the first survey and January 1946 estimated business and personal demand deposits at all banks in the District increased 1.7 billion dollars. The increase in personal deposits accounted for almost three fifths of the total increase, with most of the remaining increase being shared by various types of nonfinancial businesses. Personal deposits, which had constituted but 38 percent of total business and personal demand deposits at the beginning of the period, amounted to more than 46 percent of the total in January 1946.

The spending of these deposits in the District would have involved merely a transfer of funds from one owner to another, with no change in the total. Before the war ended there were possibilities that the spending of accumulated wartime deposits might mean a transfer of funds to other areas. Purchases of automobiles and other consumer durable goods that are bought outside the District had been delayed. Farmers had had to postpone the buying of farm equipment, which to a large extent also is manufactured outside the District. Since about a fifth of the total personal deposits consisted of farmer's deposits, a decline in agricultural prices might lead to further withdrawals of District funds. Apparently, many businesses also would direct their purchases of materials required for expansion or modernization to areas outside the District. Events that some people believed might offset these trends were the greater industrial development of the whole South, the consequent investment from other areas, and the diversification of the District's production.

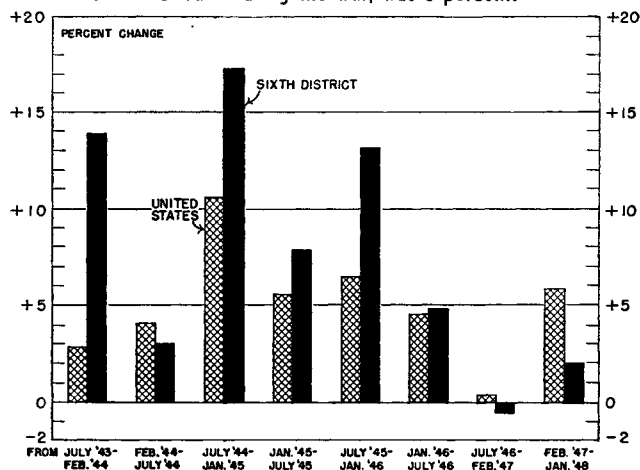
Although 1946 marked an end to the District's greater-than-national rate of deposit expansion, at the close of that year District banks held about the proportion of total deposits that they had held at the end of 1945. Total member-bank deposits in the District declined 8.3 percent, and those for the United States decreased 8.9 percent. Demand deposits adjusted, which are a more significant indicator since they exclude Federal deposits, increased 9.6 percent at the District's member banks and 9.4 percent at all member banks. The retention of deposits in the District can be partly explained by large purchases of the many nondurable goods that are manufactured locally and by the relatively high farm prices.

The year 1947 provided the first test of the effects that greater purchases of consumer durable goods would have on the flow of funds out of the District. It was a year during which the manufacturing boom was greatest outside the District and also one during which agricultural-price increases had occurred chiefly in the products of other areas. These factors may have contributed to the failure of the rate of increase, 4 percent, in demand deposits at District member banks to equal the rates in other districts particularly those of the Middle West and the Northeast, and the national rate, which was 4.7 percent.

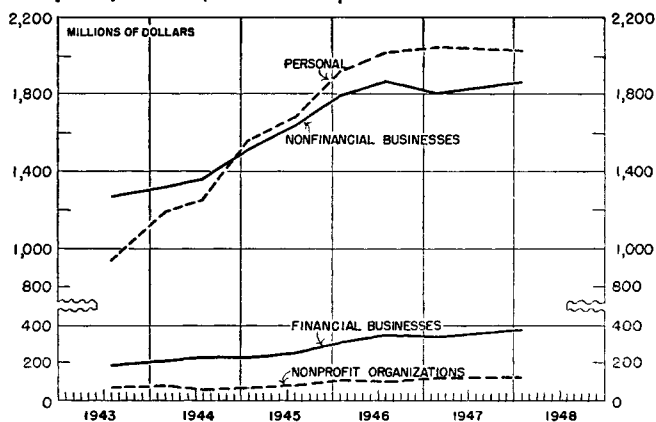
Further insight into differences between the trends of deposits at the District banks and those at other banks is provided by the survey made of ownership of personal and busi-

Demand Deposits of Individuals, Partnerships, and Corporations at All Sixth District Banks — 1943-48

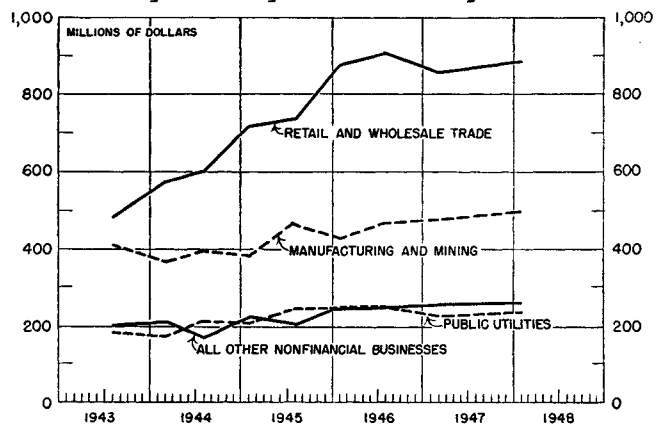
1. Business and Personal Demand Deposits at all Sixth District banks increased 2 percent between February 28, 1947, and February 1948. The national rate of increase, which was lower than the District rate during the war, was 6 percent.



2. Personal Deposits at the end of January this year were one percent less than they were at the end of February 1947, chiefly because of a 4-percent decline in farmers' deposits. Business Deposits, however, increased 5 percent.



3. Nonfinancial Businesses of all types increased their deposits between the two latest survey dates, but the trade firms and the manufacturing and mining concerns had the greatest increases.



ness demand deposits in January 1948. For the first time in the history of the survey personal deposits were lower than they were on the preceding survey date. The estimated one-percent decrease since February 1947 was almost wholly explained by a 4-percent decline in farmers' deposits. Over the country, however, farm deposits increased 5 percent. A gain at the Sixth District banks was reported in every other deposit category, but in all except one the rates of increase were lower than the national rates. Personal and business demand deposits increased 2 percent; for the nation the increase was 5 percent.

sales during the first quarter was the same as the national rate.

Almost all the major departments shared in the first-quarter sales increases. Those in women's ready-to-wear, particularly the lower-priced lines sold in the basement stores, were of the greatest importance in keeping up the volume.

March sales of women's and misses' ready-to-wear in the basement stores were 31 percent greater than they were in 1947. Women's and misses' accessories and apparel in the main stores were, respectively 12 and 14 percent greater. Sales of men's and boys' wear in the basement stores were up 34 percent from sales of March last year, and those in the main stores up 6 percent. Basement sales of homefurnishings were up 22 percent, with main-store sales rising 9 percent. That about the same relation between basement and main-store sales has recently prevailed also in other Federal Reserve districts indicates consumers are seeking out the lower-priced merchandise.

In contrast to the experience so far this year, total sales of department stores were kept high last year principally because of increased sales of housefurnishings and men's and boys' clothing, which were great enough to augment the more moderate increases in some soft-goods lines and offset declines in others. The recent changes in the sales of soft goods are welcomed not only by the stores but by businesses whose incomes are affected, either directly or indirectly, by the trends in the production of nondurable goods, in which much of the District's business activity is centered.

C.T.T.

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

Type of Ownership	January 1948	Dollar Change Feb. 1947-Jan. 1948	Percent Change Feb. 1947-Jan. 1948	Percent Distribution Jan. 1948
Manufacturing and mining...	494	+ 29	+ 4	11.2
Public utilities, transportation, and communications...	235	+ 9	+ 4	5.3
Retail and wholesale trade...	884	+ 29	+ 3	20.0
All other nonfinancial*	259	+ 4	+ 2	5.9
Total nonfinancial	1,872	+ 61	+ 3	42.4
Insurance companies.....	79	+ 7	+ 10	1.8
Trust funds of banks.....	65	+ 14	+ 28	1.5
All other financial**	239	+ 17	+ 8	5.4
Total financial	383	+ 38	+ 11	8.7
TOTAL BUSINESS	2,255	+ 99	+ 5	51.1
Nonprofit organizations.....	122	+ 7	+ 6	2.8
Personal.....				
Farmers.....	386	- 14	- 4	8.8
Others.....	1,645	- 3	- 0	37.3
Foreign.....	2	..	..	.0
TOTAL INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS	4,410	+ 89	+ 2	100.0

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

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

The general trend of bank deposits throughout the nation this year will probably be influenced more by the success of the current program to halt bank-credit expansion than by anything else. It appears likely that with a continued high level of business activity during the remainder of the year deposits at the District banks will not decrease substantially, and they may increase somewhat. Since some of the elements that influenced the changes in deposits during 1947 are still present, however, further shifts are likely.

The prospects for long-term gains, many persons believe, are more encouraging. Not only are the District's financial resources much greater now than they were before the war but most of the wartime gains, contrary to the experience after World War I, have been retained. From year to year, as the District's economic structure becomes more diversified the further removed becomes the possibility that the financial resources of the region will be subject to the sharp contractions that were characteristic of the period between the two world wars.

C. T. T.

Trade

The influences that made sales in the Sixth District department stores 9 percent greater in value the first quarter of this year than they were the first three months of 1947 continued to operate during April and May. Despite this year's earlier date of Easter, April sales exceeded those of last year 5 percent, and sales during the first two weeks of May surpassed those of the corresponding period last year 11 percent. The District rate of increase in department-store

Bank Announcements

The Farmers and Merchants Bank, Forest, Mississippi, became a member of the Federal Reserve System on April 30. Organized in 1905, this bank now has capital of \$60,000 and surplus and undivided profits of \$125,000. Its deposits total \$2,688,000. The officers are W. A. Davenport, president; R. L. Goodwin, executive vice president; J. R. Mitchell and H. E. Bishop, vice presidents; R. L. Thompson, Jr., cashier; J. H. Wicker and H. N. Mitchell, assistant cashiers; and O. S. Redden, agricultural agent.

Another addition to the member banks in this District is the Beach Bank, Jacksonville Beach, Florida, which was admitted to membership on May 17. It was organized in 1938 with capital funds of \$31,250. These have since been increased to \$130,800, of which \$50,000 is in capital and \$80,800 in surplus and undivided profits. The bank's deposits have grown from \$45,000 on the opening date to \$2,606,000. Fred C. Allen is president, and W. M. Mason and W. A. Stanly are vice presidents. O. F. Rogers is vice president and cashier, and Miss Treva A. Moore is the assistant cashier.