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Farm Community Improvement

THE American businessman is unique among the businessmen of the world in many ways, not the least of which is his public spirit and his sense of social responsibility. Although he has a healthy regard for his own interests in all of his business relationships, outside of business there is no one who gives more of his time, money, and effort to the improvement of social and economic conditions than does the American businessman. The amazing profusion with which hospitals and medical foundations, schools, colleges, and universities, churches and libraries, to say nothing of a myriad of local welfare and cultural institutions, are strewn across the country is tangible evidence of the American businessman's practical idealism.

Among the many things to which the businessman has given his support, agriculture and the welfare of the farmer stand out as particularly important. If any of the traditional hostility between the countryside and the city still persists—a hostility that has its roots deep in history—it cannot fairly be laid at the door of the city businessman in the United States. In nearly all of his organizations—the Chambers of Commerce and the many civic clubs—he sponsors and supports a wide variety of programs that have for their purpose the bridging of the gap between town and country; the cultivation of more intimate rural-urban relations; a greater understanding of each other's problems; and the improvement of social and economic conditions within farm communities.

This widespread interest of businessmen in the welfare of the farmer springs from more than one source. In part it is explained by the fact that many businessmen are still close to fairly humble beginnings and are proud of it. To a large extent, they have come from the country and the small town and, in spite of all their later achievements, have never ceased to identify themselves with the people and places that weave the tapestry of their boyhood memories.

In part, too, this interest in agriculture arises from a profound conviction that the land is the ultimate source of all that we are and of all that we have, and that the cultivators of the soil deserve special consideration from all the rest of us. This conviction may be mistaken. It can easily be disposed of by arguments built of words and concepts. Nevertheless, in the world of fact as opposed to the world of theory, it abides as a persistent element in the thinking of anyone who still senses the unity of man and nature. The businessman is no theoretician, so it is not surprising that he should share the general feeling that the land and the wel-

fare of the people on the land are in some way the personal responsibility of each of us.

Aside from this feeling, there are very practical reasons for being concerned with the living conditions prevailing in farm communities. For a couple of generations there has been a marked tendency for population to move from the farm to the city. Insofar as improved farm technology requires fewer people on the land, this migration is healthy, especially if it is the less efficient farmer who migrates. There is reason to suspect, however, that this may not always be the case. The farmer who migrates to the city may actually be a man who is more alert than others to his opportunities and who has initiative enough to take advantage of them. He may be precisely the kind of man who, in the interest of better agriculture, should remain on the farm.

Although living conditions on American farms have improved enormously during the last few decades and farmers generally have prospered during and since the recent war, it remains true that the typical farm community lags far behind the town or the city in the comforts and conveniences of modern life. If the better men of the younger generation are to be retained on the farm, this difference between the quality of life on the farm and the quality of life in the city must be narrowed. Anything that contributes to this end, therefore, is important to the future of agriculture, to say nothing of its importance for the stability of the nation's social structure.

Sensing this, businessmen, through their various organizations, have tried in many ways to do what they could to keep the right kind of young people on the farms. They have interested themselves in farm youth organizations and have sponsored contests and have awarded prizes to 4-H Club boys and girls and to the Future Farmers of America for achievements in many lines. They have given plaques and certificates of recognition to farmers who have followed approved soil conservation practices. They have done these and many other things, all of them good, but their total impact on the level of farm living has been negligible.

The Birth of an Idea

Early in 1943 the dissatisfaction of certain business groups in East Tennessee with their previous approach to the problem of improving urban-rural relations led to the inauguration of a new type of program that has now assumed the proportions of a "movement." Specifically, the idea appears to have been born in Knoxville in the course of discussions held by the

agricultural committee of the Rotary Club with the Kiwanis Club and the Agricultural Extension Service of the University of Tennessee for the purpose of developing a more significant type of farm program.

The outcome of these discussions was the organization of the East Tennessee Community Improvement Contest. Because of the magnitude of the undertaking, it was thought best to invite the participation of all civic and business groups. The committee that sponsors the program in the Knoxville trade area, therefore, consists of two representatives each from the Knoxville Chamber of Commerce, the Junior Chamber of Commerce, the Tourist Bureau, the Tennessee Valley Agricultural and Industrial Fair, the Exchange Club, the Optimist Club, the Rotary Club, the Kiwanis Club, the Civitan Club, and the Lions Club. The Extension Service of the University is also included and plays an important role in the whole plan. The chairmanship of the committee is rotated among the co-operating organizations and the whole committee meets monthly to handle the many details and problems that arise.

Essentially, the idea of the Community Improvement Contest is simple. The sponsoring committee in Knoxville raises money by subscription from organizations and individuals for the purpose of awarding prizes to farm communities making the greatest progress in improving community conditions during the contest year. The contest is carried out on a county basis, some one or more organizations in each county of the area acting as sponsor. The county sponsor, with the co-operation of the County Agent and the Home Demonstration Agent, then seeks to organize as many farm communities as possible for entry in the contest.

The new community organization, usually called a Community Improvement Club, is not meant to displace organizations already existing in the community. It aims, rather, at integrating the work of such organizations into a common plan for community improvement. Each participating community studies its own needs, makes its own plan for the year, and proceeds to carry out its plan to the best of its ability. In all of these steps, the technical assistance of the Extension Service is vitally important.

At the close of the contest year, each community is judged by local judges appointed by the county sponsor and the county winner is then determined. Prizes in the county contests are awarded from subscriptions raised by the county sponsors. The winners of the county contests then become the participants in the trade area contest and are judged by a group chosen by the East Tennessee Community Improvement Contest Committee. Prizes in the area contest are usually awarded to the county winners at a banquet given in their honor. There are additional sweepstakes prizes that are awarded to the best communities among the previous area winners.

All judging in the three contests—the county contest, the area contest, and the sweepstakes contest—is done partly on the basis of written reports submitted by each participating community and containing a narrative description of its plan and its accomplishments for the year together with supporting statistical data. In addition to this, however, the judges visit each community so that they may see with their own eyes what has been done and thus be in better position to evaluate the progress that has been made.

Scoring in the contest is on the basis of 1,000 points. In East Tennessee, 200 points are allotted to the development

and improvement of sound systems of farming, including erosion control, soil improvement, production of food and feed, and the development of balanced farm plans. The provision of a home food supply also rates 200 points. This includes the production, conservation, storage, and use of adequate amounts of the proper foods for maintaining a balanced diet for the family. Another 400 points is allotted to community organization and development. This category includes the social, economic, educational, and religious activities of the community as well as the extent to which families co-operate in the community plan. A final 200 points is allotted to improvement in the appearance, convenience, and comfort of the home and farm. This includes all improvements in living conditions that contribute to greater beauty, better health, more convenient operations, the saving of labor, and the more economical use of time.

This, then, is the skeleton of the farm community improvement program that was developed in East Tennessee. The objectives of the program are nothing new. They are things that have, for years, been striven for by the Extension Service and by business and civic groups in their various agricultural programs. The method of achieving these objectives, moreover, is simple and, indeed, almost naive—the calling forth of action by means of contests and prizes. In spite of the obviousness of its objectives and the simplicity of its methods, however, this plan has “caught on” where others have failed to do so. In a relatively short time it has brought about an amazing transformation in many communities, a result that would have been achieved under other plans only after years of patient and laborious effort, if at all.

The Idea Spreads

The idea that was born in East Tennessee, however, did not long remain the exclusive possession of that area. Its striking success led to its adoption elsewhere in the state until every county in Tennessee is now included in the movement. East Tennessee began in 1944, its first contest year, with 64 communities organized in 16 counties. By 1948 this area had 190 communities organized in 26 counties.

From East Tennessee, the idea spread to Middle Tennessee, where the Farmers Club of the Nashville Chamber of Commerce took it up. Beginning in 1945 with 121 communities in 23 counties, the Middle Tennessee area had 256 communities in 37 counties in 1948.

The program was next adopted for Lower East Tennessee by the Chattanooga Chamber of Commerce in 1946. There it began with 33 communities in 11 counties and by 1948 had grown to cover 59 communities. These figures do not include 9 communities in 3 counties in Georgia that lie within the Chattanooga trade area, nor one community in Alabama that also falls within the same trade area.

In 1948 the Jackson Chamber of Commerce, with the co-operation of the civic clubs, inaugurated the program with 112 communities organized in 21 counties in West Tennessee.

To summarize for the state of Tennessee, therefore, it can be said that in 1944 there were 64 organized communities in 16 counties. In 1948 these figures had grown to 617 and 95. In terms of the number of rural people involved in the program, there were in 1944 some 25,600 persons engaged in community improvement work. In 1948 there were 246,800. With a population of about three million, half of whom live on farms, Tennessee had about 16 percent of its entire farm population, with every county represented, actively engaged in this program of community improvement in 1948.

The idea, however, did not stop at the borders of Tennessee. After studying the experience of the Farmers Club of the Nashville Chamber of Commerce, the Farmers Club of the Atlanta Chamber of Commerce held the first North Georgia Farm Community Improvement Contest in 1947. The response was enthusiastic from the start with 65 farm communities, composed of about 5,000 farm families, in 16 counties filing entry blanks and actively participating in the contest. In the following year there were 112 communities in 29 counties; and in 1949 there are 135 communities, composed of some 45,000 persons, in 33 North Georgia counties engaged in the business of making their communities better places in which to live and to make a living.

As the farm community improvement idea has spread, the details of its application have naturally varied from one area to another. In some places, as in East Tennessee, the overall sponsor is a composite committee drawn from several organizations. In other places, such as Middle Tennessee and North Georgia, the over-all sponsor is a single organization such as the Farmers Club of the Chamber of Commerce. The scale of prizes also varies from place to place, the grand prize sometimes being \$500 as in East Tennessee, or as much as \$1,000 in Middle Tennessee and North Georgia. In some cases the prize money is raised by voluntary contributions from a large segment of the business community; in others it is a regular part of the budget of the sponsoring organization. The weight given to the separate parts of the program in scoring the contestants differs from one place to another. The relation of negroes to the program varies: In one place a separate contest may be conducted for negro farm communities; in another, where the negro population is relatively small and is interspersed with the white population, negroes may participate in the common plan for the whole community with due regard to southern traditions regarding the commingling of the races.

In spite of such variation in details from one area to another, the main structure of the plan is uniform wherever it is found. The success that has so far been achieved is evidence of the program's soundness and provides some assurance that similar success will follow its adoption elsewhere. It is a foregone conclusion that this program for community improvement contests will spread still farther. It is said to be working already in some places in Mississippi, and next year it is expected to spread to the Macon and Columbus trade areas in Georgia. Reports of what is being accomplished in the South through the community improvement contests have also spread to other parts of the nation and the Nashville Chamber of Commerce claims to have received inquiries from as many as forty-three states regarding its experience. Doubtless other area sponsors have received similar requests.

A Contrast

The most convincing proof of the value of the community improvement program in raising the level of living in farm communities can be gained only through personal observation. One must actually see the difference that exists between a typical unorganized community and one in which a community improvement club is active.

If one were to choose a spot in Tennessee to make such observations and were to let his finger fall at random on the map, it might well light on Rutherford County, of which Murfreesboro is the county seat. Here the county sponsor is

the Murfreesboro Chamber of Commerce. Like other counties, Rutherford has both organized and unorganized communities. There is, of course, but one sponsor for the county, and but one County Agent. Any differences that might come to light as between organized and unorganized communities could fairly be attributed, therefore, to the presence or absence of organization, except for differences arising from soil types and other natural factors.

Driving down a country road in Rutherford County one comes, perhaps, upon a farm community the like of which can be found by the thousands throughout the country. There is nothing in particular to arrest one's attention. The road leading into the community is lined with wire fencing in bad repair and with fence-rows filled with trash. The houses that one sees, for the most part, have not been painted for years and front yards are high with weeds. Children from the school can be seen disporting themselves at recess in a weedy vacant lot next the school, for there is no playground. You are told that negro children must walk three or four miles to reach their school since no bus transportation is provided for them. Barns and outbuildings are nearly all in need of repairs and plank fences badly need paint. Many fields are unkempt and there are evidences of erosion in places. Tenant houses are dilapidated and only some have electric lights.

At the center of the community your road intersects another. In one corner of the intersection stands a dingy general store that also serves as the post office. It is approached by rickety steps and is entered by a door with broken screening. Inside the dark interior a few loiterers sit amid the clutter of merchandise piled on dirty counters or on the sagging floor. Across the road from the store is a filling station and a repair shop that itself needs repairs. The churches in the community are surrounded by uncut lawns and inside reveal a need for many improvements.

In general, the external features of this community are not of a kind to make anyone not born here want to be a part of it. Indeed, there is nothing to make a passerby even want to slow down to 30 miles an hour. What kind of people live here? Just ordinary people, you discover. They are fairly prosperous farmers, for the soil is good and prices have been satisfactory. There is very little organization, however. A Parent Teachers Association functions with some difficulty for the menfolk cannot be induced to take an interest in its work for the school. The Home Demonstration Agent has been keeping a Home Demonstration Club going but not all women belong to it. There is nothing for the young people of the community. Why is this community not organized like some others in the county? "I guess it's because the men are just too busy with other things," one public-spirited woman tells you.

You leave this community where they are too busy to keep down the weeds; to paint the houses; to repair the barns and farm buildings; to provide playgrounds for children; to do all the things that need to be done for proper care of the soil from which they draw their living and for the people of the community.

You drive on, and by-and-by come to another community. At the boundary of the community you are greeted by a freshly painted roadside sign reading "Welcome to Milton Community." All roads are plainly marked and mail boxes are painted and neatly lettered. You pass a well-kept cemetery with a newly graded and graveled circular drive which

facilitates parking during funeral ceremonies. Practically every house in view is gleaming white and the grass in the front yards is well cut. Unsightly fences have been removed from the roadside and the shoulders of the road have been graded and grassed. The fields stretching off to either side are all well cared for. At the shopping center of the community you are greeted by a cheerful canna bed. The road is wide and free of trash. The stores are clean and merchandise is well disposed on shelves.

One store is equipped with a commodious refrigerator where meats and dairy products can be kept under sanitary conditions, and in the rear of the store is a deposit station for the mobile county library. You are told that there are 75 regular readers of library books in this community of about 56 families. Next to the store is a home-owned telephone exchange and you are told that every family has a telephone as well as electric lights and power. Farther down the road stands a little brick building—the medical center. A physician and a registered nurse come here three times a week from Murfreesboro to provide medical attention for the community. The little building has a waiting room, the physician's office, an examination room, a laboratory, and toilet facilities. Across the road is a wide expanse of well-trimmed grassy meadow. This serves as a playing field for the young people and as a gathering place for outdoor community affairs. The churches are immaculately clean and are surrounded by well-kept lawns.

Some distance from the shopping center is the school. It is approached by way of a newly graded circular drive and the land around the school has been seeded to make a lawn and playground. Next to the school a large physical education building is under construction. Inside the school are to be found new electric lighting equipment, new chairs in the auditorium, and a lunch room where well-prepared and balanced-diet lunches are served.

Still farther off lies the negro church and school. Bus transportation has been obtained for the negro children and the white folks have improved the road leading to the newly painted church. Trees and stumps have been bulldozed away to provide for lawn and parking space.

There is no mistaking the difference between Milton and the community first described. It is felt as soon as you enter the community and it lingers with you long after you have passed the "Call Again" sign at the far boundary. What makes the difference? Everyone gives the same answer—the presence of the community improvement club.

The club has caused the people to think and plan and work together as a community and in doing so has generated a spirit that has not only transformed the physical aspects of the community but has also transformed the people themselves. A farmer falls sick at harvest time and the whole community unites to bring in his crop, turn under his land, and plant his wheat. The church grounds need improvement and the whole community clears away the underbrush, pushes back the fence line, rebuilds and paints the fence. The school needs a new gymnasium and men from the community go 90 miles away to reclaim lumber and materials from old barracks, haul it to Milton, and erect the structure on concrete foundations that they themselves have poured. At every funeral a special committee of women provide food for the kinfolk and friends who attend.

A farmer standing in the midst of a newly plowed field is complimented on the condition of his land and home.

"How much of this would you have done if it had not been for the community club?" he is asked. "If it were not for the club I would not be here at all. I was fixing to buy a place somewhere else. But when I saw how everybody here was working for each other, I decided that this is the kind of a place I want to live and bring up my children. I wanted to stay in Milton."

This, however, does not quite answer the question. "You seem to be farming your land pretty efficiently. Wouldn't you have done just as well by the land even if there had been no community club?" "I guess I would have done some things," he replies, "but nothing like what I'm doing now. I didn't want mine to be a drag-tail farm when everyone else was improving theirs." The attitude of this farmer is probably as good a summary as any of what goes on inside the people of an organized community; and what goes on inside them is reflected in what goes on outside.

The club's work is organized so as to embrace all existing organizations—4-H Clubs, Future Farmers, Junior Wildlife Club, the P.T.A., the Boy Scouts. Every man, woman, and child finds something to do, some part to take in the community program. At a community meeting are to be found babies in arms, children, and every other age group up to the oldest. These people are organized into some 21 committees, each having a specific task. These committees study the community's needs and plan for the necessary improvements. Some plans look into the future for as much as several years, and each year sees the community moving closer to their fulfillment.

Statistics

Hard-headed businessmen having a love for figures would not be satisfied, of course, to measure the value of this program in terms of the impressions of any roving reporter. They want statistics. Unfortunately, most areas in which community improvement contests are being conducted have not yet gotten around to keeping a statistical record of the impact of the program on their respective economies. A wealth of material is available in the reports submitted by the communities participating in the various contests, but in most cases it is not in usable form for it has been neither edited nor tabulated. Middle Tennessee, however, is an exception that deserves to be imitated elsewhere. There the Farmers Club of the Nashville Chamber of Commerce has made a serious effort to express community improvement in terms of fairly reliable figures. The accompanying summary shows the accomplishments of the program in four classes of activity of the participating communities in 1948, compared with 1947.

Allowing for all possible discrepancies in the figures as well as for special circumstances influencing year-to-year changes, the record of accomplishment in Middle Tennessee has been more than sufficient to justify the few thousand dollars expended in prize money and the time that the Farmers Club and county sponsors have devoted to this program. The businessmen of Nashville and of all the other cities and towns in the area have undoubtedly profited greatly through the betterment of the farm communities. There is little wonder, therefore, that they have given this program their support. The only wonder is that more of them have not fully awakened to their purely selfish stake in its success and have not more actively and personally participated in the various aspects of the program.

Community Planning, Organization, etc.	1947	1948	Percent Change
Individuals taking part in church and Sunday School	22,234	24,603	+ 10.7
Number taking part in general civic and community work	16,832	20,177	+ 19.9
Family Food Supply			
Families growing 75 percent or more of their food supply (no.)	6,264	6,536	+ 4.3
Families having gardens at least 9 mos. of year (no.)	4,749	5,330	+ 12.2
Food canned (qts.)	1,976,602	1,961,329	— .8
Food frozen (lbs.)	410,759	694,129	+ 69.0
Families having two or more milk cows (no.)	6,342	6,132	— 3.3
Developing and Improving Sound Systems of Farming			
Lime used (tons)	84,201	73,574	— 12.6
Terraces constructed (feet)	1,440,826	1,417,952	— 1.6
Fertilizer on row crops (tons) . . .	12,576	18,420	+ 46.5
Fertilizer on soil-conserving crops, small grains (tons)	18,319	19,800	+ 8.1
Acres seeded to alfalfa	5,172	7,900	+ 52.7
Acres seeded to red clover	6,588	10,007	+ 51.9
Acres of permanent pasture seeded	25,132	35,297	+ 40.4
Acres of pasture clipped	39,592	49,093	+ 24.0
Small grain harvested (bus.)	740,533	1,072,391	+ 44.8
Cover crops seeded, including small grains (acres)	60,643	106,433	+ 75.5
All hay (tons)	108,077	154,515	+ 43.0
Corn harvested:			
Open pollinated (bus.)	1,299,904	1,334,667	+ 2.7
Hybrid (bus.)	1,427,824	2,321,623	+ 62.6
Tobacco harvested (lbs.)	8,479,150	7,442,337	— 12.2
Cotton harvested (bales)	6,153	6,698	+ 8.9
Green manure crops turned (acres)	25,775	33,768	+ 31.0
Beef cattle kept (no.)	30,601	35,772	+ 16.9
Dairy cows kept (no.)	26,073	31,057	+ 19.1
Hogs raised (no.)	86,226	105,267	+ 22.0
Lambs raised (no.)	20,228	22,504	+ 11.3
Chickens raised (no.)	618,520	667,878	+ 8.0
New fence built (rods)	224,018	310,531	+ 38.6
Amount spent for farm machinery .	\$1,432,465	\$2,880,508	+ 101.1
Improving Convenience of Farm and Home			
Families installing running water (no.)	514	748	+ 45.5
Families installing bathrooms (no.)	274	464	+ 69.3
Families installing electricity (no.)	1,030	2,142	+ 108.0
Amount spent for:			
Building and repairs	\$2,085,038	\$3,734,077	+ 79.1
Electrical appliances	\$ 760,940	\$1,109,932	+ 45.9
Furniture and furnishings	\$ 542,434	\$1,325,165	+ 144.3

All facts, of course, cannot be reduced to figures, and all benefits accruing from the community improvement program cannot be embalmed in statistical tables. Some of the most important benefits are intangible in character. Businessmen should be as interested in these as in the more tangible results. The list of these intangible benefits is long and there is space to barely mention but a few.

In a time when it is all too easy to look to government or to someone else for support, the community improvement program teaches people to do things for themselves and to take pride in their own accomplishments. In an age when different economic groups tend to look upon each other as enemies, this program brings farmers and businessmen together as

friends and neighbors. In the democratic formulation and execution of community projects, people discover their dependence upon each other and the productiveness of teamwork and mutual aid. Unsuspected qualities of leadership are revealed within the community and a field of action is provided for their exercise.

All existing organizations in the community draw support and new life from the work of the community club and find new meaning in their own specific tasks through being integrated into a common program of action. County Agents find their work lightened, or at least made more fruitful, when they work with groups of people who are on fire with enthusiasm for community improvement instead of having to work with a large number of separate individuals. In cases where a County Agent is not as active as he might be, the prodding of county sponsors and the demands of farm communities for advice and help may stimulate him to more and better work and thus make of him a better agent.

In communities that have learned to work together in these improvement contests, there is a marked tendency for local jealousies and friction to be allayed and for cliques to disappear. Where the racial composition of the community has in the past tended to cause friction, the activity of a community club has often dissipated the tension and developed attitudes of mutual respect and consideration. With each racial group maintaining its own identity and taking pride in its own accomplishments, they have nevertheless learned to co-operate in raising the level of living for both of them.

Rationale

The reasons for the success of the farm community improvement contest program are not far to seek. They are to be found in the homely realism of its psychological and economic aspects.

Three fundamental, almost primitive, motives provide the driving force behind the program: competition, co-operation, and emulation. The love of a contest is inherent in man. It is this which explains the enormous popularity of competitive sports of all kinds. It is not so much the winning of a prize that counts, but rather the mere fact of winning out over competitors. In the case of the community improvement program, however, the competition is not among individuals but among communities. Herein lies a good deal of the strength of the movement. Since the community is the contestant, social pressure enforces an unusual degree of co-operation among the members of the community—the kind of co-operation that in sport welds eleven men on a football field into a team.

Finally, there is the tendency in all of us to want the kind of things that our neighbors have. We want to live as well as they. This spirit of emulation is at work throughout the program, first among the contesting communities, and then among the members of each community. It is sometimes thought smart to scoff at the natural propensity in all of us for "keeping up with the Joneses." But whether this is good or bad depends upon what the Joneses have and what they do. No material advancement in the standard of living has ever come about suddenly and *en masse*. It has always come about first by a few people enjoying some new comfort or luxury, and then by others who have sought to enjoy the same thing. This is the way progress occurs.

On the economic side, the community improvement program is equally simple. Once a spirit of emulation is aroused

in the course of competition, a powerful incentive is provided to increase one's productivity. The new refrigerator, the new deep freezer, the new coat of paint on the house costs money that must be earned by one's work. The stimulation of desire for comforts and conveniences is the first step on the road to being able to afford them. It is, therefore, quite natural for farmers to want to improve the efficiency of their farm operations and to make better use of their land and labor, since that is the only way in which they themselves will be able to enjoy modern conveniences and at the same time help their community to win out in the contest.

Many of the most striking features of an organized community are civic projects that have not cost much in money, but which have been made possible by the labor and time donated by the members of the community. Everyone has at his disposal a certain amount of free time. This free time is a productive resource that can run to waste if it is allowed to pass in idleness, or that can be converted into economic value if employed productively. When the members of an organized community pool their free time and use it for some civic improvement, they are creating a sum of economic values in which they all share. One important economic source of community improvement, therefore, is this conversion of waste time into productive effort.

A third economic characteristic of the community improvement program is the emphasis that is placed on the quality of living. Any given expenditure can be made to yield more or less satisfaction, depending upon the discrimination and wisdom with which it is spent. Spent in one way, a given income may yield a certain amount of temporary satisfaction; spent in another way, it can be made to yield more substantial and permanent satisfaction. When a community sits down to plan its program for a year or more ahead, it must necessarily learn to put first things first; it must discriminate between what is for the long-run and permanent good of the community and what is of only passing importance. The individuals who compose the community are likewise impelled to consider their own expenditures in the same light if the community plan is to be carried through successfully. The constant bias that is thus put behind wise expenditure works inevitably toward a gradual raising of the whole level of living.

Conclusion

Despite its phenomenal success wherever it has been tried, the farm community improvement program just described is certainly no panacea for agriculture. It is no solution for many of the serious problems of readjustment that undoubtedly face agriculture in the years to come. The position of the farmer in our economic society, like that of everyone else, is pretty much at the mercy of the winds sweeping through the markets of the world except as these are tempered by governmental action. His destiny is not entirely in his own hands.

Nevertheless, there is always a margin within which the individual and the community can determine whether they shall live better or worse. The community improvement program operates to keep the quality of life in farm communities at the upper rather than at the lower edge of this margin. Regardless of the economic weather, therefore, a community will always be better off organized than unorganized. Its power of resistance to adverse conditions will be greater, and its recuperative power will also be stronger.

The strengthening of farm communities is a matter of vital concern to farmers but not to them alone. It is of equally vital concern to all businessmen who deal with farmers and to all bankers, the safety of whose loans rests directly or indirectly on the prosperity of agriculture and on the quality of the people living in farm communities.

Any organization, therefore, that is interested in giving expression to the American businessman's innate idealism by building around itself a more stable, a more prosperous, and a more productive farming area would do well to consider the adoption of such a program as that described. Let its representatives go to Knoxville, Nashville, Atlanta, Chattanooga, or Jackson and hear with their own ears the story of what has already been accomplished. Let them see with their own eyes the working of a movement that may never rate even a footnote in a textbook on economics, but which may yet do more for the farmer than many a more grandiose scheme. There they may catch a vision of what could be accomplished in their own trade area. They may even be able to imagine what rural life in America might be like if this program were adopted throughout the length and breadth of the whole United States.

EARLE L. RAUBER.

Bank Announcements

On September 1, two banks began remitting at par for checks drawn on them when received from the Federal Reserve Bank. The first of these was the Tallahassee State Bank, Tallahassee, Florida, a newly organized nonmember bank in territory served by the Jacksonville Branch. This bank has a capital of \$200,000, and surplus and undivided profits of \$180,000. Its officers are Millard F. Caldwell, President; W. Oris Buchan, First Vice President; J. A. Grant, Second Vice President; Tom N. Humphress, Cashier; and Harmon Wheeler and Walker Tharpe, Assistant Cashiers.

The second addition to the par list was the Citizens Bank, Hapeville, Georgia. This bank has a capital of \$50,000, and surplus and undivided profits of \$40,000. Its deposits are in excess of one and a half million dollars. The officers of the bank are A. P. Jackson, President; H. H. Timmerman, Vice President; M. T. McClellan, Vice President; and B. H. Thompson, Vice President and Cashier.

Revision of Department Store Sales and Stocks Indexes

The seasonal adjustment factors for the Sixth District indexes of department store sales and stocks for both the District and for each of the individual cities shown in the table on page 89 have been revised. The revisions which in most cases begin with 1944 were made necessary by the changed seasonal pattern of trade since the date of the previous revisions. Back figures for both the adjusted and unadjusted indexes for any or all of the cities in the District may be secured upon request to the Research Department of the Federal Reserve Bank of Atlanta.

District Business Conditions

Retail Sales and Inventories

AUGUST sales at Sixth District department stores did nothing toward improving the year's record. The month's sales were about 5 percent less on a dollar basis than those of last August and the year-to-date figure showed sales for the District down 4 percent from last year's eight-month total.

Some improvement was noted at the weekly reporting department stores for the week ended September 3, when sales for the District were up 2 percent from the corresponding week a year ago. But for the week ended September 10, sales were down 13 percent, and 17 percent for the week ended September 17.

August sales were also lower than a year ago in other lines of retailing from which the Bank collects statistics. Furniture stores reported sales down 21 percent from last year's exceptionally high sales, jewelry store sales were off 3 percent, and at household appliance stores sales fell 24 percent.

SALES DECLINES GENERAL. According to Department of Commerce reports, motor vehicle dealers and drug stores are the only types of independent merchants in the District who made greater dollar sales during the first seven months of this year than they did during the corresponding period last year. Their sales were up 10 and 2 percent, respectively. Average sales experience in the four representative areas showed that through July, sales were down one percent at food stores; 6 percent at restaurants; 16 percent at apparel stores; 13 percent at men's clothing stores; 10 percent at lumber and building materials dealers; 7 percent at auto tire and accessory stores; and 3 percent at liquor stores.

With a few exceptions these declines are rather moderate and are partly explained by lower prices. Taken by themselves, the comparatively moderate drops in consumer buying do not explain the more severe declines in some types of manufacturing operations. Moreover, from a glance at current retail sales reports, the present pickup in some types of manufacturing activity is equally difficult to explain.

INVENTORY LIQUIDATION. Because the curtailed retail buying apparently started a process of inventory liquidation, it resulted in a much greater decrease in buying from producers. The accompanying chart shows that until November of last year, the District's department stores were not only replacing merchandise currently sold but were adding to their stocks as well. This year many merchants have reduced their buying in proportion to their sales and have even failed to replace some of the merchandise sold.

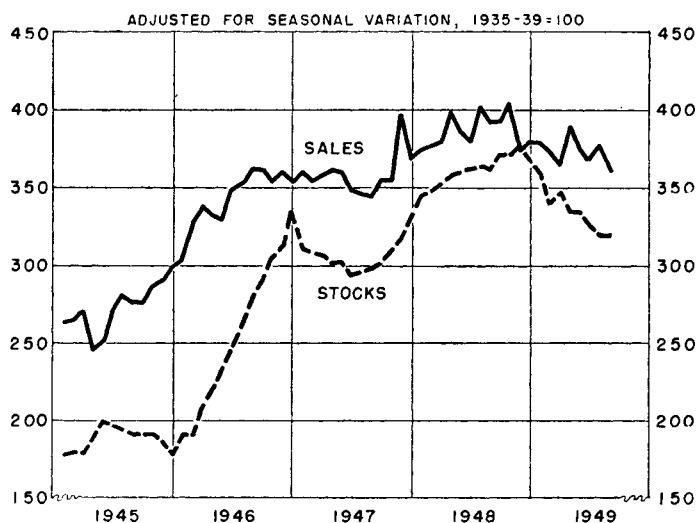
The seasonally adjusted index of department store stocks, for example, has declined practically every month since last November. By the end of August, stocks were down 16 percent. The seasonally adjusted sales index, on the other hand, fell only about 11 percent between its peak in October last year and August this year. At the end of August, inventories at furniture stores were 11 percent below those of August 1948. Presumably, similar changes occurred at other types of retail stores.

Lower prices explain part of the decline in the value of inventories just as they explain part of the decline in the value of sales. According to an estimate of department store inventory prices made for the end of July by the Bureau of Labor Statistics, however, the average decline in department store inventory prices throughout the country was only 3.4

percent from July last year, considerably less than the decline in inventories.

The value of stocks carried exceeds, in most cases, the value of sales made during any month. Consequently, even at stores reducing inventories percentagewise only as much as their sales declined, the dollar decline in stocks exceeded the dollar decline in sales. For example, dollar sales of piece goods, domestics, and draperies at District department stores were 15 percent lower this July than last July. Stocks of these goods were down 13 percent for that period. Yet the total dollar decline in stocks was over three times as great as the dollar decline in sales. Where merchants have gone further and have attempted to reduce the ratio of their stocks to sales, the decline in dollar sales has been even greater.

DEPARTMENT STORE SALES AND STOCKS
SIXTH DISTRICT



A combination of these factors means that at all Sixth District department stores, the value of merchandise received during the first seven months was 11 percent less than that received during the first seven months of 1948. Sales were down only 4 percent. The drop in the dollar value of merchandise received was over three and a half times as great as the dollar reduction in sales.

EFFECT OF INVENTORY DECLINES. Such a process snowballs. It means that retailers purchase less from wholesalers and other suppliers than they sell. By way of illustration, Department of Commerce reports for July showed sales of dry goods wholesalers in the District down 36 percent from July 1948. This decline exceeds the rate of sales decline for any comparable type of merchandise sold by the department stores or any type of independent retailer selling dry goods. The process snowballs further if wholesalers also attempt to reduce inventories. A substantial reduction in manufacturers' sales may consequently result from only a small reduction in consumer buying.

A chain of events of that nature seems to have taken place throughout the country as well as in the District. Because such developments have been particularly marked in the textile and apparel fields, which are primary manufacturing industries in the District, they explain to some degree the

Sixth District Statistics

CONDITION OF 28 MEMBER BANKS IN LEADING CITIES (In Thousands of Dollars)					
Item	Sept. 21 1949	Aug. 17 1949	Sept. 15 1948	Percent Change Sept. 21, 1949, from	
				Aug. 17 1949	Sept. 15 1948
Loans and investments—					
Total	2,367,664	2,355,387	2,304,249	+ 1	+ 3
Loans—Net	785,254	765,325	810,686	+ 3	+ 3
Loans—Gross	796,327	776,428	818,131	+ 3	+ 3
Commercial, industrial, and agricultural loans	462,644	439,315	502,475	+ 5	+ 8
Loans to brokers and dealers in securities	7,402	6,537	7,485	+ 13	+ 1
Other loans for pur- chasing and carrying securities	35,203	37,341	54,520	+ 6	+ 35
Real estate loans	70,166	69,396	64,511	+ 1	+ 9
Loans to banks	5,148	4,420	6,149	+ 16	+ 16
Other loans	215,764	219,419	182,991	+ 2	+ 18
Investments—total	1,582,410	1,590,062	1,493,563	+ 0	+ 6
Bills, certificates, and notes	502,739	492,223	434,605	+ 2	+ 16
U. S. bonds	870,104	892,455	867,518	+ 3	+ 0
Other securities	209,567	205,384	191,440	+ 2	+ 9
Reserve with F. R. Bank	368,023	408,455	445,373	+ 10	+ 17
Cash in vault	40,810	38,386	42,365	+ 6	+ 4
Balances with domestic banks	171,306	192,283	217,248	+ 11	+ 21
Demand deposits adjusted	1,703,507	1,751,303	1,783,093	+ 3	+ 4
Time deposits	540,864	541,106	531,036	+ 0	+ 2
U. S. Gov't deposits	53,793	37,008	36,014	+ 45	+ 49
Deposits of domestic banks	454,463	480,758	484,114	+ 5	+ 6
Borrowings	4,500				

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Report- ing	August 1949	July 1949	August 1948	Percent Change Aug. 1949, from	
					July 1949	August 1948
ALABAMA						
Anniston	3	19,168	17,607	18,630	+ 9	+ 3
Birmingham	6	292,518	298,602	298,007	+ 2	+ 2
Dothan	2	12,178	11,080	11,789	+ 10	+ 3
Gadsden	3	16,627	15,753	16,645	+ 6	+ 0
Mobile	5	110,930	113,252	135,579	+ 2	+ 18
Montgomery	3	70,025	66,939	71,464	+ 5	+ 2
FLORIDA						
Jacksonville	4	252,533	251,122	244,610	+ 1	+ 3
Miami	7	226,320	208,108	211,834	+ 9	+ 7
Greater Miami*	13	303,267	287,351	301,703	+ 6	+ 1
Orlando	3	42,978	45,454	45,340	+ 5	+ 5
Pensacola	3	35,636	34,090	33,176	+ 5	+ 7
St. Petersburg	3	45,739	49,431	43,618	+ 7	+ 5
Tampa	6	106,752	108,752	101,123	+ 2	+ 6
GEORGIA						
Albany	3	20,935	20,331	19,186	+ 3	+ 9
Atlanta	4	820,692	741,488	815,968	+ 11	+ 1
Augusta	3	49,270	54,894	52,957	+ 10	+ 7
Brunswick	2	8,790	8,350	9,028	+ 5	+ 3
Columbus	4	48,948	47,394	58,205	+ 3	+ 16
Elberton	2	3,313	3,313	3,445	+ 0	+ 4
Gainesville*	3	12,998	12,517	12,913	+ 4	+ 1
Griffin*	3	10,871	10,012	10,136	+ 9	+ 7
Macon	3	59,857	50,679	63,966	+ 18	+ 6
Newnan	2	9,268	7,916	7,192	+ 17	+ 29
Rome*	3	17,665	17,157	19,603	+ 3	+ 10
Savannah	4	84,509	83,530	87,857	+ 1	+ 4
Valdosta	2	35,652	12,694	24,266	+ 181	+ 47
LOUISIANA						
Alexandria*	3	28,763	29,147	27,464	+ 1	+ 5
Baton Rouge	3	100,893	105,247	105,324	+ 4	+ 4
Lake Charles	3	33,310	36,420	33,060	+ 9	+ 1
New Orleans	8	668,364	609,614	648,123	+ 10	+ 3
MISSISSIPPI						
Hattiesburg	2	15,601	15,553	16,083	+ 0	+ 3
Jackson	3	124,127	109,811	129,103	+ 13	+ 4
Meridian	3	23,225	23,092	27,243	+ 1	+ 15
Vicksburg	2	21,474	21,940	22,641	+ 2	+ 5
TENNESSEE						
Chattanooga	3	128,829	126,362	133,065	+ 2	+ 3
Knoxville	4	99,164	99,991	105,272	+ 1	+ 6
Nashville	6	303,392	275,869	288,743	+ 10	+ 5
SIXTH DISTRICT						
32 Cities	114	3,891,018	3,674,677	3,882,540	+ 6	+ 0
UNITED STATES						
333 Cities		98,804,000	98,490,000	97,940,000	+ 0	+ 1

*Not included in Sixth District total.

marked midsummer slowing down of operations at many District plants.

Current reports indicate that some retail merchants are finding that they have carried out the inventory liquidation process too far. Some are learning that they cannot supply the variety of goods the customers demanded. Others are discovering that because manufacturers have reduced operations, they cannot obtain the quick deliveries necessary for a hand-to-mouth buying policy. Still others are finding that anticipated price reductions did not materialize to the extent they had expected.

CURRENT CONDITIONS. Up to the present, available data indicate no substantial increase in department store inventories that might reflect a change in inventory policies. The District's seasonally adjusted index for department store stocks showed an increase of less than one percent from its July low but a similar rise occurred last March, followed by declines during the succeeding months.

The current pickup at some textile plants in the District seems to have been sparked by the inability of manufacturers to meet new orders out of their depleted inventories. In both 1947 and 1948, sales by manufacturers of textile products rose substantially during August and September from low points in July. In both years, however, the manufacturers could fill some of the orders from inventories built up during the first half of each year. This year their inventories dropped considerably and by June were 4.3 percent less than they were in January and 6.5 percent below June 1948. Many new orders could be filled only by expanding operations.

PROSPECTS. Two possible developments in retail trade will help to determine whether textile operations will remain at an increased level. One would be a reversal of the tight retail inventory policy prevailing in recent months. Another would be an expansion in retail buying of textile and other consumer goods items. Because department store operations will reflect these developments, both sales and inventory changes during the coming months are of considerable importance to future business conditions in the District.

C.T.T.

A Disappointing Cotton Crop

Many District cotton farmers will remember 1949 as the year in which they bet rather heavily on the weather—and lost. The main reason why so many producers took a greater-than-average chance, as measured by their investment in the crop, was that 1949 was the last year in which they were not limited by acreage or marketing controls and yet were guaranteed a high price for their cotton. It was a good bet, but there is little satisfaction to be gained from that knowledge now that the results are known.

In an effort to wring every possible dollar from cotton before the imposition of acreage allotments, farmers in the six states increased their plantings 764,000 acres, or 11 percent, over the 1948 acreage. Increases in the individual states ranged from 77 percent in Florida to 6 percent in Tennessee. Of course, some of the three-quarter-million-acre increase was planted on land which had been diverted from peanuts, but part of it was gained at the expense of corn and other crops.

Not only did District farmers increase their acreage in cotton but they sought to obtain a higher production per acre as well. Last year they used fertilizer on 85 percent of their cotton plantings; this year they put fertilizer under 89 percent of them. Moreover, the amount of fertilizer applied per acre was greater this year than last. As a result the cost of

fertilizer used under cotton increased from 47.3 million dollars in 1948 to 59.8 million in 1949—a gain of 27 percent. Increases in fertilizer costs over last year ranged from 126 percent in Florida down to 19 percent in Alabama.

Since fertilizer costs constitute one of the largest single items of cash expenditure in cotton production, a rough estimate of total costs can be obtained from them. On that basis, then, the current crop has cost farmers about 25 percent more than last year's crop.

The additional investment would probably have paid off, had the weather been favorable. The past winter was unusually mild and, unfortunately, a high percentage of boll weevils survived. Then the rains came and, in some sections, continued intermittently from planting time to harvest. In a few areas grass got the upper hand and fields were plowed up or abandoned. In other areas cotton put on a rank growth but few bolls, and weevil damage was heavy. True, farmers poisoned and re-poisoned but most often the rains washed the poison off before it had time to be very effective. As a result the demand for poison was so heavy that dealers in some sections found it impossible to obtain additional supplies. In desperation, cotton farmers of the Tennessee Valley operated bug catchers over their fields in an attempt to lessen the damage but the results were negligible.

	Cotton Production (In Thousands of Bales)		Percent Change
	1948	1949 (Estimate)	
Georgia	745	600	- 19.5
Florida	15	18	+ 20.0
Tennessee	670	625	- 6.7
Alabama	1,197	900	- 24.8
Mississippi	2,353	1,450	- 38.4
Louisiana	756	625	- 17.3
District States	5,736	4,218	- 26.5
United States	14,868	14,943	+ .5

According to the September 1 estimate of the Crop Reporting Service, cotton production in the District states will total 4,218,000 bales; 26.5 percent less than last year's harvest. Thus the farmers' efforts to capitalize on an unlimited opportunity to grow cotton—efforts indicated by 764,000 additional acres and 12.6 million dollars more for fertilizer—were thwarted by unfavorable weather.

The disappointing cotton crop will have marked effects on the economy of the District. Also it evidences a fact that is sometimes overlooked, namely, that high rates of fertilization and seeding are accompanied by rather high weather risks. Within reason, these risks must be taken by both the farmer and the farm lender. Several years of results on high rates of fertilization by experiment stations give some measure of the weather risk involved and help to establish the bounds of "reasonableness." Such records are available and even though their use cannot eliminate risks, it can be a help in appraising them. Cotton farmers bet on the weather this year with favorable odds; that they lost merely emphasizes the importance of the role of unpredictable weather.

Weather risks will become more important factors in the future. As acreage restrictions are imposed on an increasing number of crops, farmers will intensify their efforts on the reduced acreage. The practice of high rates of seeding and fertilizing probably will increase. That will mean high cash costs per acre in an effort to obtain high yields at low unit costs. In the long run, those practices will doubtless pay but farmers and lenders should take some precautions against years when weather may upset the most carefully laid plans.

J.L.L.

Sixth District Indexes

Place	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	Aug. 1949	July 1949	Aug. 1948	Aug. 1949	July 1949	Aug. 1948
DISTRICT	360	377	393n	324	294	354
Atlanta	410	389	438r	414	303	443
Baton Rouge	393	403	449r	346	334	395
Birmingham	326	350	395r	299	291	364
Chattanooga	343	357	380r	308	289	342
Jackson	353	369	366r	325	273	337
Jacksonville	352	382	411r	313	310	365
Knoxville	399	416	427r	343	337	367
Macon	311	353r	348r	270	254r	302r
Miami	375	404	417r	281	283	312
Montgomery	313	346	363r	279	274	323
Nashville	406	393	459r	369	303	417
New Orleans	379	359	381r	330	277	332
Tampa	467	508	480r	397	406	408

Place	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	Aug. 1949	July 1949	Aug. 1948	Aug. 1949	July 1949	Aug. 1948
DISTRICT	319	319	360r	316	300	356
Atlanta	427	412	456r	431	379	460
Birmingham	257	266	306r	252	245	300
Montgomery	292	341	394r	307	317	414
Nashville	476	450	548r	431	436	553
New Orleans	271	282	336r	261	271	323

Place	GASOLINE TAX COLLECTIONS***					
	Adjusted**			Unadjusted		
	Aug. 1949	July 1949	Aug. 1948	Aug. 1949	July 1949	Aug. 1948
SIX STATES	211	213	202	208	209	200
Alabama	208	213	204	210	208	206
Florida	186	195	177	181	182	172
Georgia	202	196	181	206	190	185
Louisiana	236	252	206	238	246	208
Mississippi	200	210	197	206	204	203
Tennessee	218	231	237	220	233	239

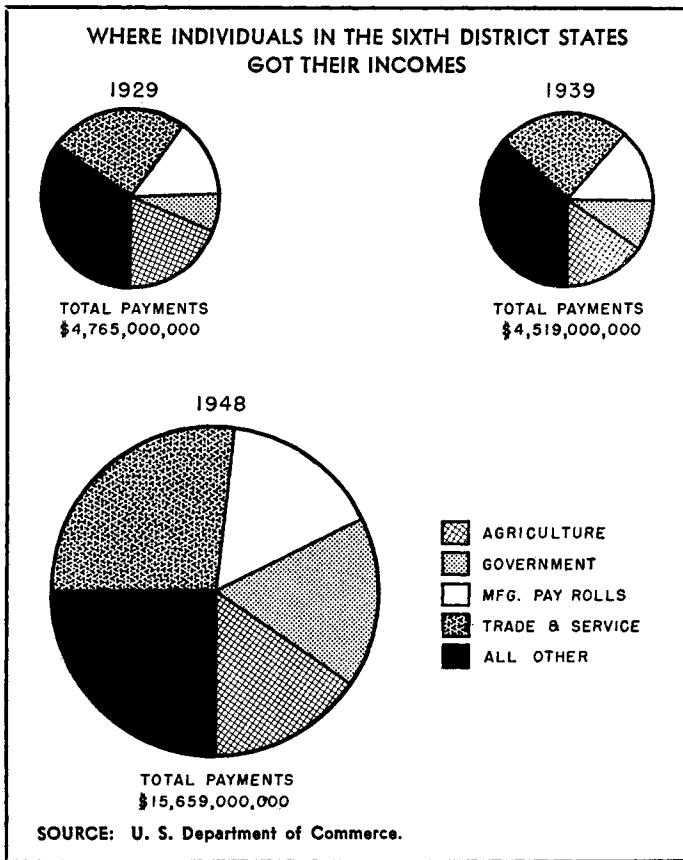
Place	COTTON CONSUMPTION*			ELECTRIC POWER PRODUCTION*			
	Aug. 1949	July 1949	Aug. 1948	July 1949	June 1949	July 1948	
TOTAL	119	89	135	SIX STATES	348	352	321
Alabama	133	96	143	Hydro-generated	324	280	221
Georgia	115	88	135	Fuel-generated	379	445	453
Mississippi	55	41	62				
Tennessee	111	79	122				

Place	MANUFACTURING EMPLOYMENT***			CONSTRUCTION CONTRACTS			
	July 1949	June 1949	July 1948	Place	July 1949	June 1949	July 1948
SIX STATES	136	137	151	DISTRICT	416	595	450
Alabama	138	140	158	Residential	477	702	465
Florida	127	130	129	Other	386	543	443
Georgia	130	131	144	Alabama	525	565	385
Louisiana	149	149	153r	Florida	389	455	548
Mississippi	129	131r	155	Georgia	387	748	465
Tennessee	141	140	159r	Louisiana	608	213	397
				Mississippi	428	668	293
				Tennessee	478	968	529

Item	CONSUMERS PRICE INDEX			ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	Aug. 1949	July 1949	Aug. 1948	Aug. 1949	July 1949	Aug. 1948	
ALL ITEMS	173	172	180	Unadjusted	17.9	19.0	18.1
Food	206	204	221	Adjusted**	20.2	20.2	20.4
Clothing	193	194	204	Index**	81.8	81.9	82.9
Fuel, elec. and refrig.	135	135	138				
Home furnishings	182	186	193				
Misc.	154	154	153				
Purchasing power of dollar58	.58	.56				

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

r Revised



Reserves and Member Bank Loans

Because of the series of reductions in reserve requirements initiated by the Board of Governors on August 1, required reserves of Sixth District member banks averaged approximately 63 million dollars less during the last half of August than they did during the first half. At banks in the reserve cities of Atlanta, Birmingham, Jacksonville, Nashville, and New Orleans, required reserves were reduced about 14 million dollars and at the country banks, those outside the reserve cities, they were 49 million dollars lower. The reduction in requirements at the reserve city banks was offset in part by an increase in deposits subject to reserve. At the country banks, deposits subject to reserves declined slightly.

In both 1947 and 1948, loans at the member banks reached their seasonal low in July or August, when certificates of interest held in connection with the Commodity Credit Corporation's cotton loan program had been redeemed and when certificates covering the new crop loans had not yet been issued. Consequently, any increased lending activity in August that might have resulted from the freeing of reserves would be overshadowed by the normal seasonal decline in loans.

Total loans of all member banks at the end of August were 8 million dollars lower than they were at the end of July. The decline equaled that for the corresponding month last year but contrasted sharply with the increase of 25 million dollars reported for the comparable period in 1947.

At the weekly reporting banks in leading cities of the District, total loans on September 14 were 6 million dollars greater than on the last day of August. Commercial, industrial, and agricultural loans were 15 million dollars greater.

Apparently the banks have utilized most of their released reserves to increase their holdings in Government certificates rather than to expand their lending operations. At the end of August total security holdings of all member banks amounted to 88 million dollars more than at the end of July. Judging from the statements of member banks in leading cities, Treasury certificates of indebtedness are the most popular type of security. Between the last Wednesday of July and the last Wednesday of August, these banks increased their holdings of such certificates 53 million dollars. Their holdings of Treasury bills rose 26 million and United States bonds 12 million. By September 14 their holdings of certificates had increased 8 million dollars more.

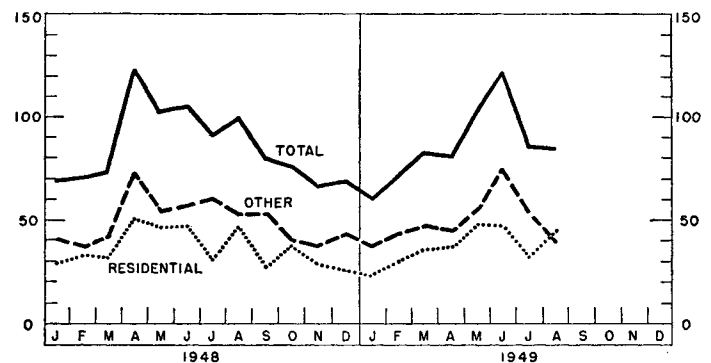
If loans during the rest of this year follow the precedent of the past two years, a rather substantial growth can be expected. It is reported that the banks will find the CCC certificates of interest more attractive this year because of the reduced yields offered by Government securities. For this reason alone, total member bank loans can be expected to expand during the coming months even without an expansion in business loans.

C.T.T.

Industry and Employment

THE VALUE OF CONSTRUCTION CONTRACTS awarded in the Sixth District during August, according to F. W. Dodge Corporation statistics, declined less than 2 percent from the July total, and was about 16 percent less than that for last August. Residential contracts awarded in August, however, increased 39 percent from July and were only 4 percent below the August 1948 total. These awards were up in each of the six states for the month, the gains ranging from 10 percent in Alabama

CONSTRUCTION CONTRACTS AWARDED (In Millions of Dollars)



to 138 percent in Mississippi. They were also larger than they were a year ago in each state except Florida and Louisiana. Residential contracts accounted for 53 percent of total awards in August; in the individual states the proportion ranged from 20 percent in Mississippi to 61 percent in Florida.

TEXTILE MILL ACTIVITY in the District increased substantially in August, after having reached in July the lowest rate for any month in eleven years. The mills nearly always increase their consumption of cotton in August, but this year the August increase over July was 34 percent, a much larger gain than usual. Improvement in the cotton goods markets began to be evident in July and was more pronounced in August, reportedly because inventories had been worked off

as a result of lower prices in recent months. The 34-percent increase compares favorably with one of 28 percent for the country as a whole. August consumption was 17 percent less in the District than a year ago and 12 percent less throughout the country.

COAL PRODUCTION in Alabama and Tennessee during August and early September was about a third less than it was a year ago. In the first six months of 1949, output was 17 percent less than in that part of 1948. In July, however, production was down 52 percent from July last year, and in August it averaged 34 percent less than in August 1948. The first effect of the September 19 strike by the union miners was the laying off of railroad workers. In the Birmingham area, no major cutbacks in steel and iron production were expected immediately and industrial stock piles of coal were reported to be sufficient for about a month.

STEEL MILL OPERATIONS in the Birmingham-Gadsden area dropped to 97 percent of rated capacity for each of the first two weeks in August, but they have recently been reported at 101 percent.

ELECTRIC POWER PRODUCTION in the District states, on a daily average basis, was off one percent from June to July, a decrease less than a third as large as that which occurred at the same time a year ago. Hydro-generated power, which accounted for 53 percent of the total, was up 16 percent for the month, whereas fuel-generated current declined 15 percent. The July rate of production was 8.4 percent greater than that for July 1948, a gain of 47 percent in hydro-generated current being partly offset by a decrease of 16 percent in power generated by the use of fuels.

MANUFACTURING EMPLOYMENT in the District declined in July for the eighth consecutive month. The July index, at 136 percent of the 1939 monthly average, was down only seven-tenths of one percent from June but it was 9.6 percent below the index for July 1948. Small increases from June to July in Tennessee and Louisiana were not enough to compensate for the decreases in the other four states.

Employment at food and food processing establishments was up 4.3 percent in July. In Florida, citrus canning activities declined seasonally but in the other states, employment increased in the canning and preserving of fruits and vegetables. In Louisiana, beverage manufacturers have been operating at peak levels. Early resumption of seafood processing and rice milling will probably result in a further increase there. July employment in the fabricated metals industries increased, except in Alabama, and an increase at Tennessee apparel manufacturing establishments was more than sufficient to offset small decreases in Alabama and Georgia. On the other hand, employment at textile mills in the District declined 1.9 percent in July and there was a decrease of 1.8 percent in the lumber and wood products industries.

The increase in cotton consumption in August indicates a probable increase in textile employment, and recent reports of increased operations in logging and planing mills may reflect increased employment in the lumber industry. Employment in the chemicals industry was at a seasonally low level in July but an increase there is also probable as cottonseed-oil mills increase their operations with the marketing of the cotton crop, and as fertilizer plants become more active.

D. E. M.

Sixth District Statistics

INSTALMENT CASH LOANS					
Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change August 1949, from		Percent Change August 1949, from	
		July 1949	August 1948	July 1949	August 1948
Federal credit unions.....	41	+ 8	+ 45	+ 4	+ 31
State credit unions.....	17	+ 12	+ 1	+ 5	+ 27
Industrial banking companies.....	11	+ 24	+ 15	+ 2	+ 11
Industrial loan companies.....	17	- 2	- 2	+ 0	+ 7
Small loan companies.....	38	+ 0	+ 2	+ 1	+ 6
Commercial banks.....	33	+ 14	+ 43	+ 4	+ 39

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change August 1949, from	
		July 1949	August 1948
Total sales.....	39	+ 31	- 3
Cash sales.....	38	+ 28	- 12
Credit sales.....	38	+ 31	+ 2
Accounts receivable, end of month.....	37	+ 4	+ 10
Collections during month.....	37	+ 15	- 8

WHOLESALE SALES AND INVENTORIES*						
Item	No. of Firms Reporting	SALES		INVENTORIES		
		Percent Change August 1949, from		No. of Firms Reporting	Percent Change Aug. 31, 1949, from	
		July 1949	August 1948		July 31 1949	Aug. 31 1948
Electric appliances.....	7	+ 6	- 6	6	- 3	- 21
General hardware.....	7	+ 19	- 19	3	- 7	- 0
Industrial supplies.....	3	+ 13	- 35	.	.	.
Jewelry.....	3	+ 85	- 26	.	.	.
Lumber and building materials.....	3	+ 40	- 18	.	.	.
Machinery equipment and supplies.....	3	+ 36	- 4	.	.	.
Plumbing and heating supplies.....	4	+ 21	- 7	3	+ 2	- 1
Drugs and sundries.....	6	+ 12	+ 1	.	.	.
Dry goods.....	15	+ 76	- 21	11	+ 8	- 28
Groceries.....
Full lines.....	32	+ 4	- 10	17	- 2	- 16
Specialty lines.....	5	+ 10	+ 5	3	- 4	- 1
Shoes and other footwear.....	3	+ 37	- 27	.	.	.
Tobacco products.....	10	+ 1	+ 12	6	+ 3	+ 34
Miscellaneous.....	18	+ 12	- 22	20	+ 4	- 3
Total.....	119	+ 17	- 16	69	- 1	- 12

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

DEPARTMENT STORE SALES AND INVENTORIES						
Place	No. of Stores Reporting	SALES		INVENTORIES		
		Percent Change Aug. 1949, from		No. of Stores Reporting	Percent Change Aug. 31, 1949, from	
		July 1949	August 1948		July 31 1949	Aug. 31 1948
ALABAMA						
Birmingham.....	4	+ 11	- 15	3	+ 3	- 16
Mobile.....	5	+ 15	- 9	.	.	.
Montgomery.....	3	+ 10	- 10	3	- 3	- 26
FLORIDA						
Jacksonville.....	4	+ 9	- 11	3	+ 6	- 2
Miami.....	4	+ 7	- 7	3	- 7	- 19
Orlando.....	3	+ 5	- 7	.	.	.
Tampa.....	5	+ 6	+ 1	3	+ 9	- 3
GEORGIA						
Atlanta.....	6	+ 48	- 3	5	+ 14	- 6
Augusta.....	4	+ 11	- 3	3	+ 12	+ 2
Columbus.....	3	+ 10	- 6	.	.	.
Macon.....	6	+ 20	- 7	4	+ 14	- 12
Rome.....	4	+ 0	- 12	.	.	.
Savannah.....	6	+ 4	- 1	4	+ 12	+ 12
LOUISIANA						
Baton Rouge.....	4	+ 12	- 9	4	+ 11	- 11
New Orleans.....	6	+ 29	+ 3	4	- 4	- 19
MISSISSIPPI						
Jackson.....	4	+ 29	- 2	4	+ 19	+ 19
Meridian.....	3	+ 19	- 13	.	.	.
TENNESSEE						
Bristol.....	3	+ 23	- 10	3	+ 12	- 11
Chattanooga.....	4	+ 15	- 6	3	+ 7	- 11
Knoxville.....	4	+ 10	- 5	.	.	.
Nashville.....	6	+ 32	- 6	5	+ 10	- 13
OTHER CITIES*	22	+ 4	- 9	22	+ 1	- 12
DISTRICT.....	113	+ 19	- 5	76	+ 5	- 11

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

National Business Conditions

INDUSTRIAL production and employment increased in August and early September. Construction activity was maintained at advanced levels. Wholesale commodity prices rose slightly from mid-August to mid-September but subsequently declined. Department store sales increased somewhat after mid-August.

Industrial Production

The Board's seasonally adjusted index of industrial production advanced in August to 170 percent of the 1935-39 average, which was slightly above the June rate. According to present indications the index may show a small further rise in September, despite a work stoppage at coal mines after the middle of the month.

Production of durable goods rose 5 percent in August, mainly because of substantial gains in activity in the iron and steel, nonferrous metals, and lumber industries. Steel output in August was at a rate of 82 percent of capacity, the same as in June, compared with 71 percent in July. In September, steel production has been scheduled at about 85 percent of capacity. Assembly of passenger automobiles continued at record rates in August and early September, while truck assemblies declined, partly as a result of work stoppages at plants of a leading producer. Over-all activity in the machinery industries was maintained at the July level in August, as increased output of refrigerators and other consumers' electrical appliances offset further declines in industries making producers' equipment.

Nondurable goods production advanced in August to the highest level since March. There were large increases in output of cotton and rayon textiles, shoes, paper, paperboard, and tobacco products. Production of meat, seasonally adjusted, was maintained in August and early September and was at a level substantially above that of a year ago. Output of most other nondurable goods showed little change in August.

Minerals output increased in August, reflecting mainly a somewhat larger volume of coal production. Coal output in August, however, was one-third below a year ago. Crude petroleum production showed little change in August and advanced 2 percent in early September. Iron ore production declined more than seasonally in August and early September.

Employment

Employment in nonagricultural establishments showed somewhat more than the usual seasonal rise in August. Gains were mainly in manufacturing and state and local government employment. The number of persons unemployed declined from 4.1 million in early July to 3.7 million in early August.

Construction

Value of construction contract awards in August, according to the F. W. Dodge Corporation, declined slightly from the high July level, but early reports indicate that awards in September regained the July level. The August decrease reflected substantial declines for most types of nonresidential

construction, which more than offset a 15-percent increase in residential contracts. The number of new housing units started in August, as estimated by the Bureau of Labor Statistics, totaled 98,000 compared with 96,000 in July and 87,000 in August 1948.

Distribution

Value of department store sales increased somewhat more than seasonally in August and the first half of September. The Board's adjusted index for August is estimated at 282 percent of the 1935-39 average, compared with 279 in July and an average of 286 for the first eight months of the year. Sales of major household appliances have increased in recent months and have not been as far below year-ago levels as they were earlier.

Railroad freight shipments in August and early September were above the July level, reflecting mainly gains in coal and numerous manufactured goods, but they subsequently declined again as a result of sharply curtailed coal shipments. Total carloadings in August were 19 percent below the same period a year ago.

Commodity Prices

The general wholesale price index advanced somewhat from mid-August to the middle of September but subsequently declined again. These changes reflected to a large extent fluctuations in livestock and meat prices. Following devaluation of British and many other foreign currencies, generally by about 30 percent, dollar prices of tin, rubber, and some other imported materials declined from 5 to 8 percent. Prices of most nonferrous metals, following moderate advances in July, showed little change during August and most of September. Prices of steel scrap and of cotton and rayon cloth continued to increase.

Bank Credit

Business loans at banks in leading cities increased moderately during August and the first three weeks of September. Portfolios of municipal and corporate securities also were expanded somewhat. Holdings of Government securities increased over 2 billion dollars, reflecting in large part the use of the funds released by the reductions in reserve requirements in August and early September to acquire additional bills offered by the Treasury and to purchase short-term Government securities from the Federal Reserve Banks.

A reduction in Treasury balances at the Reserve Banks early in September supplied reserve funds to member banks. In the third week of the month Treasury balances were rebuilt through quarterly income tax receipts, and excess reserves of banks were reduced sharply.

Security Markets

Prices of Government and high-grade corporate bonds showed relatively little change in the first three weeks of September. After rising in the second week of September to the highest level in nearly a year, common stock prices moved irregularly.

THE BOARD OF GOVERNORS