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At the Crossroads

ALTHOUGH it is only custom that leads us to attach any special significance to the ending of one year and the beginning of another, this imaginary break in the continuous flow of time may nevertheless have some value. Like a traveler who parks his car beside the road when he comes to a crossroads, to look at his maps and orient himself with respect to the road just traversed as well as those lying before him, so one may take the opportunity provided by the change from one year to another to review the little segment of history through which he has just passed and to look forward to the future he is about to enter.

The year 1948 was the most recent one in a period that was unusual for its psychological atmosphere. Although the nation enjoyed one of the greatest booms in its history on the material side, business was haunted throughout the period by fears of impending catastrophe. It was perhaps the gloomiest period of prosperity that the country had ever experienced.

Still under this psychological cloud, the nation entered the new year with mixed feelings of hope and dread. Now that 1948 is safely buried in history, however, we can look back on it with a large measure of satisfaction. By all ordinary standards it was a year of exceptional prosperity. Wages and personal incomes generally were high and rising throughout the year; profits reached unprecedented levels; more people were employed in factories and on farms than ever before; factories and mines worked at capacity during most of the year; and near-record crops were produced by the country's farmers. Shortages of some goods still existed, of course, but in general the shelves of stores were well stocked with almost everything one wanted to buy, and money was still abundant.

The total value of goods and services produced in the country, a value that had run at an annual rate of 232 billion dollars in 1947, rose to 245 billion in the first quarter of 1948; to 250 billion in the second quarter; and to 256 billion in the third quarter. In the fourth quarter this figure was probably still higher. Personal expenditures for consumption, which in 1947 had amounted to 165 billion dollars, rose to an annual rate of 172 billion in the first quarter of 1948; to 177 billion in the second quarter; and to 179 billion in the third quarter. This figure, too, was probably somewhat higher in the last quarter of the year. It requires no further statistical documentation to show that 1948 was a prosperous year.

The fear that had tempered hope at the beginning of the year, however, was that this was a false prosperity resting only upon the inflationary effects of war financing and sus-

tained precariously by one *tour de force* after another by Government. Such a prosperity, it was felt, could not last.

Be that as it may, the country went blithely on its way during most of the year enjoying its inflation to such an extent that even a presidential campaign failed to disturb it. The voices that had earlier been forecasting bad economic weather ahead began to change their tune as the year wore on. Basking in the golden haze of midsummer prosperity, they were then saying that this sort of thing might go on for another year at least; or perhaps for two years; possibly even for five years. Observers who were still inclined to look to the future with foreboding could bolster their pessimism only by repeating the old clichés that "what goes up must come down" and that "the boom is one year older and is therefore that much nearer its end."

From time to time, of course, the administration and various Government agencies summoned the Congress and the country to an all-out fight against inflation. That fight, however, scarcely ever reached the proportions of a skirmish. The Federal Reserve System was given a little more leeway to increase bank reserves; some check was placed upon the expansion of consumer credit by the re-imposition of Regulation W; banks, following the counsel of the American Bankers Association, became more restrictive and discriminating in their lending policies. The inflation, however, continued with little else being done about it. After a drop early in the year, the wholesale price index rose to its highest point in midsummer. The fear of inflation that had bedeviled the country early in 1948 seemed to have melted away in the warmth of the all-pervading prosperity. Even the threat of a fourth round of wage increases did not create the commotion that might have been expected.

In the last quarter of the year, however, came a sudden change in economic climate. A chill wind blew across the economy. Farm prices for most crops fell to support levels or below; backlogs of demand for many consumer goods disappeared over night. Public attention fixed itself on department store sales. These were found to be running below the corresponding months of 1947. At first this was attributed to unseasonably warm weather. But when winter descended on many cities in earnest and sales still did not pick up, even with the near approach of the Christmas season, alarm was felt throughout the business world. It was not until the last few shopping days before Christmas that the flagging market was stimulated by pre-Christmas sales and some drastic price reductions.

Still other harbingers of trouble were discerned on the horizon. It was recalled that the textile industry had been

working only part time for several months. The gray iron casting business, basic to many other lines of finished goods, was falling off. The shoe and electrical equipment industries were not doing well. Reports of layoffs were becoming more widespread and more numerous although the total number of unemployed in the country as a whole did not increase appreciably. Moreover, the wholesale price index was falling—slightly, to be sure, but falling nevertheless.

In November the presidential campaign ended in an astounding surprise that upset the calculations of nearly all political prophets. Could the economic prophets be equally mistaken?

As the year neared its end, therefore, the voice of gloom was again heard in the land. Important business publications were admitting quite frankly that the country was in the midst of a "mild recession." The more fainthearted were saying privately that "this is it!" The fear of inflation was giving way to its opposite—the fear of depression. If the country was not already standing at the crossroads as 1948 waned and 1949 came up on the calendar, it seemed at least to be approaching some kind of parting of the ways. At this juncture it is still too early to say whether or not the current business lull is merely the prelude to a further upward climb of the indexes, or if it is the beginning of a recession. Still less can it be said whether or not we have embarked upon a downward trend that may toboggan into a depression.

With the signposts at the crossroads pointing in several directions, we may profitably pause to remind ourselves of some important characteristics of our economic system. By doing so we may avoid choosing our road under the bias of either false optimism or unwarranted pessimism.

It is true that we are in economic danger. This is nothing unusual, however, for danger lurks in all economic movement, especially when it involves a change in direction. Someone has said that "life is a dangerous business at best and few get out of it alive." As long as our economy is a living and growing thing it must be expected to exhibit movement in some direction or other. Those who think that it can just level off on some comfortable plateau and stay there are probably deluding themselves. Periods of expansion and contraction are inherent in the capitalistic mechanism and cannot be eliminated without doing away with capitalism itself, and, perhaps, with the democratic institutional framework associated with it. It is not these perfectly normal fluctuations that are dangerous, but rather the possibility that under certain circumstances they may degenerate into abnormal and unnecessary catastrophes.

The inflationary period through which we have been passing since the end of the war has certainly been fraught with danger. High prices, of course, have a logical function to perform in our economy. They are meant to stimulate production and at the same time to restrict the demand for scarce goods. When the resources of the nation are fully employed, however, and when production is already running at capacity, high prices can do little to stimulate production. In such a situation they may, indeed, be unable to perform their other function, that of restricting demand. If the volume of money increases and there is thus reason to believe that prices may go still higher, people with money in their pockets, instead of withholding their purchases, may actually increase their demand for goods and thus bid prices up still further. Such a situation could obviously degenerate into a

runaway inflation—a flight from money into goods. That was a risk that was present throughout the postwar period.

If, as seems probable at this writing, the inflationary upswing of prices has now been checked or, perhaps, reversed, it is a matter for self-congratulation. It means that we have escaped this particular danger. Fear, according to an old proverb, has big eyes. Our fear of inflation was perhaps always considerably exaggerated. Serious though it has been, inflation never assumed, even remotely, the proportions that were always possible on the basis of technical factors alone. The expansion of the money supply through the monetization of bank-held public debt, for example, could certainly have gone much farther than it did.

Whether it was the policies of the monetary authorities, the self-discipline of the banks, or the reluctance of business to make use of the potential credit available to it that prevented inflation from growing to unmanageable proportions is of little concern right now. The important point is that this danger has apparently been avoided and that high prices are now beginning to exert their proper influence—restricting demand and causing people to prefer to hold cash rather than over-priced goods.

A declining price level, however, also has its perils. Falling prices are normally expected to check any tendency to over-production that may be present and to stimulate consumer buying. If prices fall too far and too fast, however, and if there is reason to think that they may go still lower, buying may be inhibited rather than stimulated. People will hold on to their cash in anticipation of the lower prices they think they foresee. If this sort of movement gets out of hand there is a real danger that what would otherwise have been a normal recession may degenerate into a depression. Such an outcome, however, is not at all necessary.

The first step in preventing a recession from degenerating into a depression is to realize that they are two different things. A recession is a wholly normal and healthy development. It represents a tendency within the economic system to approach an equilibrium from which the system had radically departed. A depression, on the other hand, is abnormal and unhealthy and performs no legitimate economic function. It is brought about by panic, false fears, unwise judgments, previous excesses, and precipitous action. A recession must therefore be accepted as part of the normal working of the economic system and should not be fought against. A depression, however, should be recognized as a perversion of the system's operations and should be guarded against to the best of our ability.

The heart of the capitalistic mechanism is the accumulation of capital in the form of new factories, new equipment, new processes, and sometimes wholly new industries. It is because of this capital-building process that our economic system has achieved its miracles of productive efficiency. A period of capital expansion, however, tends to be a period of rising prices, for incomes are then being paid out to create productive facilities that are not yet contributing to the stream of goods. Although money incomes may be increasing, real incomes may actually be declining in such a period.

This has tended to be the situation since the war. On top of the inflationary wave generated by the financing of the war and of postwar foreign aid programs has been another generated by the expansion of capital. Gross private domestic investment (a category that includes new construction, new producers' durable equipment, and changes in business

inventories) amounted to 27 billion dollars in 1946. In 1947 it amounted to 30 billions and by the third quarter of 1948 it had risen to an annual rate of 39 billions.

When capital expansion levels off or declines, however, the price level may also be expected to fall under the double impact of declining money incomes and a swelling stream of consumer goods that is the fruit of the previous accumulation of capital. This may well be the kind of situation into which we are now moving for there are indications that expenditures for capital are leveling off and it is now a fact that the price level is declining.

Whether we encounter this situation in the immediate future or later, it is important that it be accepted without fear or panic. A period of recession is far from being a bad thing in itself. Certainly it takes more effort and more brains to do business in such a period than in one of inflationary prosperity when money can be made merely by riding the wave of a rising price level. Nevertheless, the pressure of falling prices compels management to read its cost sheets with greater care and to effect economies and efficiencies of operation that would be ignored in more booming times. An easing of the labor supply might also compel labor to reconsider what it means by a fair day's work for a fair day's pay. Insofar as a declining price level enforces greater efficiency from both management and labor, productivity is increased. Increased productivity, in turn, may go far to offset a probable decline in money income so that the net result may well be an increase in real income and well being all around.

Some acute students of the capitalistic system, indeed, believe that in the long run capitalism can prosper only on a gradually falling price level. The technological improvement that has been so characteristic of our economic system and the increasing managerial efficiency that has been the hallmark of American business enterprise should normally be expected to bring about a gradual cheapening of goods relative to money. This is merely another way of saying that they can be expected, in the future as they have in the past, to lead to a rising standard of living and of real income for all.

A smooth adjustment of this sort, however, is threatened by two dangers. One grows out of what is fast becoming a national fetish—the quest for security and stability. If businessmen or the general public should become alarmed at a persistent downward trend of prices and should appeal to the Government to halt it by recreating in one way or another the conditions of inflation, the economy would become more than ever the creature of political forces. It would become so, moreover, at the price of perpetuating the abnormalities, the inefficiencies, and the distorted relationships that have marked the past few years. Everyone—the businessman, the laborer, the farmer, the banker, and the consumer—should realize that a stable capitalism (in the sense of static) is a contradiction in terms. Only dead things are static. To perpetuate into the future by governmental action the particular constellation of economic forces that happens to exist at any given moment is to threaten the economic system by which we all live. Downward as well as upward movements must be accepted as normal.

A second risk is that businessmen by their own actions may precipitate a decline in prices so rapid that many individual firms may have difficulty in adjusting their cost structures to it. All costs are not equally flexible for any partic-

ular firm, nor are costs equally flexible for all firms in an industry. All but the least efficient concerns can usually adapt themselves to a decline in the price level without undue hardship provided the decline is gradual enough for costs to be adjusted to reduced receipts. If the decline is too drastic or too rapid, however, many a firm that might otherwise stay afloat may go under, creating unemployment and further disrupting market relationships in the process.

The crux of this danger lies in the possibility that the urge to "get-rich-quick" that thrives in a period of inflation and that produces many of the excesses of such a period may be converted into an urge to "get-out-from-under" when prices turn downward. If so-called "smart operators" were to initiate a wave of competitive price-cutting leading to widespread distress selling, the end could only be disaster for all, for the "smart operators" along with the rest.

As welcome as lower prices would be to people generally, if they should come about in such a way as to lead to cancelled orders, cutbacks in production, widespread layoffs of workers, and a ruined agriculture, nobody would be the gainer. Businessmen owe a certain social responsibility to each other that can be ignored only at their own and the country's peril. They must indeed be willing to accept the normal fluctuations of the economy, but they must not, through their unbridled individualism, bring down the edifice they really wish to preserve.

These, then, are some thoughts that might well be pondered by businessmen as they stand at the crossroads of a new year. What 1949 holds in store no one can say with certainty. The signposts point to several roads. One road leads up the steep inflationary ascent again by way of heavy governmental expenditures and perhaps of deficit spending. Another leads down the gentle slope of a recession that can be salutary if the realities of our economy are accepted and if there is a general effort on the part of business to avoid precipitous action. A third road, however, leads over the precipice if fear gets the better of caution and if everyone seeks only to save himself.

The only thing that can be said with certainty about 1949 is that it will be the kind of year that today's decisions make it. The choice of the road to be followed still lies with men and not with blind fate.

EARLE L. RAUBER

Announcement

The first issue of the BANKERS FARM BULLETIN came from the press this month. This is a new monthly publication of the Federal Reserve Bank of Atlanta. It may be received regularly without charge upon request. Requests should be addressed to the Research Department of this bank.

The appearance of the BANKERS FARM BULLETIN is another evidence of the interest of this bank in the problems of farmers and of the banks that serve them. It will carry news items, discussions, comments, and information on agricultural subjects that are of interest to bankers and to others working in this important part of our economy.

Banking Developments During 1948

LOCAL banking is more immediately and directly influenced by changes in national and international conditions than most other businesses. Statements of the Sixth District member banks for 1948, consequently, reflect the development of important national monetary and fiscal policies. At the same time, bank operations are extremely sensitive to changes in local conditions, and, therefore, the statements of many District banks show marked differences from national trends.

Thus, as District member banks, and banks throughout the rest of the country, experienced pressure on their reserves as a result of Federal Reserve and Treasury policies, they reduced their holdings of Government securities. The reduction in the District was at approximately the same rate as that throughout the nation. District member banks, however, suffered a somewhat greater-than-national rate of decline in deposits, and a lesser-than-national rate of loan expansion.

For the country as a whole, member bank deposits reached their low point for the year at the end of March. The decline resulted partly from heavy tax collections, which, when paid to the Treasury, also reduced member bank reserves. To the extent that the proceeds of these tax collections were used to retire securities owned by the Federal Reserve Banks, they were not returned to the banking system, either in the form of reserves or deposits.

Although at banks throughout the country the deposit decline halted in March, at District banks deposits continued to fall until the end of September. For the first time in many years, business and personal deposits in the District were less than those reported for the corresponding months of the previous year. After September District bank deposits rose, partly as a result of heavy agricultural marketings, but they continued to be lower than those reported during the last quarter of 1947.

Lessened Monetary Expansion

Upward pressures on the price level during 1948 cannot be explained chiefly by an increase in the monetary supply. Total deposits adjusted plus currency in circulation increased only a little over one billion dollars between the end of 1947 and the end of October 1948, compared with an increase of 2.6 billion dollars during the first 10 months of 1947. When time deposits are excluded from the total, there was a decline of 370 million dollars during the first 10 months of 1948. The high monetary level of business activity in 1948 was attained largely by a greater utilization of existing monetary resources. At the Sixth District banks in leading cities, for example, demand deposits adjusted were used at an average rate of 20 in December 1948, compared with a rate of 18 for December 1947.

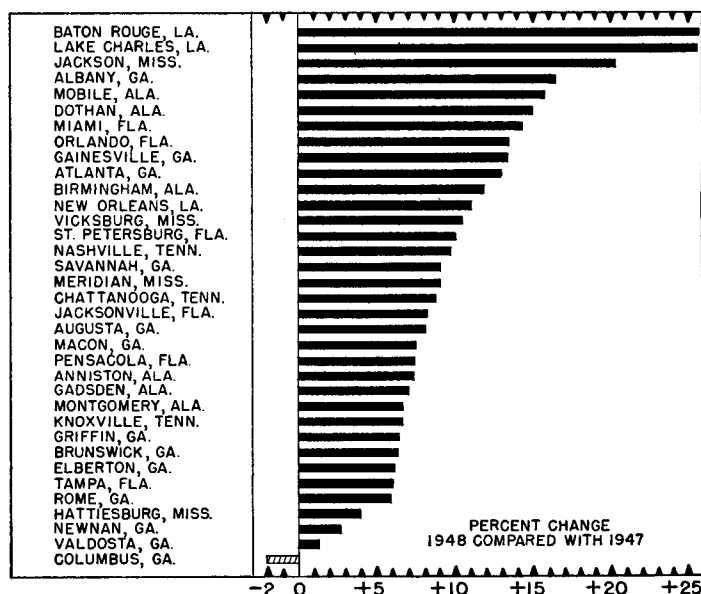
A more moderate loan expansion in 1948 than in 1947 both at banks throughout the nation and in the District contributed to the lessening of the growth in the monetary supply. Indeed, the total of all District member bank loans was less at the end of August 1948 than at the end of 1947, despite an increase in loans at the country banks during the same period. In September, October, and November, total loans rose substantially, principally because of Government loan operations in connection with peanut and cotton loans. December, however, brought a halt to the increase in loans

in contrast to an increase of 44 million dollars during December 1947.

Pressure on Bank Reserves

Part of the lessened rate of bank lending was a response to the anti-inflationary policies of both the Treasury and Federal Reserve authorities. Pressure on bank reserves resulted from the heavy Government debt-retirement program in the first quarter of 1948 and the general increase in reserve requirements in September. The gradual increase in short-term rates on Government securities meant that banks had to sacrifice higher yielding securities during 1948 than in 1947 whenever they wished to bolster their reserves by selling Governments. There were also two increases in the rediscount rate during the year. Pressure on reserves was lessened on a national basis by a continued inflow of gold during the year, by heavy sales of Government securities to the Federal Reserve System, and by a return of currency from circulation.

DISTRICT BUSINESS ACTIVITY SHOWN BY BANK DEBITS



Voluntary Restraint

But member banks at any time during the year could have not only replenished their reserves but could have also increased them even more. If the banks had wished to embark upon a program of unrestrained credit expansion, sale of Government securities on a Federal Reserve-supported market would have supplied the reserves. They did not choose to do so. That choice can probably be credited, at least partly, to the attitude of voluntary restraint encouraged by their own bankers' associations.

Local Variations

An analysis of national conditions alone cannot tell the local banker why his deposits rose less or declined more than those of banks generally. Account must also be taken of local influences. That such influences were operating somewhat differently in the Sixth District than throughout the nation as a whole is shown by comparisons of District with national

trends. Comparing changes from state to state, and from bank to bank within the District, however, show more striking differences.

At mid-year, for example, total deposits of all District member banks were up one percent from those of June 1947. Those for the United States as a whole were up 1.7 percent. Within the District, increases of 4.2 percent in Louisiana and 2 percent in Alabama exceeded the national rate of member bank deposit growth. Tennessee deposits rose 1.4 percent, but declines in total deposits were reported by the Mississippi, Georgia, and Florida banks.

Comparisons of the deposits of reporting banks in 34 important Sixth District cities for the period between the end of 1947 and the end of 1948 are even more striking. Other than interbank deposits decreased 13 percent in one city and increased 49 percent in another. Rates of change in the other cities were between these two extremes. On an average, the deposits of the reporting banks in four of the District states declined. Declines ranged from a less than one percent dip at the Alabama banks to a 3.5 percent decrease for the Florida banks. Other declines ranked as follows—2.9 percent for Georgia; 1.5 percent for Tennessee; and 1.6 for Mississippi. An increase of 3.7 percent in total deposits was reported for the Louisiana banks, and a gain of less than one percent for Mississippi banks.

A Deposit Run-Off?

Do these comparisons between deposit trends in the District indicate that the "run-off" in deposits which so many persons have freely predicted for the postwar period has started? The most superficial analysis assumes that merely because deposits grew in the District during the war period more than they did throughout most of the country, they must necessarily come down when "normal" conditions return. Others have based their predictions of a run-off upon a repetition of conditions during and after World War I. Perhaps a better method of judging the possibility of a run-off of deposits lies in examining present and possible future income changes which more than anything else explain varying rates of deposit change.

Deposits and Income Changes

In Louisiana, 1948 incomes were increased by a combination of rates of gain in farm income and manufacturing employment greater than in the other District states and by a boom in petroleum production. As would be expected, bank deposits in that state registered greater increases than in any other District state. Moreover, the greatest decline in deposits took place in the state where farm income decreased at the greatest rate and where manufacturing employment was, on an average, lower in 1948 than in 1947. Deposit changes in other District states roughly paralleled changes in these income factors.

The greater diversification in the District's sources of income in recent years provides more of a buffer than after World War I. Elsewhere in this issue, it is shown that total manufacturing employment in the District averaged higher during 1948 than in 1947, principally because of the growth of comparatively new industries such as pulp and paper and chemicals. The basis of agricultural income is also becoming more diversified. The greater the progress made in the direction of widening the District's income base, the less likely is there to be a run-off of deposits similar to that of the 1920's.

CHARLES T. TAYLOR.

Sixth District Statistics

INSTALMENT CASH LOANS					
Lenders	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change Dec. 1948 from		Percent Change Dec. 1948 from	
		Nov. 1948	Dec. 1947	Nov. 1948	Dec. 1947
Federal credit unions.....	40	+ 39	+ 34	+ 4	+ 41
State credit unions.....	24	+ 23	+ 11	+ 1	+ 39
Industrial banking companies.....	9	+ 3	- 13	- 0	+ 3
Industrial loan companies.....	17	+ 15	+ 5	+ 1	+ 10
Small loan companies.....	52	+ 28	+ 17	+ 3	- 2
Commercial banks.....	34	+ 7	+ 10	+ 1	+ 38

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change Dec. 1948 from	
		Nov. 1948	Dec. 1947
Total sales.....	36	+176	- 3
Cash sales.....	36	+185	- 17
Credit sales.....	36	+172	+ 6
Accounts receivable end of month.....	35	+ 49	+ 22
Collections during month.....	35	+ 52	+ 5

WHOLESALE SALES AND INVENTORIES*					
Item	No. of Firms Reporting	SALES		INVENTORIES	
		Percent Change Dec. 1948 from		Percent Change Dec. 31, 1948, from	
		Nov. 1948	Dec. 1947	Nov. 30 1948	Dec. 31 1947
Automotive supplies.....	4	+ 15	- 3	- 3	+ 5
Electrical group.....					
Wiring supplies.....	5	- 10	- 14	- 5	+ 2
Appliances.....	10	+ 11	- 8	- 3	+ 25
General hardware.....	9	- 10	- 5	+ 8	+ 26
Industrial hardware.....	5	+ 8	+ 18	- 6	+ 2
Jewelry.....	4	- 32	- 22	..	..
Lumber and building materials.....	4	- 19	- 22	..	..
Confectionery.....	5	- 2	0	..	..
Drugs and sundries.....	11	- 10	+ 2	+ 2	+ 3
Dry goods.....	18	- 35	- 19	- 12	+ 2
Groceries.....					
Full lines.....	34	- 4	- 3	- 12	- 15
Specialty lines.....	7	- 10	- 1	+ 2	- 2
Shoes and other footwear.....	3	- 33	- 25	..	..
Tobacco products.....	9	+ 7	+ 5	- 17	- 5
Miscellaneous.....	11	+ 9	+ 5	- 0	0
Total.....	142	- 7	- 4	- 4	+ 6

* Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND INVENTORIES					
Place	No. of Stores Reporting	SALES		INVENTORIES	
		Percent Change Dec. 1948 from		Percent Change Dec. 31, 1948, from	
		Nov. 1948	Dec. 1947	Nov. 30 1948	Dec. 31 1947
ALABAMA.....					
Birmingham.....	3	+ 47	+ 3	- 28	+ 0
Mobile.....	5	+ 66	+ 3	..	..
Montgomery.....	3	+ 65	+ 6	- 25	+ 12
FLORIDA.....					
Jacksonville.....	4	+ 69	- 6	- 29	- 17
Miami.....	4	+ 64	- 1	- 18	+ 11
Orlando.....	3	+ 62	- 0	..	..
Tampa.....	5	+ 53	- 2	- 22	+ 26
GEORGIA.....					
Atlanta.....	6	+ 41	+ 1	- 35	+ 8
Augusta.....	4	+ 52	- 4	- 30	+ 2
Columbus.....	3	+ 62	+ 3	..	..
Macon.....	4	+ 55	- 6	- 28	- 6
Rome.....	3	+ 78	- 9	..	..
Savannah.....	4	+ 64	+ 4	..	..
LOUISIANA.....					
Baton Rouge.....	4	+ 56	+ 10	- 27	+ 17
New Orleans.....	5	+ 41	+ 5	- 18	+ 23
MISSISSIPPI.....					
Jackson.....	4	+ 44	+ 13	- 22	+ 25
Meridian.....	3	+ 60	- 2	..	..
TENNESSEE.....					
Bristol.....	3	+ 67	+ 2	- 24	+ 12
Chattanooga.....	4	+ 60	- 3	- 25	+ 15
Knoxville.....	4	+ 58	+ 18	..	..
Nashville.....	6	+ 47	- 2	- 23	+ 13
OTHER CITIES.....	19	+ 57	- 1	- 15	+ 14
DISTRICT.....	104	+ 51	+ 2	- 24	+ 11

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

Industry and Employment in 1948

INDUSTRIAL activity in the Sixth District continued at a high level in 1948. The volume of construction increased further, notwithstanding the continued advance in costs; electric power production was greater; and the District's steel mills operated at, or above, rated capacity, except in the spring when activity was curtailed as a result of the coal strike. Textile mill operations, however, averaged somewhat lower, on the basis of the amount of cotton consumed, and coal output was smaller than it was in 1947.

Construction

A near-record level in building and construction was reached in 1948. The total value of contracts awarded in the District during the year, according to F. W. Dodge Corporation statistics, was a little more than a billion dollars, a total that had been exceeded in only one earlier year—in 1942, when there was a large amount of construction for war purposes. The dollar value of contract awards in the District in 1948 was up 22 percent, compared with the total for 1947, but because of the continued rise in construction costs, the increase in the actual volume of construction was about 8 percent. In the first quarter of the year, the total value of contract awards averaged about 71 million dollars a month, which was on a par with the monthly average for 1947. In the second quarter of 1948, however, the value of contracts averaged 110 million dollars, in the third quarter the average was about 90 million dollars, and in the final quarter it was 71 million dollars. In April contract awards totaled 123 million dollars, an amount larger than has been reported for any month since April 1945, and, with the single exception of that month, the largest since August 1943.

Florida led the other five states in the value of contracts awarded in 1948 as it had in most other recent years. For the first 11 months of 1948, awards in Florida were 37 percent of the District's total. Tennessee ranked second, accounting for 21 percent of the total. Louisiana ranked third; Georgia, fourth; Alabama, fifth; and Mississippi, sixth. The largest relative gain was in Louisiana, where contracts increased 47 percent, and Tennessee was next with a 41-percent increase. Only in Mississippi was there a decrease—13 percent.

In 1948 residential construction contracts amounted to 434 million dollars, an increase of 16 percent over the 1947 total, whereas other contracts amounting to 592 million dollars were 26 percent larger than in 1947. Residential contracts accounted for 42 percent of the total; in 1947 they were 44 percent of the total. In 1948 and in 1947, 54 percent of the residential contracts awarded in the District were let in Florida. In the three calendar years since 1945, 43 percent of the total value of construction has been for residential purposes, and more than half of that was in Florida.

The more than 1.1 billion dollars that has gone into residential construction in the District during the past three years has, of course, provided homes or apartments for a large number of families, but it seems to be generally true that many, possibly most, of the houses built for sale have been priced beyond the means of a substantial number of would-be home owners, and this is probably also true of a large proportion of newly constructed rental properties.

Construction Costs

Construction costs advanced in 1948 about a third as much percentagewise as they did in 1947. According to the index for 30 American cities prepared by the American Appraisal Company, construction costs advanced 26 percent in 1947, but in the first 11 months of 1948 the index rose only 7.3 percent. The average increase in costs in 1947, however, was 33.5 percent over 1946, but in the first 11 months of 1948, the average increase was 13.3 percent more than in 1947.

Coal, Steel, and Electric Power

Output of coal in Alabama and Tennessee was somewhat less in 1948 than in 1947. Production was greater in only four months of the year—January, May, June and July—than in corresponding months the year before. In the first ten months of 1948, total output was 4 percent less than in that part of 1947, and on the basis of weekly figures the comparisons for November and December were still more unfavorable.

Activity at the District's steel mills has been a little above rated capacity during most of the year. In the four weeks following the coal strike in the middle of March, however, operations declined to 41 percent and it was the latter part of May before full capacity operations were again reached.

Production of electric power in the District during 1948 was well above the 1947 level. The spring and summer decline was less than half as great percentagewise as that which occurred a year earlier.

Textiles

Cotton textile mill operations during 1948 were at a level about 6 percent below that of 1947 and about 10 percent below that of 1946. On a national basis, textile mill activity declined a little more than 4 percent in 1948. Mills in Alabama, Georgia, Mississippi, and Tennessee consumed 3,208,234 bales of cotton in 1948. Of this amount, mills in Georgia used nearly 59 percent; those in Alabama, about 34 percent; mills in Tennessee, something more than 6 percent; and those in Mississippi, a little more than one percent. Mill consumption of cotton in Tennessee was 4.2 percent lower in 1948 than in 1947, in Georgia it was 5 percent lower, in Alabama it was down 7 percent, and in Mississippi it declined 14.1 percent. In only three months of 1948—June, August, and September—was District mill consumption of cotton larger than in corresponding months of the year before. In January 1948 these mills used more than 312,000 bales of cotton, but in July, when the mills usually shut down for a vacation period, they only used 223,588 bales. This was followed by increases in August and September and decreases in the final quarter of the year.

There are many reasons for the decline in textile mill operations. At the end of the war there was a huge unsatisfied demand for most civilian textile products, and the industry had little difficulty in resuming production for the trade. When price controls were discontinued, prices of most textile products rose rapidly. Between January 1946 and December 1947, prices of 17 staple cotton fabrics nearly doubled, but in the first 10 months of 1948 a sharp decline wiped out about half of this two-year rise. In 1947 there was an unprecedented foreign demand that reached its peak in May, when 147 million square yards of cotton cloth were

shipped abroad. Exports have declined in most months since that time and in June, July, August, and September of 1948 they averaged less than half the May 1947 total. The decline in exports may be due to increased output by foreign mills and to difficulties in obtaining dollar exchange by other countries. As foreign mills are able to increase their production, they are endeavoring to recapture their prewar export trade. The leveling off of domestic demand for many textile products and the sharp decline in exports are the principal causes of the decreased production and the declining prices. Other factors include the constantly increasing use of paper in packaging many products, and the increasing competition of rayon. According to the Department of Agriculture, the proportion of rayon in the total consumption of fine fibers (cotton, rayon, wool, flax, and silk) in the United States has increased from 2.5 percent to 16 percent in the last 20 years.

Employment

Construction employment declined in November from October, but retail trade establishments added to their working forces to accommodate the holiday trade. Employment at Alabama coal mines declined. There was a slight over-all rise in manufacturing employment, but the number of workers was a little below the November 1947 level. Increases in employment from October to November in the food processing industries, in chemicals plants, in primary metals industries, and in ship- and boat-building and repair were only slightly more than enough to offset decreases in textiles, apparel, lumber and wood products, and in paper and paper products.

In the first 11 months of 1948, the number employed in the manufacturing industries of the District averaged larger by three-tenths of one percent than in the corresponding part of 1947. The index compiled by this bank on the basis of the available estimates was slightly lower in the first four months of 1948, and in November, than in those months of 1947; but for the six months, May through October, it was higher.

Manufacturing employment was higher in the first ten months of 1948 than it was a year earlier in Alabama, Louisiana, and Tennessee; in Florida it was lower than in 1947 in the first three months but higher in the other eight; in Georgia it was lower in the first four months, higher in May, June, July and August, and lower in September, October and November; and in Mississippi it was higher than in 1947 only in January. For the 11 months, manufacturing employment averaged 3 percent higher than in 1947 in Alabama, Louisiana, and Tennessee, one percent lower in Florida and Georgia, and 3 percent lower in Mississippi.

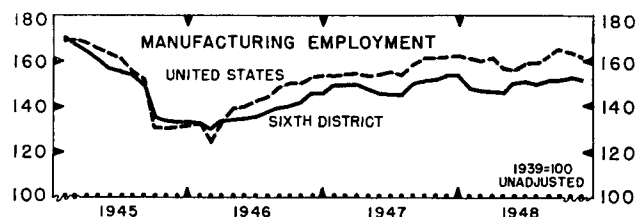
The increases of more than 7 percent in paper and pulp and in apparel reflect, in part, the addition of new establishments. In the food, food processing, and related industries 1948 employment averaged about 6 percent greater than in 1947 in Tennessee and Louisiana, only slightly higher in Alabama and Florida, and slightly lower in Georgia.

In the District's textile mills, employment increased in the first three months of 1948, but thereafter it declined each month through November, except in August; in October and November it was less than in those months of 1947. Employment in the transportation equipment industries averaged 32 percent higher in Tennessee and 38.5 percent higher in Georgia because of new automobile assembly plants, but these gains were more than offset by substantial reductions in workers at shipyards in the other four states.

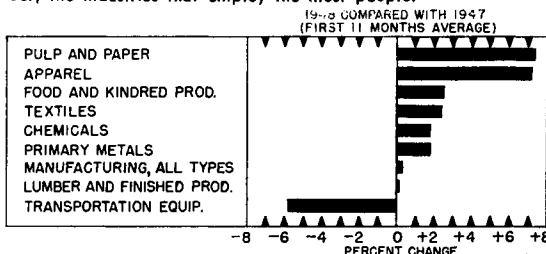
D. E. MONCRIEF

SIXTH DISTRICT INDUSTRIAL TRENDS

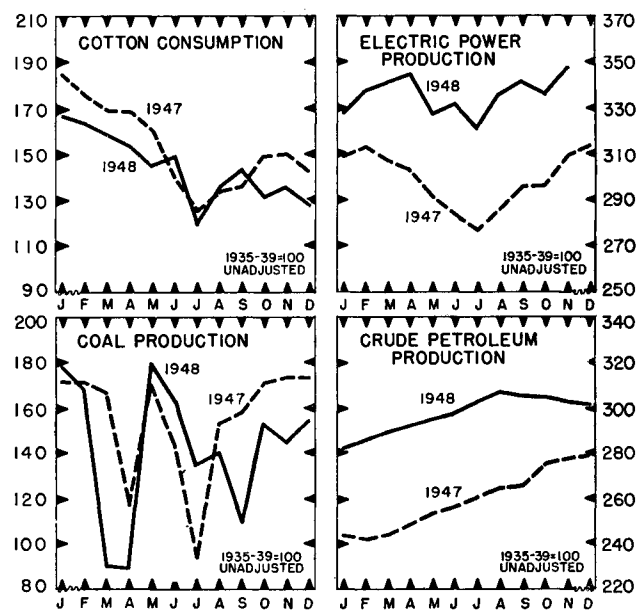
1. Manufacturing employment averaged the same in 1948 as it was in 1947.



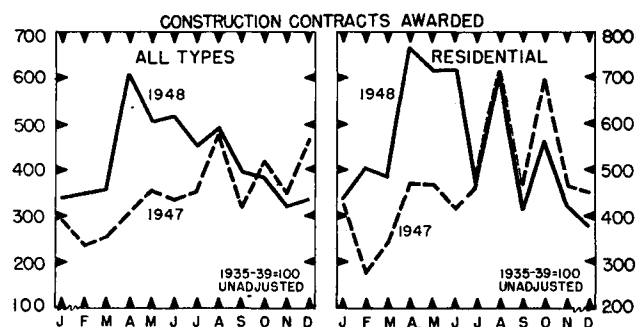
2. Only moderate increases were reported in textiles and lumber, the industries that employ the most people.



3. Decreased textile mill activity was reflected in lower cotton consumption; coal production also declined; but electric power and petroleum production were higher than in 1947.



4. Total construction contracts were up 22 percent for the year, and residential contracts were up 16 percent; but contracts in the last quarter were below those for that period of 1947.



Prices, Sales, and Credit in 1948

RETAIL price changes in 1948 supported both sides of an argument that started when the removal of price controls was first discussed. Those who had argued that removing controls would start an inflationary price spiral resulting in ever-increasing prices could say, "I told you so." Those who had argued that goods, freed from Government restrictions, would come forth in such a swollen stream that inflationary pressures would be eliminated could point to what seemed to be a leveling off in the consumers price index.

On the basis of a numerical count of month-to-month changes through November in the Sixth District consumers price index, those who had predicted continuing price increases had somewhat the better of the argument. During six of the 11 months, the index of consumer prices advanced. In August, at its peak of 180 percent of the 1935-39 average, the index was 4 percent greater than during the last month of 1947. Moreover, the declines that occurred in the index were caused entirely, until November, by lower food prices, which, it might be argued, resulted from bountiful harvests and not from any program of increased production.

To the District housewife, whose food purchases in November were at prices 111 percent greater than they were in the 1935-39 period, even food prices seemed high. Despite bargain sales, November clothing prices were up 6.2 percent from those of the last month of 1947; fuel, electricity, and refrigeration prices were up 5.3 percent; and home furnishings prices were up 4.2 percent; besides an increase of 2.7 percent in the cost of miscellaneous consumer items.

But, beginning with September, the three successive drops in the index that brought it down in November to a point only 1.2 percent greater than it was at the end of 1947, others might say, pointed to an end of inflationary pressures. Declines in food prices, they would admit, accounted for practically all of the decline in the total index. But there was also a noticeable slackening in the rising price trends for other types of consumer goods.

Sales Records Differed

Sales records of District retail merchants were influenced not only by these price changes but also by the satisfying of what once had seemed unlimited demands for certain types of goods. How well a retailer did in 1948, compared with 1947, depended upon the types of goods he sold more than upon anything else. Available data indicate that among the retail merchants, household appliance and motor vehicle dealers had the greatest rates of increase in dollar sales.

Department store sales were bolstered not only by greater sales of appliances but also by expanded sales of women's ready-to-wear. Lumber and building materials dealers were also among those enjoying the highest rates of sales increase. Furniture stores, however, sold 3 percent less during 1948 than in 1947. With the exception of food dealers, whose sales were up about 6 percent in 1948, the merchants with substantial sales gains specialized in or sold a considerable amount of durable goods.

Retailers specializing in nondurable goods had poorer records. Combined sales of all types of apparel stores edged up slightly above 1947 sales, but only because gains at women's

ready-to-wear stores offset declines at men's clothing stores. Drug stores, liquor stores, and eating places all reported slight declines in sales, whereas jewelers ended the year with annual sales down 5 percent.

Despite the favorable comparisons for the entire year for most lines of trade, a changed sales trend began for many retailers in the latter part of the year. At department stores, for example, the seasonally adjusted indexes after April, although substantially above those for the corresponding months of the previous year, showed relatively little advance. In November, instead of increasing at the much greater-than-seasonal rate as it did in 1947, the seasonally adjusted index fell to a point lower than it had been since February and below the level of November 1947. Sales recovered somewhat in December to bring the index slightly above that for December 1947 but it was below that for June, August, September, and October of the same year.

The fourth quarter of 1948 brought sales declines at other types of retail stores. In October, November, and December, furniture store sales were below those for the corresponding months of 1947. Moreover, household appliance dealers reported similar experiences, despite their hitherto unbroken record of sales increases since the end of the war. Except for motor vehicles there was no line of business that showed uniform sales advances in November in any District community surveyed. Even the lumber and building material dealers in the Atlanta and Birmingham areas reported that November 1948 sales were less than in November 1947.

Persons who had been watching wholesale trends had already noticed weakening in some lines of durable goods, even before the weaknesses showed up on the retail level. Household appliance wholesalers, for example, found their October sales below those of October 1947; and plumbing and heating supply dealers have had lower sales each month beginning with August 1948 than in the corresponding months of 1947.

Cold weather, warm weather, new consumer credit controls, changed Christmas shopping habits, and a final consumer resistance to high prices were among the explanations put forward for the change in sales trends. As logical as these explanations appear, many observers can offer equally logical reasons why such explanations are not entirely satisfactory. Too much emphasis, some of them add, may be given to the significance of short-run changes. They recently have noticed, however, a change in the factors governing the long-run outlook.

Factors in Postwar Buying

Consumer buying is not an automatic process which consists in pouring dollars into one end of a machine and ringing up an equivalent amount of sales as the dollars come out of the other end. Between the receipt of income and its use, there are a multitude of human decisions that govern the volume of consumer purchasing. Although a large volume of purchasing power is favorable to a high level of consumer spending, it does not necessarily result in the spending of an equal amount unless the right decisions are made.

Since the close of the war, consumers throughout the nation have been making unusually high investment expendi-

tures, if we define investment broadly. In order to get commodities which they had been deprived of during the war years, they were willing to use their savings and in some cases to go into debt. Their expenditures for durable goods increased from 8.3 billion dollars in 1945 to an annual rate of 23.6 billion in the third quarter of 1948. Also, expenditures have been heavy for construction of new homes.

To a considerable extent the purchases of many non-durable goods have also been in the nature of investment expenditures. The new suits veterans bought after they were released from the services; the household items newly married veterans' wives bought when they set up housekeeping; the white shirts men bought to replace the frayed and torn ones which they had to wear during the war shortages; and many other items, although certainly not as durable as household appliances and radios, were bought in greater quantities than were necessary for replacement only.

The old economic axiom that man's wants are insatiable probably cannot be refuted when it is applied to mankind in general. But the axiom does not mean that a consumer's wants for any particular good or class of goods are without limits. Specific limits apply especially to his wants for goods of the consumer investment nature. After they have concentrated their purchases for goods of these types during one period, consumers may not make similar purchases until the goods are worn-out or become obsolescent. Total demands for specific types of goods may, therefore, be limited even though purchasing power remains high.

Such a process, of course, may involve merely a shift in demand for one type of goods to others. It may mean that consumers decide to save more. Or, if their investment expenditures had been financed by going into debt, they may use their incomes to pay off those debts. Either of the latter possibilities can result in lower consumer purchases despite continued high incomes.

To a considerable extent, consumer purchases since the end of the war have been financed by consumer credit. American consumers owed about 10 billion dollars more by the end of 1948 than they had at the end of 1945. This additional credit helped consumers buy more than they would otherwise have been able to do during the postwar years. But one of the sad things about borrowing is that repayment has to be made. So long as the consumer is going into debt, his purchasing power increases; when he pays off his debts, unless he is willing to go into debt still farther, he finds himself with reduced purchasing power. Continued expansion of consumer credit since the end of the war has brought that condition closer for many consumers regardless of presence or lack of consumer credit controls.

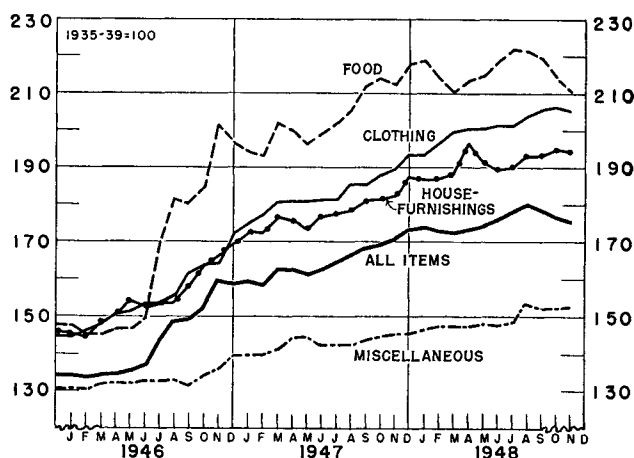
New Competition

On the basis of this analysis, it is fairly safe to predict that there will be important shifts in consumer spending during 1949, even though consumer incomes continue at their present high level. Retailers will not only have to compete with one another for the consumer's dollar, but they will also have to compete with the consumer's creditors and with the consumer's disposition to save. Retailers in the Sixth District, consequently, face a much different outlook this year than they have at the beginning of any other postwar years.

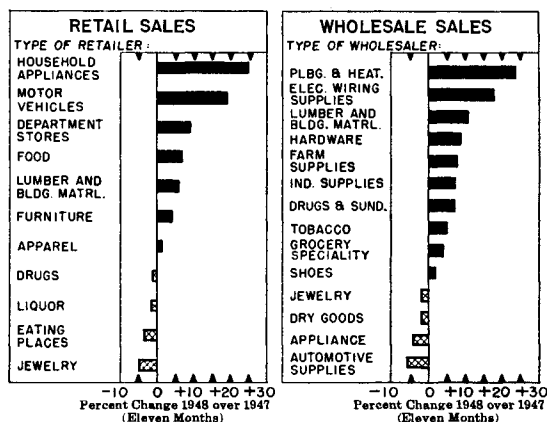
CHARLES T. TAYLOR

SIXTH DISTRICT TRADE IN 1948

1. After advancing during most of 1948, consumer prices edged downward during the latter part of the year, primarily because of declining food prices.

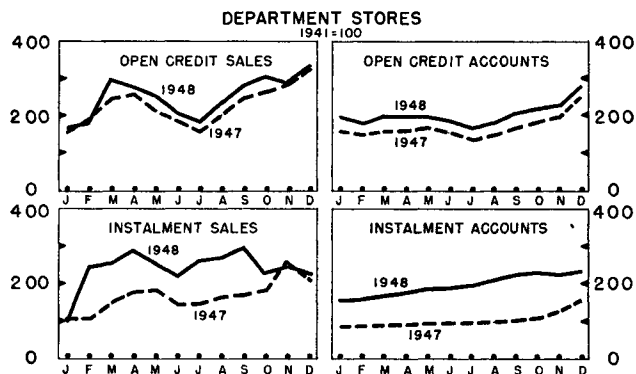


2. Merchants selling durable goods made the greatest gains.



3. Most merchants sold more on credit.

4. This resulted in increased accounts receivable.



Source—Estimates based on Federal Reserve Bank of Atlanta and United States Department of Commerce data.

Farming in 1948

AT THE beginning of 1948, District farmers were facing the prospect of lower prices for their products and rising production costs. The sharp drop in grain prices in February was followed by declines in the prices of nearly all farm commodities. During the first quarter of the year, cloudy and rainy weather hampered farm work so seriously that in some areas farmers had to reseed crops and apply additional fertilizer. After this poor start, however, the growing season became so favorable that record yields were established for several crops. Total production was much larger than it was in the preceding year, even though the acreage of harvested crops was slightly less. For the District as a whole, the increase in production was large enough to more than offset the effects of lower prices and to give farmers a gross income larger than that of any other year.

Production

The large increase in the cotton crop overshadowed all other production increases made by District farmers, although the year was one of outstanding production for nearly all crops. Cotton growers in the District states planted only 8 percent more acreage to cotton in 1948 than they did in 1947. Because of very high yields, however, production is estimated at 5.7 million bales, an increase of 37 percent.

Growing conditions during much of 1948 were so favorable that corn and cotton in the same area made maximum growth. Corn acreage usually accounts for about half of the total cropland harvested in the District and is almost double the cotton acreage. Farmers in the District states harvested 12 million acres of corn in 1948, slightly less than the 1947 acreage. Because of high yields in the main corn-producing states, however, the total crop of 260 million bushels was 22 percent larger than the 1947 crop. Record yields were established in Alabama, Georgia, Tennessee, and Mississippi.

Production of most other important cash crops was also large, but decreases were reported for a few products. The 1948 crop exceeded the 1947 crop by 7 percent for peanuts, 56 percent for soybeans, 7 percent for rice, 19 percent for sugarcane, and 42 percent for cottonseed. The output of tobacco, Irish potatoes, and sweet potatoes, on the other hand, was smaller in 1948 than it was in the preceding year.

The production of livestock and livestock products was about the same in 1948 as it was in 1947. During the first ten months of 1948, total livestock slaughter was one percent larger than in the corresponding period of 1947. Milk production per cow increased 2 percent from 1947 to 1948. Total milk production, however, decreased 2 percent because there were fewer milk cows on farms in 1948 than there were in 1947. For the first 11 months of 1948, egg production was approximately 2 percent less than for the corresponding period for 1947.

Prices

Farmers in the District states received slightly lower average prices for their products in 1948 than they did in 1947. Although on the average, prices were down only one percent, they were about one-fifth lower on some commodities, such as citrus fruit and truck crops. On the other hand, prices received for most livestock and livestock products were high-

er; for the entire year beef cattle prices were up 27 percent. Increases of about 10 percent for eggs and dairy products were recorded, but for the District's most important cash crops, cotton and peanuts, prices were almost the same in 1948 as they were in 1947.

Income and Costs

Cash receipts from farm marketings in the District states amounted to around 2.7 billion dollars in 1948, an increase of 8 percent over the preceding year. Larger returns from cotton account for most of the increase. In Mississippi and Louisiana, where a large proportion of total farm income usually comes from cotton, cash receipts in 1948 exceeded those in 1947 by 12 percent and 22 percent, respectively. Because of lower prices for citrus fruit and truck crops, Florida growers received 3 percent less cash income in 1948.

For District farmers, as for all farmers, the year just past was one of steadily increasing costs of nearly all items used in production. In the year ending October 1948, farm wage rates increased 7 percent. Wage rates for picking cotton increased, however, 9 percent. Although in Mississippi and Louisiana, because of the large increase in the cotton crop, picking rates increased by 25 percent and 17 percent, respectively. Fertilizer, which usually accounts for about 15 percent of District farmers' total production costs, was 12 percent higher in 1948 than in 1947. The price of the fertilizer used on cotton increased 10 percent in Alabama, 8 percent in Georgia, 9 percent in Tennessee, 13 percent in Louisiana, and 21 percent in Mississippi. Since many farmers have substituted tractors for workstock, the 11-percent rise in gasoline and oil prices increased production costs considerably.

The largest increases in costs were for those items made from metal. For example, in the year ending in September 1948, prices for barbed wire increased 18 percent; heavy tractors, 20 percent; tractor-drawn plows, 23 percent; horse-drawn plows, 12 percent; and harrows, 25 percent.

There were also increases in other cost items in the same period, such as the 8-percent increase in the cost of maintenance and repair of farm buildings. Feed, the major expense item in producing livestock, however, was only 4 percent higher in 1948 than in the preceding year.

Total production expenses in the District states are estimated at 1.3 billion dollars, an increase of 8.5 percent over 1947. Although farmers used more fertilizer and hired more labor for harvesting in 1948 than they did in 1947, most of their increase in costs was attributable to higher prices. If the larger 1948 crop production had been attained by increasing acreage rather than yields, production expenses would have been much higher. Because of the high yields, however, farmers were able to increase their output with a minimum of increased expense and thus increase their net income about 100 million dollars, or 7.4 percent.

Changes in net farm income vary widely, of course, from state to state and from farm to farm. Farmers in the states where cotton is the source of a large proportion of total income had the largest increases in net income from 1947 to 1948. In Mississippi, for example, it is estimated at 3.4 million dollars for 1948, a 14-percent increase over 1947.

Financial Position

In spite of rising production costs and some increase in debts, most District farmers improved their financial position during the past year. As the year ended, the value of stored crops owned by farmers exceeded the value of stored crops at the end of 1947 by more than enough to offset any increase in farm-mortgage debt and non-real-estate debt. However, farmers had to borrow more money in 1948 than in the preceding year. On June 30, 1948, farmers in the District states owed the commercial banks and the production credit associations 240 million dollars on loans not secured by farm real estate, or 22 percent more than they owed these institutions on the same date in 1947. Much of the increase in the amount of production loans outstanding was attributable to an increase in the average size of loan. Farm loans not secured by farm real estate outstanding at District banks increased from 99 million dollars on June 30, 1947, to 118 million dollars on the same date in 1948, a 19-percent increase. During the same period, farm real estate loans at District banks increased 16 percent in amount. Although the Department of Agriculture reported an increase in land values during this period, the average size of farm real estate loans made at District banks in 1948 was smaller than it was in 1947.

In the short run, of course, a change in the amount of farm production loans outstanding does not necessarily indicate a change in farmers' financial position. Last year the nation's farmers spent 40 percent more than they did in 1947 for building, motor vehicles, and other machinery and equipment. Loans for capital improvements should help to increase farmers' earning power and thus strengthen their financial position.

Increases in farm real estate loans, on the other hand, could result in serious financial burdens if farm incomes should decline rapidly. Since 1945 the total of these loans has increased steadily in the District states. At District banks, however, the total of such loans increased less in the year ending June 30, 1948, than in the preceding year. For the first half of 1948, the amount of farm mortgages recorded by all lenders was less than in the first half of 1947.

Government Farm Programs

Without the Government price-support programs, it is quite likely that District farmers would have received less income from their 1948 crop than they received for the smaller 1947 crop. By producing large crops in 1948, they were able to take the maximum advantage of the farm price supports offered by the Government. For several of their most important cash crops, however, the years of unrestricted production at support prices are at an end or nearing an end. In 1948 tobacco production was restricted, in 1949 peanut production must be reduced, and it seems almost certain that cotton production must be restricted in 1950.

Although 1948 was a very satisfactory year for most District farmers, it will be extremely difficult for them to hold their net income in 1949 at the 1948 figure. Since cotton acreage quotas will not be in effect this year, there is a possibility of increasing cash receipts by growing a larger acreage of cotton. Larger acreages, however, will mean larger costs if the prices farmers pay remain unchanged. Farm price supports will protect most District farmers from a drastic decline in net income but some decline seems probable.

BROWN R. RAWLINGS

Sixth District Indexes

DEPARTMENT STORE SALES*						
Place	Adjusted**			Unadjusted		
	Dec. 1948	Nov. 1948	Dec. 1947	Dec. 1948	Nov. 1948	Dec. 1947
DISTRICT.....	405	362	394	635	434	619
Atlanta.....	470	397	466	668	493	662
Baton Rouge.....	475	428	429	727	484	656
Birmingham.....	413	375	395	636	450	608
Chattanooga.....	381	335	391	586	382	602
Jackson.....	409	358	361	597	430	527
Jacksonville.....	445	356	472	695	427	736
Knoxville.....	420	356	355	638	420	539
Macon.....	310	289	332	543	364	581
Miami.....	421	364	407	699	444	676
Montgomery.....	419	339	394	662	417	623
Nashville.....	484	438	497	716	508	735
New Orleans.....	378	360	364	575	425	553
Tampa.....	523	470	532	816	554	829

DEPARTMENT STORE STOCKS						
Place	Adjusted**			Unadjusted		
	Dec. 1948	Nov. 1948	Dec. 1947	Dec. 1948	Nov. 1948	Dec. 1947
DISTRICT.....	381	402	344	320	422	289
Atlanta.....	450	489	419	366	566	340
Birmingham.....	285	294	283	249	347	248
Montgomery.....	355	344	317	300	401	269
Nashville.....	572	543	508	486	631	432
New Orleans.....	347	329	283	304	371	248

GASOLINE TAX COLLECTIONS***						
Place	Adjusted**			Unadjusted		
	Dec. 1948	Nov. 1948	Dec. 1947	Dec. 1948	Nov. 1948	Dec. 1947
SIX STATES.....	194	198	168	198	204	171
Alabama.....	192	201	175	196	207	178
Florida.....	186	177	164	185	172	163
Georgia.....	180	179	156	179	185	155
Louisiana.....	220	225	164	223	236	165
Mississippi.....	184	175	159	188	192	162
Tennessee.....	204	226	191	220	243	206

COTTON CONSUMPTION*				ELECTRIC POWER PRODUCTION*			
Place	Dec. 1948	Nov. 1948	Dec. 1947		Nov. 1948	Oct. 1948	Nov. 1947
TOTAL.....	128	136	143	SIX STATES.....	347	336	309
Alabama.....	140	143	146	Hydro.....			
Georgia.....	127	136	144	generated.....	261	217	227
Mississippi.....	92	105	100	Fuel.....			
Tennessee.....	99	110	129	generated.....	461	491	416

MANUFACTURING EMPLOYMENT***				CONSTRUCTION CONTRACTS			
Place	Nov. 1948	Oct. 1948	Nov. 1947	Place	Nov. 1948	Oct. 1948	Nov. 1947
SIX STATES.....	152	152	154	DISTRICT.....	321	382	348
Alabama.....	158	158	159	Residential.....	425	561	467
Florida.....	142	133	139	Other.....	270	296	291
Georgia.....	146	147	149	Alabama.....	312	293	245
Louisiana.....	154	155	154	Florida.....	447	414	488
Mississippi.....	154	148r	162	Georgia.....	225	435	324
Tennessee.....	155	158	157	Louisiana.....	249	515	579
				Mississippi.....	126	176	117
				Tennessee.....	399	344	324

CONSUMERS PRICE INDEX				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Item	Dec. 1948	Nov. 1948	Dec. 1947		Dec. 1948	Nov. 1948	Dec. 1947
ALL ITEMS.....	175	175	173	Unadjusted.....	21.5	21.5	20.9
Food.....	210	211	217	Adjusted**.....	19.0	20.3	18.5
Clothing.....	204	205	193	Index**.....	77.1	82.2	75.1
Fuel, elec., and ice.....	138	138	131	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings.....	196	195	196		Dec. 1948	Nov. 1948	Dec. 1947
Misc.....	153	153r	146	Unadjusted.....	302	302	279
Purchasing power of dollar.....	.57	.57	.58	Adjusted**.....	312	298	289

*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	Jan. 19 1949	Dec. 22 1948	Jan. 21 1948	Percent Change Jan. 19, 1949, from	
				Dec. 22 1948	Jan. 21 1948
Loans and investments—					
Total	2,295,051	2,308,610	2,371,301	— 1	— 3
Loans—Net	854,098	872,680	842,480	— 2	+ 1
Loans—Gross	862,923	880,624	.....	— 2	..
Commercial, industrial, and agricultural loans	542,633	552,761	526,686	— 2	+ 3
Loans to brokers and dealers in securities	4,571	6,825	7,512	— 33	— 39
Other loans for pur- chasing and carrying securities	51,349	54,989	64,011	— 7	— 20
Real estate loans	65,641	65,521	68,671	+ 0	— 4
Loans to banks	4,519	5,170	4,546	— 13	— 1
Other loans	194,210	195,358	171,054	— 1	+ 14
Investments—total	1,440,953	1,435,930	1,528,821	+ 0	— 6
Bills, certificates and notes	408,048	403,688	364,597	+ 1	+ 12
U. S. Bonds	849,757	1,248,127	975,558	— 32	— 13
Other securities	183,148	187,803	188,666	— 2	— 3
Reserve with F. R. Bank	505,037	490,126	477,124	+ 3	+ 6
Cash in vault	41,546	47,352	43,003	— 12	— 3
Balances with domestic banks	194,042	196,506	196,999	— 1	— 2
Demand deposits adjusted	1,765,079	1,771,937	1,801,617	— 0	— 2
Time deposits	530,748	522,341	545,751	+ 2	— 3
U. S. Gov't deposits	28,073	32,409	17,788	— 13	+ 58
Deposits of domestic banks	535,708	527,286	561,413	+ 2	— 5
Borrowings	.....	7,000	12,100	..	..

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Dec. 1948	Nov. 1948	Dec. 1947	Percent Change Dec. 1948 from	
					Nov. 1948	Dec. 1947
ALABAMA						
Anniston.....	3	25,243	23,866	23,193	+ 6	+ 9
Birmingham.....	6	374,127	322,740	354,520	+ 16	+ 6
Dothan.....	2	14,939	14,771	13,454	+ 1	+ 11
Gadsden.....	3	20,784	20,259	19,200	+ 3	+ 8
Mobile.....	4	153,012	137,661	156,882	+ 11	— 2
Montgomery.....	3	83,584	79,225	79,153	+ 5	+ 6
FLORIDA						
Jacksonville...	3	288,282	261,307	283,439	+ 10	+ 2
Miami.....	7	281,618	243,375	272,190	+ 16	+ 3
Greater Miami*	13	377,735	348,392	375,695	+ 8	+ 1
Orlando.....	3	57,007	48,117	52,429	+ 18	+ 9
Pensacola.....	3	37,960	35,407	36,507	+ 7	+ 4
St. Petersburg...	3	59,527	53,091	54,696	+ 12	+ 9
Tampa.....	3	123,068	108,669	124,097	+ 13	— 1
GEORGIA						
Albany.....	2	24,163	24,057	24,638	+ 0	— 2
Atlanta.....	4	976,034	884,923	902,276	+ 10	+ 8
Augusta.....	3	61,099	53,213	59,817	+ 15	+ 2
Brunswick.....	2	10,273	8,432	9,371	+ 22	+ 10
Columbus.....	4	59,706	51,699	63,559	+ 15	— 6
Elberton.....	2	4,344	4,485	4,575	— 3	— 5
Gainesville*	3	14,995	14,703	15,001	+ 2	— 0
Griffin*	2	12,195	11,489	12,842	+ 6	— 5
Macon.....	3	66,396	59,939	62,689	+ 11	+ 6
Newnan.....	2	9,726	9,019	12,075	+ 8	— 19
Rome*	3	24,073	21,981	23,648	+ 10	+ 2
Savannah.....	4	100,001	87,582	106,781	+ 14	— 6
Valdosta.....	2	13,406	12,971	11,988	+ 3	+ 12
LOUISIANA						
Baton Rouge...	3	112,652	112,706	84,860	— 0	+ 33
Lake Charles...	3	38,910	35,245	32,008	+ 10	+ 22
New Orleans...	7	764,149	702,890	697,243	+ 9	+ 10
MISSISSIPPI						
Hattiesburg...	2	17,419	16,633	15,749	+ 5	+ 11
Jackson.....	4	133,789	130,439	116,249	+ 3	+ 15
Meridian.....	3	27,371	27,226	28,105	+ 1	— 3
Vicksburg.....	2	30,498	31,452	28,721	— 3	+ 6
TENNESSEE						
Chattanooga...	4	160,335	134,967	157,445	+ 19	+ 2
Knoxville.....	4	148,442	112,208	132,761	+ 32	+ 12
Nashville.....	6	326,554	297,226	312,502	+ 10	+ 4
SIXTH DISTRICT						
32 Cities.....	110	4,604,418	4,145,800	4,333,172	+ 11	+ 6
UNITED STATES						
333 Cities.....		122,277,000	102,887,000	118,382,000	+ 19	+ 3

* Not included in Sixth District total

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Bank Announcements

The Federal Reserve Bank of Atlanta is pleased to welcome three banks to membership in the System, two of which became members on January 3. One of these banks is the Central State Bank, Calera, Alabama. The officers of this bank are Roy Downs, president and cashier, and Max Baer, vice president. It has capital of \$25,000, surplus of \$15,000, undivided profits and reserves of \$34,000, and \$720,000 in deposits.

The other new member of January 3 is the First National Bank of Pulaski, Pulaski, Tennessee. This bank came into existence as a conversion of the former Richland Bank. Its officers are L. Riggs Harwell, president; Thomas F. Booth, vice president; Parmenas Cox, first active vice president; Robert E. Curry, vice president; William N. Horne, cashier; Edwin Booth, assistant cashier; and James K. Blackburn, Jr., appraiser. This bank has a capital of \$100,000, surplus of \$80,000, and deposits of \$3,200,000.

On January 10 the Childersburg State Bank, a primary organization in Childersburg, Alabama, opened for business as a member bank. This bank has total capital accounts amounting to \$75,000. Its officers are Robert M. Cleckler, president, and Roy Downs, vice president and cashier.

On January 1 five banks were admitted to the Par List. The first of these is the Peoples Exchange Bank, Beatrice, Alabama. Its officers are P. S. Jackson, president; J. Lindsey Finklea, vice president; Albert A. Nettles, vice president; Thomas A. Black, cashier; and Rebecca W. Black, assistant cashier. This bank has a capital of \$25,000, surplus and undivided profits of \$31,500, and total deposits of \$480,000.

The second addition to the Par List is the Peoples Bank, Frisco City, Alabama. The officers of this bank are J. B. Barnett, chairman of Board and president; J. J. McWilliams, vice president; J. A. Hayles, vice president; W. S. Gaston, cashier; Ruth Hendrix, assistant cashier; and Wilson Stacey, assistant cashier. This bank has capital amounting to \$25,000, surplus and undivided profits to \$34,000, and total deposits to \$602,000.

The third addition to the Par List is the Monroe County Bank, Monroeville, Alabama. The officers of this bank are J. B. Barnett, president; C. H. McCall, vice president; A. J. Smith, vice president; John B. Barnett, Jr., cashier; and A. L. Johnson, assistant cashier. It has a capital of \$50,000, surplus of \$50,000, undivided profits of \$87,562.85, and deposits amounting to \$1,795,787.06.

The fourth addition to the Par List is the Peterman State Bank, Peterman, Alabama. The officers of this bank are P. S. Jackson, president and cashier; C. J. Jackson, vice president; and M. L. Williams, assistant cashier. This bank has a capital of \$25,000, surplus and undivided profits of \$41,500, and total deposits of \$640,000.

The last of the five additions to the Par List is the First Bank of Clewiston, Clewiston, Florida. The officers of this bank are C. V. Parkinson, president; J. S. Cottrell, vice president; E. L. Stewart, executive vice president; and C. J. Lovvorn, cashier. This bank has a capital of \$30,000 and a surplus and undivided profits of \$127,000. Its deposits amount to \$2,075,000.