Indian Summer

The tendency to look backward over a year that has ended as a new one comes up on the calendar is deeply ingrained in the time-conscious people of our world. This retrospective mood is particularly strong at the beginning of 1950, for the new date marks the end of one of the most eventful and awesome half-centuries in all history and ushers us into one filled by a menacing cloud of question marks. Although it would be tempting on this occasion to let our survey range over the whole fifty-year period, limitations of space confine it of necessity to the more modest time-span of a year.

There are some who question the value of an annual stock-taking at the beginning of a new year on the ground that the division of time into separate years is purely conventional. Time itself, it is said, is an indivisible flow and taking stock of past experience should be a continuous process and not merely an annual event. This, of course, is true. Tomorrow's economic history is always the product of the decisions that are taken today in the light of yesterday's experience. Past and present combine continuously to shape the future without a break. Nevertheless, as long as the convention of the calendar persists, there should be no objection to taking advantage of it to do at least once a year what ought to be done every day of the year—to take account of what has happened to us in the past.

Last year in this place, when the year 1948 was under review, attention was first directed to the inflationary exuberance that had characterized most of the year. As 1948 drew to a close, however, it was said, a chill wind, like the first harbinger of winter, swept across the economy. The mercury in many business thermometers began to fall. Now, with the record of 1949 before us, we know just how chill was that wind; we can see how low the thermometers really did fall.

How Chill the Wind

One of the chief thermometers registering the temperature of economic activity is what economists know as the "gross national product." This is the value, at market prices, of all the final goods and services produced in the country. It rises or falls, obviously, with changes in the physical output of goods and services and with changes in prices. It is usually spoken of in terms of an annual rate—at any particular time the gross national product is being produced at a rate of so many billion dollars a year. How, then, did this thermometer behave in 1949?

The peak of the postwar boom came in the fourth quarter of 1948 in which the gross national product was running at the rate of 270.3 billion dollars a year. The decline that then set in carried it down to a rate of 256.3 billion dollars in the third quarter of 1949—a decline of 14.0 billion dollars a year.

This decline in gross national product resulted in part from a decline in prices and in part from a reduction in the physical output of goods and services. One of the best indicators of physical output is the Federal Reserve index of industrial production. The average level of this index for the fourth quarter of 1948 was 194; in the third quarter of 1949 its average level was 168—a decline of 14 percent. In the same period the all-commodity index of wholesale prices fell from 162.9 in the fourth quarter of 1948 to 153.3 in the third quarter of 1949—a decline of only 6 percent; and the index of consumers prices fell from 172.4 to 169.0, a decline of only 2 percent. The decline in the gross national product was therefore in large part the result of a shrinking volume of goods and services, especially in manufacturing, mining, and railroad transportation. In other lines production continued at high levels.

Another thermometer of considerable interest to most people is the one labeled "total personal income." In the period under consideration, namely from the fourth quarter of 1948 to the third of 1949, total personal income fell from an annual rate of 216.6 billion dollars to 210.6 billion—a decline of 6 billion dollars.

The various groups of income receivers did not, of course, feel this downward movement equally. Wage and salary receivers, for example, suffered a decline of 2.9 billion dollars a year; the income of farm proprietors declined by 4.7 billion a year, the greatest decline for any group; nonfarm proprietors and rent receivers found their income down by a half billion a year. Receivers of dividends and interest, however, were in a somewhat better position in the third quarter of 1949 than in the fourth quarter of 1948, better by about 400 million dollars a year. Transfer payments rose by 1.7 billion dollars, largely because of unemployment compensation benefits. Corporate profits before taxes fell by 5.6 billion dollars and, after taxes, by 3.4 billion.

What income receivers as a whole have left out of total personal income after paying their taxes is known as "disposable income." This is the amount that is available for personal consumption and savings. In the period we are considering, disposable income declined 4.3 billion dollars a
year; consumption expenditures declined 2.4 billion; and personal savings declined by about 2 billion.

The brunt of the decline in consumption expenditures was borne by the nondurable commodities for which expenditures fell by 6.8 billion dollars a year. Retail prices of these commodities were also lower. Expenditures for durable goods, on the other hand, rose by 2.9 billion dollars a year and the amount spent for services by 1.4 billion.

A third thermometer of considerable importance in appraising the temperature of the business climate is the one known as “gross private domestic investment.” This includes the amounts spent on new construction and for the purchase of producers’ durable equipment as well as changes in business inventories.

From the fourth quarter of 1948 to the third of 1949, total gross private domestic investment declined from an annual rate of 48 billion dollars to 35 billion—a decline of 13 billion dollars a year. Over a half billion of this consisted in a decline in expenditures for new private construction and 1.1 billion represented the decline in purchases of producers’ durable equipment. The greatest decline occurred in business inventories. In the fourth quarter of 1948 these were growing at the rate of 9 billion dollars a year, but in the third quarter of 1949 they were no longer growing. On the contrary, they were shrinking at the rate of 2.4 billion dollars a year.

While most of the business thermometers were falling during the first three quarters of 1949, there was one that was rising—government expenditures. In the third quarter of 1949 the Federal Government was buying goods and services at an annual rate 2.1 billion dollars greater than in the fourth quarter of 1948, and state and local governments had increased their buying rate by 1.2 billion dollars a year. For all government units combined, the rate of expenditures had risen by 3.3 billion dollars a year. This increase in the annual rate of government expenditures was large enough to cause worry to those who view with alarm the growing role that government is playing in business affairs. It was not large enough, however, to sustain the hopes of those who pin their expectations of prosperity on government spending, for the increase in government expenditures (3.3 billion dollars) fell far short of offsetting the 13 billion decline in the rate of private investment and the 2.4 billion decline in the rate of expenditure for consumers’ goods and services. If prosperity was to be maintained its best chance lay in the sensible conduct of the nation’s business affairs by the country’s private businessmen.

Although the declines in the business thermometers under the first wintry blast seem impressive when stated in terms of dollar changes in annual rates, they would seem much less formidable if stated in terms of percentage changes. This is true simply because the declines occurred from record high levels. They represented, indeed, an approach to a more normal and workable level of economic activity rather than a departure from normal on the down side. They brought no widespread hardship to any class despite an increase in unemployment. There was, of course, a general tightening up of the economy. Credit was a little harder to get; unemployment rose appreciably; jobs were a little harder to find and better qualifications had to be offered; wage increases were fewer and smaller and had more and more to be earned by increased productivity. Low-quality merchandise could not be so easily worked off on the buying public at fancy prices; profits, too, had to be earned by greater managerial efficiency, by better cost control, by improvement in the quality of merchandise, and by a revival of the almost-lost art of selling in the face of competition.

In general, this contraction of the economy from its previous state of over-expansion was healthy. It was accompanied by a feeling of well-being and was free of any indication of panic. If the first three quarters of 1948, as we remarked last year, constituted the gloomiest period of prosperity in our history, we can say with the same measure of truth that the first three quarters of 1949 constituted the gayest of our recessions.

The first chill wind, of course, is not winter itself but only portends the winter yet to come. Beneath the feeling of immediate well-being during the 1949 recession there lurked an uneasy feeling that it too might be merely a portent of more difficult days in the not too distant future. The recession, as far as it had gone by late summer, had indeed been relatively painless. Would it continue to be painless if the business thermometers continued to fall?

**Indian Summer**

Before an answer was forthcoming, however, a glow of warmth quite suddenly and paradoxically suffused the economy despite the fact that many thermometers continued to fall. Figures for the fourth quarter of the year are not definitive at this writing. They still embody estimates to some extent but nevertheless provide a reasonable measure of the temperature of business.

The gross national product, which had lost 14 billion dollars in its annual rate during the recession, lost another 800 million dollars in the fourth quarter of the year. Total personal income, which had lost 6 billion dollars a year, declined further by 600 million dollars. Salaries, wages, and other labor income increased, indeed, by 100 million dollars, but the income of farm proprietors fell by another 300 million dollars a year although without causing much concern. It was pointed out that in the 1920’s we had discovered that we can enjoy a booming economy even with a depressed agriculture, and agriculture today is far from depressed. Disposable income (total personal income after taxes) also lost another 800 million dollars in its annual rate on top of the decline of 4.3 billion during the recession.

In the fourth quarter of 1949 the public was buying consumption goods at a lower rate than in the third quarter, lower by 500 million dollars a year. The same trends that had been present in the earlier part of the year, however, persisted in the last quarter—a further increase in the rate of purchase of durable goods; a further decline in the rate of purchase of nondurable goods; and a slight increase in the rate at which services were bought. This relatively high rate of consumer expenditures was supported not only by somewhat higher incomes, but also by a further decline of 200 million dollars in the rate of personal savings.

Another significant thermometer which failed to rise and which remained at the third quarter level was gross private domestic investment. New private construction, indeed, increased, especially residential building, but investment in nonfarm producers’ durable equipment fell by 1.9 billion
dollars a year. There was also a further modest contraction in business inventories, though at a slower rate. Government expenditures (Federal, state, and local) for goods and services continued to rise throughout the fourth quarter by 400 million dollars a year. Although the index of industrial production rose by about 4 percent and there was a further slight decline in wholesale prices, consumer prices remained virtually unchanged.

Looking backward at what occurred in the fourth quarter and noting some of the causes for it that can now be discerned, one is reminded more of the deceptive warmth of Indian summer days than of summer at the full. Despite the warmth there is a tenderness and fragility in the air that bespeaks impermanence. Improvement in some lines was to be expected because of seasonal factors; there was also some buying in anticipation of strikes; new construction, especially residential building, continued with unexpected vigor; the market for automobiles and other durable goods held up surprisingly well but at the cost of a reduced rate of savings, the drawing on past savings, and the creation of an unprecedented volume of consumer credit outstanding; inventory buying improved to compensate for over-liquidation in the early part of the year; Federal farm support programs, although they have not prevented declines in farm prices, have nevertheless prevented almost unmanageable farm surpluses from making their full impact on the economy; and the Federal Reserve System has adopted policies that make it easier for banks to satisfy whatever business demand for loans might develop. These are some of the things that have conspired to nourish the feeling that the bottom had been reached and that business was once more headed upward.

Nor does the outlook for the immediate future rest on any more substantial factors. Those who look for continued good business throughout the first half, and perhaps for the whole of 1950, base their expectations largely on the behavior of the construction industry, on a continuing boom in the automobile and durable goods markets, and on government spending. There is one other factor that also bolsters hope—the National Life Insurance refunds to veterans. These are expected to buoy up consumer spending to some indeterminate degree.

Just how veterans will use these funds is not known. A survey of two small groups of veterans in Atlanta, however, may give some rough idea of their intentions. In one group, 7 percent had already borrowed in anticipation of the refund. In this group 25 percent said that they would use their refunds to pay off debts; 38 percent said they would save them; 14 percent said they would use the money for new housing. Only 12 percent indicated that the money would be used to purchase consumer goods. In the other group, 4 percent had already borrowed; 16 percent would use the proceeds to pay off debts; 51 percent intended to save them; 10 percent would use the refunds for new housing. Only 22 percent said they would use the money for consumer goods. If these replies are at all typical of veterans in general, the insurance refunds may not make as large a ripple on the stream of spending as many have supposed.

**The Grasshopper and the Squirrel**

Although some improvement in business sentiment has certainly taken place since last summer, the facts of the situation scarcely seems to warrant the boundless optimism that has accompanied it. Optimism is a pleasant state of mind, but over-optimism can sometimes be dangerous.

The grasshopper who hops blithely from blade to blade in the mellow sunlight of Indian summer, with complete and optimistic confidence in his future, is ill-prepared to meet the rigors of the first freeze. It would be unfortunate, indeed, if the various important economic groups in the nation were to emulate the grasshopper in the belief that all downward adjustments in the economy have now been completed and that we are on the threshold of another 1948.

It would be unfortunate, for example, if labor were to make demands upon industry that would prevent management from continuing to reduce costs and prices. To do so might result in higher dollar incomes but only at the cost of declining real income. It would be unfortunate, too, if businessmen were to relax their efforts to cut costs and to expand their markets by a gradual reduction in prices and were now to take advantage of every momentary speculative situation to raise prices. The latter course could easily result in shrinking markets and drastic and involuntary price-slaughtering later on.

Equally unfortunate would be government policies and programs that pile deficit upon deficit in the hope that a miraculously expanding economy will forever absorb them, or that substitute for the healthy vigor of private enterprise the enervating programs of political largesse. Finally, it would be unfortunate if consumers were generally to squander their savings and burden their unknown future incomes with a mountain of debt for the sake of acquiring present goods, a mountain whose pinnacle now tops the 18 billion dollar mark.

Such tendencies betray the grasshopper's lack of responsibility toward the future. If sufficiently strong, they could prove ultimately disastrous by recreating and accentuating the kind of distortions and imbalances within the economy that the 1949 recession was gradually but happily correcting.

Instead of the grasshopper, it were better to emulate the squirrel, who utilizes the respite of Indian summer to make snug his nest against the coming cold and to gather and store the nuts on which he will live all winter. He practices the ancient virtues of industry, thrift, self-reliance, and foresight—virtues that scarcely rank highest on today's hit parade. But because he practices them, the spring will find the squirrel alive, sleek and well fed, and ready to meet whatever problems may face him in the coming year. The grasshopper, on the other hand, who fails to practice these virtues that are so important to self-survival will be but a memory in the spring.

Tomorrow's economic history is being made by today's decisions with respect to past and present experience. To misinterpret that experience, and to mistake one's hopes for reality, is to lay up trouble for the future. Under present circumstances, therefore, it would be well to maintain a healthy skepticism toward the future until optimism can find a more secure foundation in fact. It would be well, too, if the lessons we were beginning to learn in the 1949 recession with respect to the more efficient, vigorous, and adventurous management of economic affairs were not too easily forgotten in the golden days of Indian summer.

**Earle L. Rauber**
Sixth District Banking in 1949

National fiscal, monetary, and economic developments were the principal factors reflected in changes in District member bank statements in 1949. The impact of these developments on banks in local areas varied, however, in accordance with the economic structure of each.

A decline in private credit during the first seven months was the chief deflationary force in 1949. Deflationary pressures in 1948 came from Federal debt retirement and from an increase in reserve requirements. By way of contrast, little retirement of publicly held debt occurred in 1949; and instead of the Treasury's cash income exceeding cash outgo by 8 billion dollars, as was the case in 1948, there was an excess of only a little over 2 billion dollars. Total gross public debt declined 4 billion dollars in 1948; it rose 4 billion in 1949.

Moreover, the slackening of business activity in 1949 was met by a change in Federal Reserve policy which eased credit restrictions. There was a change in open market policy and reserve requirements were lowered three different times.

Total deposits and currency throughout the United States declined during the first half of the year, largely because of a decline in business borrowing, but have remained fairly stable since that time. In general, District trends resembled these national trends.

Businessmen Borrow Less

The almost uninterrupted month-to-month increase in total loans during 1948 ended in December of that year. At all member banks throughout the country, loans moved downward during the first seven months of 1949. By the end of July, they had dropped almost 2 billion dollars and were below the level of a year earlier. As a group, Sixth District member banks reported a parallel trend in loans. However, in no month in 1949 did the total fall below that of the corresponding month in 1948. Loans at the banks outside the leading cities of the District held up better than loans at the large city banks, possibly because a smaller proportion of them were business loans.

Reduced business borrowing caused most of the decline in total loans outstanding. At all District member banks, for example, total loans at the end of June were greater than on the corresponding date of the previous year, but commercial and industrial loans were down substantially. Moreover, the decline in business borrowing was concentrated in those areas where industrial activity was waning.

The reduced demands by businessmen for loans during the first part of 1949 stemmed partly from a decision to liquidate inventories following the slump in consumer buying which began in late 1948. Inventory liquidations were greater, however, than the declines in consumer demand justified. During the latter part of 1949 a restocking process and a pickup in activity in many industries were reflected in a brisk demand for loans. This demand, together with the participation of many District banks in Commodity Credit Corporation cotton loans, raised total loans at member banks by the end of the year to a point higher than any previously reported.

Consumers Borrow More

Consumers, as a group, continued to buy in 1949 despite declines in income, thereby helping, both directly and indirectly, to keep up the level of member bank loans. At no time during the year did they show as much reluctance to borrow as businessmen did.

They borrowed over 450 million dollars in the form of installment loans from Sixth District commercial banks in 1949. They repaid a large part of their indebtedness, but at the end of the year the banks still held about 75 million dollars more consumer installment paper than they had at the end of 1948. Approximately half of the increase resulted from a growth in loans for automobile purchases.

Instalment lending has become so important to commercial banks that at midyear this type of loan exceeded Sixth District member bank loans on real estate, agricultural loans, and every other type of loan except business loans. Instalment loans were about a third as great as the latter.

More Government Securities

For the first time since 1945, member banks ended the year with greater holdings of Government obligations than at the end of the preceding year. To a large extent, the increase in holdings represented an attempt by the banks to offset the declining demand for loans and to maintain earning assets. The increase of 189 million dollars in member bank holdings of Government securities between the end of 1948 and the end of August 1949, when they reached their peak at District member banks, was about double the amount of the decline in loans during the same period.

The greater part of the increase in District member bank holdings of Government securities took place at the reserve city banks, but loans declined more at these banks than at the country banks—those outside reserve cities. Most of the increase occurred in July and August when the banks utilized reserves freed by the lowering of reserve requirements. Since then, Government security holdings have declined slightly, as the demand for loans increased.

Net additions to Government security holdings were made by increasing holdings of securities maturing in less than a year. Starting the year with approximately one-third of their

Instalment...
Government security holdings in that maturity group, both reserve city and country banks had over half of their securities in that extremely liquid position by the end of 1949.

**Declining Interest Rates**

Business loans were made at slightly higher rates of interest by the leading banks in Atlanta and New Orleans during most of 1949. By the third quarter, however, the average rate for all sizes of loans had increased less than 0.2 of one percentage point from that charged at the end of December.

Perhaps because the demand for loans declined at a lower rate in the District than elsewhere, the average rate did not decline from June to September as it did throughout the country. Between September and December, however, the average rate at the District banks declined slightly. The rates on business loans at the banks in the larger cities—many of which were large loans—are, of course, more sensitive than those in the smaller centers.

**The Immediate Future**

During 1950, banking developments in the District will probably continue to be governed largely by national developments. Because such a large part of the money supply now revolves around Treasury expenditure, borrowing, and debt repayment, the immediate prospects in these fields will be one of the major factors governing prospects for banks.

The first part of each preceding postwar year has been a period of contracting deposits as tax collections exceeded expenditures. Such a situation seems less likely to develop in 1950. Heavy Treasury expenditures are in prospect for the first half of the year. A Treasury deficit for the last half of 1950, which seems probable at this time, will eliminate the possibility of a deflationary force through debt retirement. If the Treasury finances a part of the deficit by bank borrowing, an increase in the money supply may result. The prospects can be changed, of course, by congressional action on taxes and appropriations.

These considerations point to no general decline in deposits for the banking system as a whole if there is a continued demand for private credit. Many individual bankers in the District, however, will face the necessity of adjusting to declining deposits. Some of them have had to do so already. By and large, these problems will be centered at banks in the smaller communities and especially in those where income is not derived from diversified sources.

**Bank Announcements**

On December 27 two banks were welcomed into the Federal Reserve System. One of these was the Alabama City Bank of Gadsden, Gadsden, Alabama, with a capital stock amounting to $100,000, surplus and undivided profits to $116,000, and deposits to $3,082,000. The officers are James B. Little, President; W. E. Hockensmith, Vice President; Mrs. Henrietta Killian, Cashier; and H. Ray Cox, Assistant Cashier.

The other new member is the Washington Loan and Banking Company, Washington, Georgia. This bank has capital stock of $100,000, deposits of $2,715,000, and surplus and undivided profits of $183,000. Its officers are W. L. Johnson, Chairman of the Board; F. W. Thomas, President; Dr. T. B. Walton and R. R. Johnson, Vice Presidents; and H. P. Shank, Cashier.

Eight additions have been made to the Par List during the month of January. Five nonmember banks began remitting at par on January 1. They are as follows:

- **Citizens and Southern Bank of LaGrange, LaGrange, Georgia.** With capital of $200,000, surplus and undivided profits of $325,000, and deposits of $12,177,000. Its officers are Olin F. Fulmer, Jr., President; Harry R. Spikes, Executive Vice President; W. F. Holle, Jr., Cashier; and R. W. Smith, Assistant Vice President.

- **Citizens and Southern Bank of Dublin, Dublin, Georgia.** This bank has capital of $150,000, surplus of $150,000, and deposits of $4,700,000. Its officers are Mills B. Lane, Jr., Chairman of the Board; Charles U. Smith, President; Winfield S. Simmons, Vice President; T. J. Jernigan, Cashier; Henry L. Cox and Julius A. Lynn, Assistant Cashiers; and Lamar C. Hogan, Manager, Farm Development Department.

- **Citizens and Southern Bank of Thomaston, Thomaston, Georgia.** The capital of this bank amounts to $150,000, surplus to $150,000, and deposits to $6,128,000. The officers are James R. Atwater, Chairman of the Board; C. B. Jenkins, Jr., President; J. P. Culpepper, Jr., Cashier; and B. M. Branch, Assistant Cashier.

- **LaGrange Banking Company, LaGrange, Georgia.** The capital stock of this bank amounts to $50,000, surplus and undivided profits to $144,000, and deposits to $2,516,000. The officers are A. E. Mallory, President; C. W. Curry, Executive Vice President and Cashier; W. B. King, Vice President; and Neil Glass and Paul Gray, Assistant Cashiers.

- **The Bank of Commerce, Woodbury, Tennessee.** This bank has a capital of $50,000, surplus and undivided profits of $32,000, and deposits of $1,400,000. The officers are J. F. Adams, President; J. H. Cummings, Vice President; and S. B. Hawkins, Cashier.

On January 15, The Citizens Bank and Trust Company, Wartrace, Tennessee, a nonmember bank in Nashville Branch territory, began remitting at par. This bank has a capital of $40,000, surplus and undivided profits of $63,000, and deposits of $1,161,000. The bank's officers are Glen Brasel, President; George H. Buxton, Sr., Vice President; W. P. Lovelace, Cashier; and J. B. Powell, Assistant Cashier.

Also going on the Par List on January 15 was the Okeechobee County Bank, Okeechobee, Florida. The capital of this bank amounts to $50,000, surplus and undivided profits to $68,000, and deposits to $922,000. The officers are C. H. McNulty, President; N. Ray Carroll, Vice President; S. H. McDougald, Vice President; and Warren E. McNulty, Cashier. Vice President Carroll became a Director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta on January 1.

Another addition to the Par List was Hastings Exchange Bank, located at St. Augustine, Florida, in Jacksonville Branch territory. This is a new organization opening on January 17 with a capital of $50,000, paid-in surplus of $10,000, and undivided profits of $5,000. The officers of the bank are E. B. Bowles, President; W. H. Freeman, Vice President; S. H. Marsh, Vice President and Cashier; and R. E. Tutt, Assistant Cashier.
Industry and Employment in 1949

IN THE year just past, construction activity throughout the Sixth District was greater than in any earlier year and electric power production by the District utility plants recorded another annual increase. Cotton textile mill operations, however, averaged lower than in 1948 and coal production was at a substantially lower level because of work stoppages and the shortened work week. Steel mill activity was also reduced by the coal strike in the spring and by the coal and steel strikes in the fall. Employment in manufacturing industries averaged more than 7 percent less than in 1948.

Construction

Residential construction as well as building activity as a whole rose to a record level in 1949. According to F. W. Dodge Corporation statistics, the total value of construction contracts awarded in the District was $1,138 million dollars, an increase of 11 percent over the 1948 total, and residential construction amounted to $490 million dollars, an increase of 13 percent. Residential contracts accounted for 43 percent of the 1949 total; in 1948 the percentage had been 42.

SIXTH DISTRICT CONSTRUCTION

Each District state except Florida shared in the gain in contract awards, but Florida still led the other states in both total and residential construction. Figures published by the Bureau of Labor Statistics indicate that in the first ten months of last year 61,325 housekeeping units were authorized by permit or contract in the six states, a gain of 18 percent over that period in 1948. The largest gains occurred in Mississippi and Alabama, 51 and 48 percent, respectively; in Georgia the increase was 16 percent and in Florida, Louisiana, and Tennessee, 9 percent each. An increase of 8.6 percent was reported for the country as a whole. Construction costs, according to the index of the American Appraisal Company, averaged about the same in 1949 as in the preceding twelve months.

Textiles

On the basis of the daily average rate of cotton consumption, textile mills in the District operated last year at a level about 13 percent below the average for 1948. The decline in cotton consumption which began in 1948 continued, almost uninterrupted, through July 1949, but was followed by a sharp increase in the latter part of the year. The average consumption in the August-December period was 17 percent greater than in the January-July period and 2.4 percent greater than in that part of 1948.

Inventories of textile products at all levels had been severely reduced and at midsummer there was a rather sudden resumption of buying which resulted not only in increased production, but in rising prices as well. Mill margins—the spread between the cost of a pound of raw cotton and the price of the finished product—had declined from 64.7 cents in December 1947 to 33.98 cents in December 1948 and to 27.75 cents in June 1949, but between June and October there was a rise to 36.08 cents. Nevertheless, for the first ten months of 1949, mill margins were about 34 percent lower than the 1948 average.

Employment

Manufacturing employment increased slightly in November, following a drop in October which was caused principally by the work stoppage in steel and related industries. Alabama, Florida, Louisiana, and Mississippi reported gains but Tennessee suffered a decline which was because of another strike.

In the first eleven months, employment in manufacturing industries averaged 7.4 percent lower than in 1948. Decreases larger than the District average occurred in Mississippi, Alabama, and Tennessee, whereas in Louisiana, Florida, and Georgia the declines were smaller than the District average. The index of manufacturing employment declined each month from November 1948 through July 1949. It recovered somewhat in August and September, but the rise was interrupted in October by a steel strike.

Employment in the textile industries averaged 11.2 percent less in 1949 than in 1948. Textile employment had declined about 20 percent from March 1948 through July 1949, a decrease having taken place each month except one. There was a recovery of more than 8 percent, however, between July and November. In the lumber and wood products group,
employment averaged 8.3 percent less in 1949 than in 1948, but in the food and kindred products industries, the 1949 average was down only one percent for the year. In the transportation equipment group, which includes shipbuilding and repair establishments and automobile assembly plants, employment averaged about 16 percent less than in 1948, chiefly because of continued declines at the shipyards of the District. There was also a decline of 15 percent in fabricated metal products, and one of 11.6 percent in primary metals industries. Only in the chemical group, which includes fertilizer manufacture, was the 1949 average higher than that for 1948, and the increase in that group was only one-third of one percent.

Coal, Steel, Petroleum, and Electric Power

Coal mining operations in Alabama and Tennessee in 1949 averaged 35 percent lower than in 1948. The mines were idle during the last half of March, the third week in June, the first week in July, and for almost two months in the fall. Output was further reduced by the three-day work week during the last half of the year.

During most of the year District steel mills operated above rated capacity. Activity was reduced somewhat in March and April because of the work stoppage in coal mines and the mills were closed in October and early November by both the coal and the steel strikes.

In the coastal areas of Louisiana and Mississippi, production of crude petroleum averaged about the same in 1949 as in 1948, although third-quarter output was well below that period a year earlier. Production in 1949 had averaged about 14 percent greater than in 1947.

Electric power production at the District public utility plants averaged 7.9 percent greater in 1949 than in 1948. The increase took place at the hydro-electric plants, where about 28 percent more current was generated than in 1948. At those plants using fuels, 1949 output was 7.5 percent smaller than in the preceding year. On the average, hydro-generated power accounted for 52 percent of total production last year, whereas in 1948 the percentage was less than 44.

D. E. Moncrief

### Sixth District Statistics

#### INSTALMENT CASH LOANS

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#### RETAIL JEWELRY STORE OPERATIONS

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<tr>
<td>Total sales</td>
<td>38</td>
<td>+ 186</td>
</tr>
<tr>
<td>Cash sales</td>
<td>37</td>
<td>+ 210</td>
</tr>
<tr>
<td>Credit sales</td>
<td>37</td>
<td>+ 178</td>
</tr>
<tr>
<td>Accounts receivable, end of month</td>
<td>37</td>
<td>+ 50</td>
</tr>
<tr>
<td>Collections during month</td>
<td>37</td>
<td>+ 6</td>
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</table>

#### WHOLESALE SALES AND INVENTORIES*

<table>
<thead>
<tr>
<th>Item</th>
<th>No. of Stores Reporting</th>
<th>Percent Change Dec. 1949, from Nov. 1948</th>
<th>No. of Stores Reporting</th>
<th>Percent Change Dec. 31, 1949, from Nov. 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive supplies</td>
<td>3</td>
<td>- 16</td>
<td>3</td>
<td>- 48</td>
</tr>
<tr>
<td>Electrical group</td>
<td>3</td>
<td>+ 14</td>
<td>3</td>
<td>+ 9</td>
</tr>
<tr>
<td>Full lines</td>
<td>3</td>
<td>+ 13</td>
<td>3</td>
<td>+ 40</td>
</tr>
<tr>
<td>Wiring supplies</td>
<td>12</td>
<td>- 9</td>
<td>12</td>
<td>+ 8</td>
</tr>
<tr>
<td>Appliance</td>
<td>3</td>
<td>- 3</td>
<td>3</td>
<td>- 8</td>
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<tr>
<td>General hardware</td>
<td>4</td>
<td>+ 10</td>
<td>4</td>
<td>+ 34</td>
</tr>
<tr>
<td>Industrial supplies</td>
<td>6</td>
<td>+ 38</td>
<td>6</td>
<td>+ 62</td>
</tr>
<tr>
<td>Jewelry</td>
<td>2</td>
<td>+ 2</td>
<td>2</td>
<td>+ 13</td>
</tr>
<tr>
<td>Plumbing and heating supplies</td>
<td>4</td>
<td>- 8</td>
<td>4</td>
<td>- 9</td>
</tr>
<tr>
<td>Construction</td>
<td>2</td>
<td>- 7</td>
<td>2</td>
<td>- 19</td>
</tr>
<tr>
<td>Drugs and sundries</td>
<td>11</td>
<td>- 7</td>
<td>11</td>
<td>+ 4</td>
</tr>
<tr>
<td>Dry goods</td>
<td>17</td>
<td>- 32</td>
<td>17</td>
<td>- 12</td>
</tr>
<tr>
<td>Groceries</td>
<td>10</td>
<td>- 5</td>
<td>10</td>
<td>- 8</td>
</tr>
<tr>
<td>Full lines</td>
<td>34</td>
<td>- 8</td>
<td>34</td>
<td>+ 19</td>
</tr>
<tr>
<td>Specialty lines</td>
<td>10</td>
<td>- 20</td>
<td>10</td>
<td>+ 10</td>
</tr>
<tr>
<td>Shoes and other</td>
<td>4</td>
<td>- 4</td>
<td>4</td>
<td>+ 6</td>
</tr>
<tr>
<td>Footwear</td>
<td>3</td>
<td>- 51</td>
<td>3</td>
<td>- 31</td>
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<tr>
<td>Tobacco products</td>
<td>13</td>
<td>- 5</td>
<td>13</td>
<td>- 12</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>14</td>
<td>+ 5</td>
<td>14</td>
<td>+ 10</td>
</tr>
<tr>
<td>Total</td>
<td>146</td>
<td>- 9</td>
<td>146</td>
<td>- 6</td>
</tr>
</tbody>
</table>

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

#### DEPARTMENT STORE SALES AND INVENTORIES

<table>
<thead>
<tr>
<th>Place</th>
<th>No. of Stores Reporting</th>
<th>Percent Change Dec. 1949, from Nov. 1948</th>
<th>No. of Stores Reporting</th>
<th>Percent Change Dec. 31, 1949, from Nov. 1948</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALABAMA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile</td>
<td>5</td>
<td>+ 63</td>
<td>5</td>
<td>- 2</td>
</tr>
<tr>
<td>Montgomery</td>
<td>3</td>
<td>+ 74</td>
<td>3</td>
<td>- 8</td>
</tr>
<tr>
<td>FLORIDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jacksonville</td>
<td>4</td>
<td>+ 66</td>
<td>4</td>
<td>- 19</td>
</tr>
<tr>
<td>Miami</td>
<td>4</td>
<td>+ 73</td>
<td>4</td>
<td>- 8</td>
</tr>
<tr>
<td>Orlando</td>
<td>2</td>
<td>+ 55</td>
<td>2</td>
<td>- 2</td>
</tr>
<tr>
<td>Tampa</td>
<td>5</td>
<td>+ 65</td>
<td>5</td>
<td>- 17</td>
</tr>
<tr>
<td>GEORGIA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlanta</td>
<td>6</td>
<td>+ 50</td>
<td>6</td>
<td>+ 5</td>
</tr>
<tr>
<td>Augusta</td>
<td>4</td>
<td>+ 60</td>
<td>4</td>
<td>+ 3</td>
</tr>
<tr>
<td>Columbus</td>
<td>3</td>
<td>+ 65</td>
<td>3</td>
<td>+ 23</td>
</tr>
<tr>
<td>Macon</td>
<td>6</td>
<td>+ 61</td>
<td>6</td>
<td>+ 29</td>
</tr>
<tr>
<td>Home</td>
<td>4</td>
<td>+ 70</td>
<td>4</td>
<td>- 4</td>
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<tr>
<td>Hines</td>
<td>6</td>
<td>+ 66</td>
<td>6</td>
<td>+ 17</td>
</tr>
<tr>
<td>LOUISIANA</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baton Rouge</td>
<td>4</td>
<td>+ 57</td>
<td>4</td>
<td>- 26</td>
</tr>
<tr>
<td>New Orleans</td>
<td>6</td>
<td>+ 42</td>
<td>6</td>
<td>+ 18</td>
</tr>
<tr>
<td>MISSISSIPPI</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jackson</td>
<td>4</td>
<td>+ 52</td>
<td>4</td>
<td>- 25</td>
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<tr>
<td>Meridian</td>
<td>3</td>
<td>+ 57</td>
<td>3</td>
<td>- 5</td>
</tr>
<tr>
<td>TENNESSEE</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Bristol</td>
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<td>3</td>
<td>- 29</td>
</tr>
<tr>
<td>Chattanooga</td>
<td>4</td>
<td>+ 67</td>
<td>4</td>
<td>- 35</td>
</tr>
<tr>
<td>Knoxville</td>
<td>4</td>
<td>+ 67</td>
<td>4</td>
<td>- 23</td>
</tr>
<tr>
<td>Nashville</td>
<td>6</td>
<td>+ 56</td>
<td>6</td>
<td>- 24</td>
</tr>
<tr>
<td>OTHER CITIES</td>
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</tr>
<tr>
<td>District</td>
<td>113</td>
<td>+ 57</td>
<td>113</td>
<td>+ 22</td>
</tr>
</tbody>
</table>

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

Despite a lower income in 1949, total consumer spending in the Sixth District was very little less than in 1948. Rather than reduce their purchasing, consumers not only went further into debt, but they also used more of their accumulated liquid assets and spent a greater proportion of their income. Final estimates will probably show 1949 personal income payments in the six states approximately 3 percent less than in 1948. The dollar volume of total retail trade, however, probably declined less than one percent and consumer expenditures for rents and other services probably increased.

In 1949, when it looked as though the consumer had stopped buying because prices were too high, prices were cut—drastically in some cases. When it seemed that he was running out of money, easier credit terms were extended. During the first part of the year, merchants anticipated that he would continue to spend less and they reduced their inventories and cut their forward commitments. Finally, when it was discovered that all the consumer wanted was a selection of the right goods at the right prices and the credit with which to buy these goods, the process of inventory reduction was reversed. Consumers were thus largely responsible for the pickup in production in late 1949.

Changed Sales Trends

Although the total amount consumers spent did not change much from the amount they spent in the preceding year, there were marked changes in the type of spending. There were periods of both declining and increasing sales.

The sales trend which began to change in the last quarter of 1948 continued well into 1949. During the first quarter, sales at District department stores, for example, were 7 percent less in dollar volume than they were during the corresponding period in 1948 and the District showing would have been much worse had it not been for the good sales experience in Louisiana and Mississippi. Household appliance dealers reported declines of from 20 to 30 percent from a year earlier. District furniture store sales were down almost 20 percent. Automobile dealers alone reported greater sales in 1949 than in 1948. The three-month sales performance for the District was just about the same as that for the nation, if the experience of department stores is representative.

A good Easter business at District department stores brought their sales for the first six months to a level only 3 percent below that of the first half of 1948. Throughout the country, department store sales were down 5 percent. Household appliance and furniture stores, however, continued to report substantial sales declines. Conditions were much the same in the third quarter; for the nine months department store sales were down 4 percent from that period in 1948.

The final quarter brought two striking changes. Department stores sales were rather disappointing in October and November, but in December they almost set a record, which brought the year's total up to only 2 percent below that of 1948. The other development was the pickup, which began in October, in sales at appliance and furniture stores. Not only was this an important factor in raising sales for the year at those stores, but it also helped keep department store sales up.

If the year had not been such a good one for automobile sales, total consumer expenditures at retail stores might have been considerably lower than they were. Estimates for 1949 place District automobile dealers' sales about 16 percent above those for 1948. Consumers spent 4 percent more at food stores and only one percent less at drug stores. Also, they most likely kept up their purchases at many retail establishments for which reports are not available. Furthermore, in the same cities where automobile sales were soaring, sales of many other types of goods declined sharply.

Moreover, in several cities department stores had poorer sales experience than that shown by the District average. The year's sales were down as much as 10 percent at stores in Mobile and Montgomery, Alabama; Macon and Rome, Georgia; Meridian, Mississippi; and in the Bristol-Kingsport-area of Tennessee. Sales declined between 5 and 10 percent at the stores in Birmingham, Alabama; Jacksonville, Florida; Atlanta and Columbus, Georgia; and in Chattanooga, Knoxville, and Nashville, Tennessee.

Better records in other cities offset these declines. The Orlando, Florida, stores reported sales about the same as in 1948. A similar condition was reported by the stores in Baton Rouge, Louisiana, and Jackson, Mississippi. In both Savannah, Georgia, and New Orleans, Louisiana, sales were up one percent. In Tampa and Miami, Florida, they declined only 3 and one percent, respectively.

Declines in Consumer Prices

One result of the declining demands for certain types of consumer goods, particularly during the first part of the year, was a cut in retail prices. Shoppers who enjoy looking for bargains had a good time in 1949. Special promotions and clearance sales offered them chances to really save money. In addition, the prevailing prices gave consumers more for their money than in 1948.

According to Bureau of Labor Statistics data for six large cities in the District, the indexes of retail food prices during 1949 averaged 5 percent lower than in 1948. Apparel prices averaged 3 percent lower and prices of home furnishings, 2 percent. Averages for the year, however, obscure the declining trend. At the end of November, for example, consumers found prices of clothing and house furnishings 7 and 6 percent lower, respectively, than in November 1948.

The prices of some other things increased, however. The
prices of fuel, electricity, and refrigeration averaged one percent higher in 1949 and prices of miscellaneous items were also up. Rents advanced during the latter part of the year. As a result of these conflicting price trends, the District consumers' price index for all items averaged only 2 percent less for the entire year than it did for 1948. The District trend of consumer prices was similar to the national trend.

In the early fall, some merchants began to feel a little more encouraged about the sales outlook and tried to build up their stocks. Because manufacturers of consumer goods, however, had curtailed operations rather than build up their own inventories, some retailers had difficulty in replenishing their stocks. The lower level of inventories during the last months of 1949, therefore, may have resulted partly from the inability of merchants to replace merchandise sold rather than pessimism about the future.

**Growth in Instalment Selling**

Instalment selling is customarily associated with sales of consumer durable goods, such as furniture and household appliances. The slump in the sales of these goods during the first part of 1949 meant that instalment credit at stores selling these goods expanded relatively little. Moreover, charge account sales at the department stores slumped. In fact, charge account credit failed to expand even later in the year.

After June, when instalment credit controls wereremoved completely, there was a rapid expansion in the sale of consumer durable goods financed in large part by instalment contracts. Near the end of the year, instalment contracts at the District department stores were 36 percent greater than on the corresponding date in 1948. At furniture stores they were up 12 percent; at household appliance stores, 41 percent; and at jewelry stores, 13 percent. The biggest factor in the growth of consumer credit has been the expansion of instalment credit to finance the purchase of automobiles.

**Some Questions About 1950**

Some of the questions that are now being asked about the future trend of consumer buying in the District differ considerably from those asked last year. At the beginning of 1949, one question was whether the declining sales of consumer durable goods (except automobiles) would continue. Now, the question is how long the pickup in sales will continue. Last year, speculations occurred about how far inventory liquidation would go; now, discussion centers on whether the increased production in recent months, in response to continued consumer demand, has again filled up the inventory pipe lines. This year analysts are wondering how much longer easier credit terms will be a stimulus to consumer buying. Last year they were wondering why instalment credit was not growing more rapidly than it was.

But other questions have a far more familiar ring. Will the demand for automobiles be satiated in 1950? If so, will consumers shift their buying to other types of goods or will they save more of their incomes? These questions have been asked before, but the answers have lost no importance as determinants not only of the future course of retail trade but of the general economic outlook. Of course, fundamental to any analysis of the future is the question of how high incomes will be in 1950.

By and large, merchants in the District have decided that the answers to these and other questions warrant their planning for sales during the first half of 1950 at levels equal to or exceeding those of the first half of 1949. Economic developments during the six-month period will help them decide how to face the remainder of the year. Many of them feel, however, that shifts in consumer spending of as great a magnitude as, or perhaps greater than, those occurring in 1949 can be expected in 1950.

Charles T. Taylor
Few farmers in the Sixth District will remember 1949 with pleasure. Last year marked the turning point from high war and postwar demands for farm products. Instead of ending the year with more money in their pockets than a year earlier as had become customary in the past seven years, many farmers found that they had serious financial problems. Because their incomes were reduced, some of their debts remained unpaid and most farmers faced the necessity of reorganizing their farm programs because of acreage restrictions on major crops. In the transition from a period of relative financial security to one characterized by serious concern for the future and from unlimited to circumscribed opportunity lies the story of agriculture for 1949.

The outlook for agriculture at the beginning of the year was excellent. Nonfarm activity, as measured by employment, pay rolls, and construction, was high and was expected to continue so. There were no burdensome surpluses of farm commodities. Farmers knew that the peanut acreage allotment would be below that for 1948, but the sting was taken out of this by the unrestricted opportunity to grow cotton, to which the acreage diverted from peanuts could be easily shifted.

On the whole, farmers were not particularly concerned about the prices of their main products. Livestock prices were still far above support levels and the prices of cotton, peanuts, and tobacco were only slightly above support levels and, therefore, could not decline greatly.

Moreover, optimism in the District states was bolstered by the knowledge that farmers had just completed their most successful year from the standpoint of gross income. Cash receipts from farm marketing in 1948 were 5.4 percent larger than in 1947. Also, on January 1, 1949, District farmers held 3.3 million bales of 1948 crop cotton that had neither been placed in the loan nor sold. Few farmers, therefore, entertained much doubt that 1949 would be another good year.

Planting Time

Most farmers made their plans as though no major readjustments were necessary. Some perhaps realized that the current volume of farm products could not be marketed indefinitely at high prices, but not many believed it strongly enough to begin making adjustments on their farms. The Steagall amendment, which guaranteed high price support during the war, provided, indeed, supports for two years after the official end of hostilities. Ostensibly, this provision was to give farmers price protection during the period of adjustment to normal domestic and foreign requirements. The two-year period ended on December 31, 1948, with the demand for farm products continuing almost at wartime levels. Of course, much of the demand was occasioned by exports of farm products to Europe under the Marshall Plan and other programs. But only in a very restricted sense was the export demand of 1947 and 1948 normal.

The Department of Agriculture made no public long-time estimate of normal requirements and farmers, therefore, continued to plant record acreages of the crops on which they should have been making adjustments downward. Generally, farmers assumed that 1949 would be the last year when they could grow cotton without acreage or marketing limitations. Consequently, they felt it would be well to take utmost advantage of this opportunity.

When planting time came farmers in the District states increased cotton acreage to 8 million acres, an increase of 10.5 percent, from the 7.3 million acres planted in 1948. On this acreage, 206,000 tons more fertilizer were used than in the preceding year. That 19.4-percent increase in fertilizer represented an additional investment of 12.6 million dollars. Tobacco acreage was increased 5.2 percent as the result of the allocation of more acres to growers. Peanut acreage was down about 390,000 acres, or 26 percent, because of quotas.

The 1949 crop was destined to become the most expensive crop on record. Farmers intensified their efforts by using more seed, fertilizer, labor, and machinery. Moreover, some items entering into production, like machinery, gasoline, and fertilizer, cost more per unit than they had in the spring of 1948. Farm income in the District states during the first quarter of 1949, however, was 20.5 percent higher than in the first quarter of 1948. For this reason, the added costs did not dampen farmers’ hopes, which rested on expectations of high yields, high prices, and high incomes.

Midseason Prospects

Early summer brought heavy rains. Before fields dried sufficiently to permit chopping and weeding, the rains again descended. Grasses and weeds thrived, hopelessly crowding out the cotton crop in some areas. The widespread optimism of early spring gave way to deep concern and as though grass and weeds were not enough, the boll weevil struck suddenly and hard. As fast as poison was applied the rains washed it off and in some sections the supply of poison was quickly exhausted. In a few areas concern gave way to desperation.

On August 8 the first cotton estimate was made and the full impact of weather and insects could then be measured in terms of yields. Tennessee was the only District state where it was estimated that yields would exceed 300 pounds of lint cotton an acre. The estimate showed a decline of 33 percent from 1948 yields for Georgia; 34 for Florida; 25 for Louisiana; 17 for Mississippi; 8 for Tennessee; and 26 for Alabama.

District cotton farmers had gambled on the weather, as farmers always do, and they had lost. A farmer from Waynesboro, Georgia, expressed the sentiment of many when he said, “Six thousand dollars thrown to the weevils, the worms, and the weather! Where do I go from here?”

Not all farmers, of course, were as seriously affected as the one from Waynesboro. Many made excellent yields and as the year wore on, estimates were raised slightly. On the whole, however, farm production in 1949 was disappointing. The November 1 crop estimate for Alabama, for example, indicated a decrease from 1948 levels in production for every crop on the estimate.

Cash Receipts From Marketings

As a result of lower yields and lower prices, particularly for unsupported commodities, the estimated farm income for 1949 in the District states was 2.4 billion dollars—a decline of about 10 percent from 1948. The estimate indicates a 20-percent increase in Florida, but the other states were expected to show decreases. Mississippi, with an estimated decrease of 20 to 25 percent, was hardest hit.

For the most part 1949 was a favorable year for the livestock producer. The rains that made grass grow in cultivated fields also caused pastures and grazing crops to grow luxuriantly. Corn yields, on a per acre basis, were considerably
higher than 1948 yields in three states and only slightly lower in the other three.

Livestock income, however, does not fluctuate as widely as crop income. Changes in the number of livestock on farms occur slowly. In the District states in 1949 the number increased slightly. Livestock prices, however, declined, largely because of lower hog prices in the latter part of the year. Income from livestock in 1949 is therefore estimated to have been slightly under that for 1948. The increase in the numbers marketed was not large enough to offset lower prices.

Farm Legislation

The complete story of District agriculture involves more than what took place on farms. Indeed, much that happened on farms was the result of political action on the national level. The continued high level of business activity and the high personal disposable income enabled most of the nation’s farm products to find buyers at prices above parity. Total buying power, however, was sustained by many Government or Government-sponsored programs; by unemployment insurance, and by an increase in Government outlays, particularly in connection with foreign assistance and defense. In addition to sharing in the benefits of these general economic programs, farmers had some of their own, the most important of which was the price-support program.

At the close of 1949, the farm political situation, centering around price supports, was far from settled. Early in the year Secretary Brannan submitted the Department of Agriculture’s farm plan, popularly known as the Brannan plan. His plan was to raise the support prices for meat animals and dairy products relative to the supports for cotton and grains. The novelty of the plan, however, lay in its method of supporting these perishable or semi-perishable products. Instead of calling for the support of prices, the plan would allow prices to seek their market level and the Government would make up the difference by direct subsidy between what the farmer received and what he should have received, according to a new parity formula. In theory, if not in practice, the consumer would get lower food prices and the farmer’s income would be maintained.

All the national farm organizations except the Farmers Union immediately opposed the plan. The farmer, they insisted, wanted the prices of his products supported in the market and did not like the idea of a direct subsidy. Although farmers opposed the plan, certain nonfarm groups, particularly labor unions, thought that it made sense.

Senator Anderson of New Mexico, former Secretary of Agriculture, then submitted his farm bill. The Anderson bill was similar to the Aiken bill, submitted in 1948, in advocating flexible price supports. The essential differences between them were the inclusion of hired farm labor in the cost index in the Anderson bill which was not contained in the Aiken bill and the fixing of the minimum support level at 75 percent, instead of at 60 percent as provided in the Aiken bill.

Georgia’s Representative Pace, veteran farm legislator, submitted a bill which would have given 100 percent price support on staple, storable commodities. Congressman Pace wanted the Brannan idea applied only to potatoes, eggs, and shorn wool. The Pace bill failed.

Representative Gore from Tennessee introduced an amendment to the Anderson bill to raise the support level on basic commodities to 90 percent. The House passed this amended bill, but the Senate would not accept the change. A Conference Committee drew up a compromise bill which was passed.
and is known as The Agricultural Act of 1949. The President signed the bill, but the controversy over supports continued. The Act provides for support of basic commodities at 90 percent of parity throughout 1950. In 1951 their prices are scheduled to be supported at from 80 to 90 percent and for the next two years at from 75 to 90 percent of parity. The Act also requires that the cost of farm labor be included in the parity formula.

As 1949 drew to a close, farmers and farm groups were seeking ways to modify this law. In all probability it will last no longer than its predecessor, the Aiken-Hope law. Questions on which decisions were postponed and sidestepped by the present law are certain to come up again in 1950.

National farm programs have profoundly affected farmers in the District states. In December 1947, peanut growers voted to continue price supports on peanuts even though this would mean a reduction in acreage in case the Secretary pro-claimed quotas to be in effect. The Secretary made no such proclamation in 1948, but he did set quotas for 1949.

In September 1949 the pecan growers voted for a marketing agreement for pecans and in a referendum on December 15, 1949, cotton farmers voted to accept quotas on production in return for price support. It is of more than passing interest that District farmers have elected to limit production of tobacco, peanuts, and cotton in return for price supports. Their actions are evidence that they want the Government's help even though this means a certain degree of regimentation.

The effects of restrictive programs are many, but bankers are particularly interested in their effect on farm land values. Bases or quotas are allocated to individual farms and these quotas may become as valuable as the land itself. This is already true on some tobacco farms. The purchase of a farm with a base involves the buying of a right to produce and sell a particular commodity. And that right depends precariousely on political action.

### Summary
Although the weather can be blamed in part for the decline in farm income, crop restrictions and lower prices also had their effect. Both the imposition of quotas for supported commodities and the lower prices, particularly for unsupplemented commodities, are evidence that the high postwar demand for farm products is tapering off. High farm income depends inevitably upon a high level of business activity and consumer income. In the District states foreign demand for farm products, especially for cotton and tobacco, also has a very important influence on farm income. The prospects for a high level of domestic demand through 1950 are good, but those of maintaining foreign demand are far from bright.

Just as 1949 was a year of decision on price-support programs, 1950 will be a year of adjustment. Farmers in the District states will be required to reduce their cotton acreage by 1,130,000 acres and their peanut acreage by 319,549 acres. The question of what to grow on these 1,450,000 acres to be retired from high-income crops raises a serious problem. That this reduction will mean a lower income is obvious. Farmers will have to work out their adjustments to suit their particular farms and skills and they will need additional capital to make them. But some will be in a less credit-worthy position because of their 1949 experiences.

If business activity continues at or near present levels, as is now being predicted, 1950 will be a good year for farmers. But the postwar boom is over.

**John L. Liles**