MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

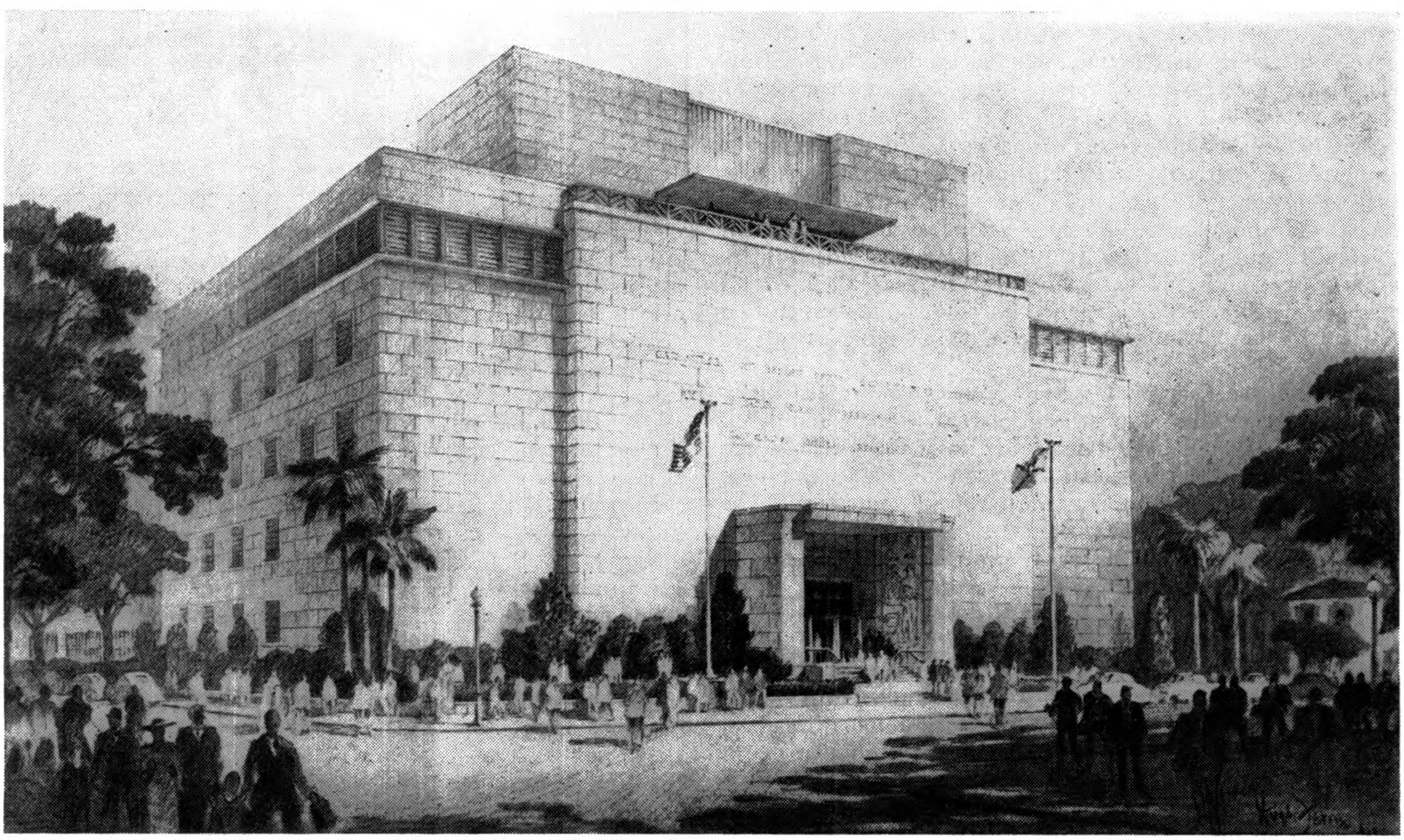
Volume XXXV | Atlanta, Georgia, October 31, 1950 | Number 10

Florida's Progress and the Federal Reserve

EXCAVATION for the handsome new building that is to house the Jacksonville Branch of the Federal Reserve Bank of Atlanta on Julia between Ashley and Church Streets is a matter of more than ordinary interest, not only to Jacksonville but to the whole state of Florida.

Its importance is attested by the joint meeting of the Boards of Directors of the head office and Branch on October 20 to view formally models and sketches of the building. The Board of Directors of the Atlanta Bank consists of Frank Neely, Chairman, and Chairman of the Board of Rich's, Inc., of Atlanta; R. Clyde Williams, President of The First National Bank of Atlanta; Leslie R. Driver, President of The First National Bank in Bristol, Bristol, Tennessee; George J. White, Chairman and President of The First National Bank of Mount Dora, Mount Dora, Florida; Alfred Bird Freeman, Chairman of the Board, Louisiana Coca-Cola Bottling Company, Ltd.; J. A. McCrary, Vice President and Treasurer, J. B. McCrary Company, Inc., of Atlanta; Donald Comer, Chairman of the Board, Avondale Mills, Birmingham; Rufus C. Harris, President, The Tulane University, New Orleans, and Deputy Chairman of the Federal Reserve Bank's Board of Directors; and Paul E. Reinhold, President and Director of Foremost Dairies, Inc., of Jacksonville.

Among those having good reason to take particular satisfaction in the day's event were the eminent Floridians who serve on the Branch's Board of Directors. Marshall F. Howell, Director and Vice President of Bond-Howell Lumber Company of Jacksonville is the Chairman of the Branch Board. Its other members are J. Hillis Miller, President of the University of Florida; Howard Phillips, Vice President, Dr. P. Phillips & Sons, Inc., of Orlando; J. E. Bryan, President, Union Trust Company, St. Petersburg; J. D. Camp,



Proposed new building for Jacksonville Branch of Federal Reserve Bank of Atlanta

President and Director, Broward National Bank of Fort Lauderdale; N. Ray Carroll, President, First National Bank, Kissimmee; and J. W. Shands, President and Director, The Atlantic National Bank of Jacksonville.

The other Branches of the Federal Reserve Bank of Atlanta were represented by their Managers—P. L. T. Beavers of Birmingham, Joel B. Fort, Jr., of Nashville, and E. P. Paris of New Orleans—and the head office by President William S. McLarin, Jr., and other officers.

Governor M. S. Szymczak and Governor Edward L. Norton, outstanding and nationally known members of the Board of Governors of the Federal Reserve System in Washington, were present to represent the governing body of the System on this important occasion.

The beautiful two-and-a-quarter million dollar building that will arise on the above site to adorn the city's downtown business district was designed by the nationally famous architect Henry J. Toombs of Atlanta, and will be built by The George D. Auchter Company of Jacksonville. For Florida this event constitutes recognition of the state's phenomenal economic development by the country's great central banking institution.

Contrary to popular belief, the Federal Reserve System, strictly speaking, is not a Government agency. The capital stock of the Federal Reserve Banks is all owned by private commercial banks that constitute the System's membership. The Board of Directors of each Federal Reserve Bank consists of nine men, of whom only three are appointed by the Board of Governors in Washington. These three represent the interest of the general public in the control of the Bank's affairs. The other six, three representing banks and three representing the business interests of the District, are elected by the member banks. The Board of Directors of each Branch consists of seven men, three appointed by the Board of Governors and the remaining four by the Board of Directors of the parent Bank.

The System has never cost the taxpayers of the country a single dollar. It is entirely self-financing and is, indeed, a large contributor to the United States Treasury, instead of being a drain upon it. Besides having paid out approximately 10 million dollars in dividends to its stockholders from its beginning up to the first of this year, the Federal Reserve Bank of Atlanta alone has contributed 36 million dollars to the Treasury in the form of a franchise tax on its notes.

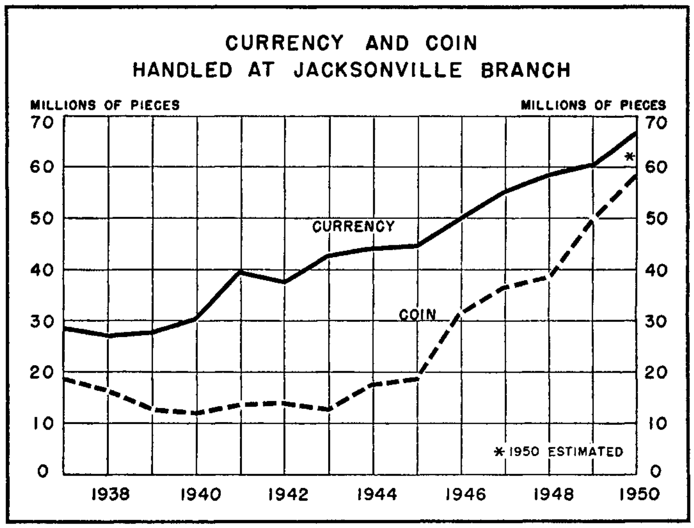
Although the Federal Reserve System is concerned chiefly with regulating the supply and cost of money and bank credit, the purpose behind its activities in this field is the creation of a financial climate favorable to the development of a prosperous agriculture, industry, and commerce. The Federal Reserve Bank of Atlanta, therefore, is deeply interested in the economic progress of Florida as well as that of all the states in its District.

Branch History

The Jacksonville Branch of the Federal Reserve Bank of Atlanta was established on August 5, 1918, and began operations in the Graham Building. It was not until June 13, 1924, that it moved into its present building.

Throughout its life the Branch has been managed by a succession of able men, who have not only served their institution well but who have always taken a lively interest in the progress of the community and of the state. The first Managing Director was George R. DeSaussure, who held office from June 1918 to January 1928. Mr. DeSaussure was followed by William S. McLarin, Jr., now President of the Federal Reserve Bank of Atlanta, who served as Managing Director of the Branch from February 11, 1928, to January 9, 1931. Mr. McLarin was followed by Hugh Foster who held the position until October 31, 1934. From January 1, 1935, to December 31, 1946, the Branch was in the hands of George S. Vardeman, Jr., and since January 1, 1947, has been headed by T. A. Lanford, Vice President and Manager.

Over the years the volume of work transacted in the Jacksonville Branch has grown enormously. One of the main jobs of the Branch is to keep the state's banks supplied with currency and coin. Money is continually flowing back and forth between the Branch and the commercial banks, and between the Branch and the Federal Reserve Banks in other Districts in response to the seasonal demands of business for cash. The handling and counting of this money is a task of no small proportions.



In 1937, for example, the Branch handled 28.4 million pieces of currency and 18.8 million coins. The war years witnessed a great expansion in this work, until in 1945 approximately 44.4 million pieces of currency and 18.6 million coins were being handled. A much greater increase in this money work has occurred in the period since the war. It is estimated that in 1950 nearly 67 million pieces of currency and 58 million coins will be handled at the Branch.

Another important operation of the Branch is the handling of checks for collection, since the Branch acts as a kind of clearing house for banks that are members of the Federal Reserve System. In 1926 nearly 7 million checks were handled by the Branch. A low point was reached in 1933 during the depression, when the number of checks handled dwindled to 4.4 million. From then on, however, year by year the number has grown until it reached 23.1 million in 1949.

The growth in the physical volume of the Branch's operations has been accompanied by a growth in its personnel. In 1922 the Branch was operated with 32 officers and employees. By 1941 this number had grown to 93. The extraordinary activities of the war years raised the number of officers and employees to 230 in 1945. Since then the number has declined to 138.

Although the personnel of the Branch has increased greatly, the increase has been much less than that in the volume of work done. The reason for this is the increasing use that is being made of machinery to supplant hand labor, a trend as much in evidence in business offices as in factories. The growth in the number of employees and the enormous increase in the volume of the Branch's operations have combined to produce more and more crowded conditions in the present building and have finally necessitated construction of a new building in which the Branch can serve the state's banks more efficiently.

The Growth of Banking

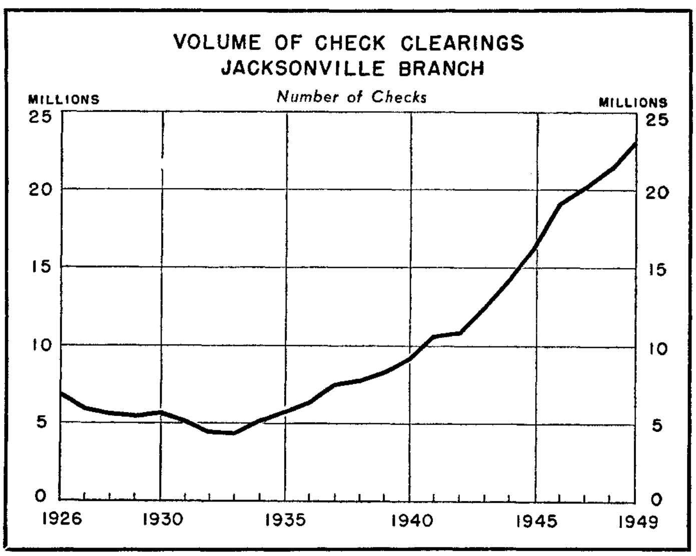
The growth in the operations of the Branch, of course, reflects the growth of banking in the state. In June 1924, when the Branch moved into its present building, there were 299 banks in the state of Florida. Their total resources amounted to 347 million dollars and they held approximately 270 million dollars of individual deposits.

In Florida, as in most other states, there are now fewer banks than in earlier years. In June of this year Florida had 192 banks. Their total resources, however, were vastly greater than in earlier years—2 billion dollars, as compared with a little over a third of a billion in 1924. Deposits are much greater too—1.9 billion dollars, compared with a little over a quarter of a billion in 1924.

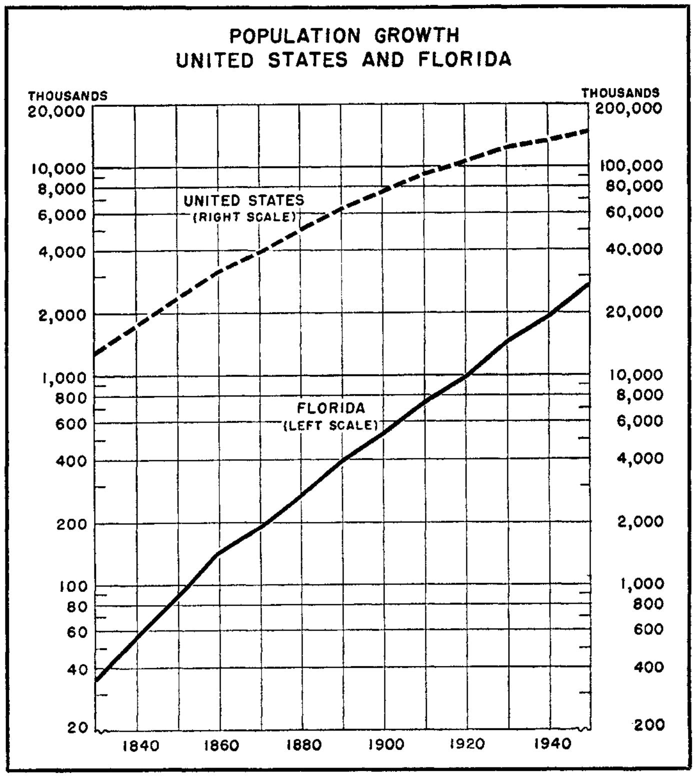
Although only 74 of the state's 192 banks are members of the Federal Reserve System, these member banks have 72 percent of all banking resources in the state and the same percentage of deposits. All national banks, of course, are members of the System—62 of them in the state of Florida. In addition to these, 12 state-chartered banks in Florida are also members. Through the Jacksonville Branch of the Federal Reserve Bank of Atlanta, these 74 member banks are able to share in the great nation-wide credit pool made possible by the Federal Reserve System.

Economic Progress in Florida

Just as the growth of the Branch reflects the growth of banking in the state, so, too, the growth of banking merely reflects the phenomenal progress that has been made throughout the years in practically every segment of the state's variegated economy. The economy of any region consists of its people,



its resources, and what the people do with the resources that are available to them. That more and more people are finding the "Sunshine State" a good place in which to work and do business is shown by the way the population has grown.



In 1830 the population of Florida amounted to only about 35,000. It was not until the 1930 census, a hundred years later, that the state's population exceeded a million. By 1940, however, it had grown to 1,897,000, and in 1950 it reached 2,734,000.

Between 1930 and 1950 the population of Florida increased by 86 percent, while that of the nation as a whole increased by only 23 percent. In the last decade alone the population of Florida increased 44.1 percent, compared with 12.9 percent for the next highest state in the Southeast.

Moreover, while most southern states have been losing population to other sections of the country, Florida has enjoyed a steady influx from outside the state, until today more than half of the population consists of persons who were born in other states.

Almost 65 percent of Florida's population now lives in urban areas, whereas in 1900 only 20 percent did so. Jacksonville, the seat of the Federal Reserve Branch, was the state's largest city as early as 1900 and retained that position up until the 1950 census, when it was surpassed by Miami.

Economic progress is not necessarily indicated by a mere growth in population. It is indicated, however, by the money that people get in the form of income, by the money they have in the bank, and by what they save for a rainy day.

In 1930, total income payments to individuals in Florida amounted to only 635 million dollars. By 1948, however, these had grown to over 2.75 billion dollars—an increase of 355 percent. In the country as a whole for the same period, total income payments to individuals increased by 181 percent.

As in other southern states, per capita income payments in Florida have consistently lagged behind the national average. In 1948 they amounted to 1,137 dollars, compared with 1,410 dollars in the nation. But the rate of increase was greater in Florida. From 1930 to 1948 per capita income payments in Florida increased by 164 percent, compared with 137 percent for the whole country.

The people of Florida also have more money in the bank per capita than those of any other state in the Sixth Federal Reserve District. As of December 31, 1949, total bank deposits per capita amounted to 534 dollars. In the next highest state in the District, they were 458 dollars.

Just as per capita income tends to be lower in the South than in other regions, so too long-term savings lag behind the national average. Per capita long-term savings in Florida were 771 dollars in 1949, compared with 1,135 dollars in the nation. Here again, however, there was a much greater increase in Florida—297 percent between 1939 and 1949 for the state and 167 percent for the nation.

Pillars of Progress

Income and savings do not arise by themselves. They result from the development of a state's natural resources by its businessmen, its farmers, and its other workers. More than most states, Florida has been able to capitalize on its peculiar advantages of climate and geographical location, converting sunshine and soil into income. This has been true in more than one segment of the state's economy, but in none more so than in agriculture. Agriculture is one of Florida's most substantial pillars of economic progress. In 1935 total cash farm income in Florida, including farm marketings and Government payments, amounted to 100 million dollars. By 1949, however, this figure had risen to 401 million dollars—an increase of 301 percent, compared with one of 262 percent for the country as a whole.

Few states can rival Florida in the variety of agricultural products raised on its soil. Citrus fruits, commercial truck crops, and livestock are of special importance.

The citrus industry has had a meteoric rise, especially since the decade of the thirties. In the 1909-10 season over 5 million boxes of oranges were produced in Florida with a value of a little over 2 million dollars. The 1929-30 season yielded a crop of 9.8 boxes worth 19.8 million dollars. In the 1948-49 season, however, Florida produced 62.7 million boxes of oranges having a value of 101.7 million dollars.

Similar increases have been experienced in the production of other citrus fruits. From 1909-10 to 1948-49, for example, the production of grapefruit rose from 1.1 million boxes worth 1.7 million dollars to 30.2 million boxes with a value of 25.2 million dollars.

Florida not only enjoys an especially favorable combination of climate, soil, and location for the production of citrus fruits but also an equally favorable combination for the production of commercial truck crops. Between 1923 and 1927, on an average, 134.1 thousand acres were planted to truck crops which had an average farm value of 36.4 million dollars a year. By 1949, however, the number of acres in commercial truck crops had grown to 286.7 thousand and the farm value of these crops had reached a total of 121 million dollars.

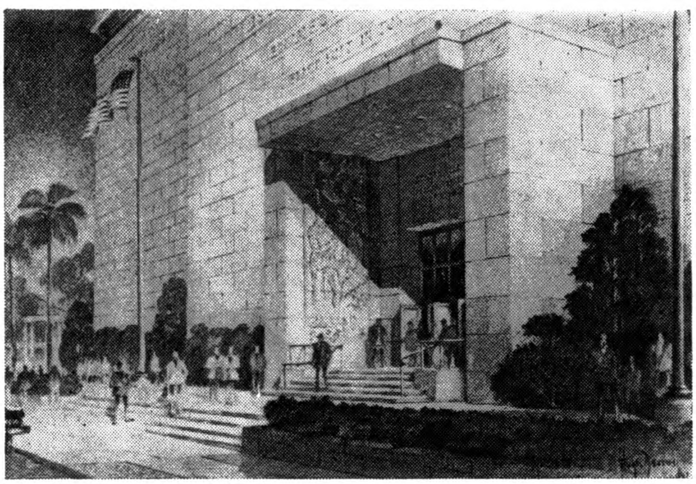
A comparatively new but vigorously growing branch of the state's agriculture is the livestock industry. Cash farm income from livestock has risen from 19 million dollars a year in 1935 to 95 million in 1949, an increase of 400 percent. For the nation as a whole, income from this source increased by 264 percent in the same period.

As of January 1, 1935, the cattle population of Florida numbered 788,000 head, but as of the same date in 1949 this figure had grown to over 1.25 million head. Cash receipts from this particular part of the livestock industry rose from 3.2 million dollars to approximately 22 million in the same period.

In addition to citrus fruits, commercial truck crops, and livestock, there are, of course, dozens of minor agricultural products that contribute their share to the over-all agricultural prosperity of the state. Even a brief sketch of Florida's agriculture would not be complete without some mention of the vigorous and intelligent work of the Florida Bankers Association in this field. In many ways such as demonstration meetings for bankers on farms, farm credit conferences, meetings for bankers and professional agricultural workers, the Association seeks to stimulate the interest and activity of commercial banks in the promotion of agriculture. The Federal Reserve Bank of Atlanta, through its Jacksonville Branch, co-operates wholeheartedly with the Association in all activities aimed at improving relations between banks and farmers and at making banks more active and understanding partners in building the state's agricultural prosperity. The Bank employs two highly competent agricultural economists, Brown Rawlings and John Liles, who are well known to bankers and to professional agricultural circles throughout the state for the part they have played in the work of the Association.

Tourism

When most people think of Florida, however, it is not as an agricultural state but rather as a mecca for tourists. Floridians are convinced that the state's thousand miles of coast line, washed by the blue waters of the Gulf on one side and by the Atlantic on the other; the golden sunshine that bathes the whole peninsula; the cooling sea breezes that fan it; and the hundreds of lakes that bespangle it constitute an irresistible magnet for tourists. From the days when Ponce de Leon first sought the fountain of youth in Florida, more



Front entrance to new building of Jacksonville Branch and more people have been similarly convinced, until now the tourist has become the state's leading crop.

Although figures on the tourist business are not too reliable or up-to-date, it has been estimated that in the 1947-48 season over 790 million dollars of the state's income came from this source. During that season over four-and-a-half million tourists visited the state. In 1948, it has been estimated, tourists spent 258.6 million dollars through retail outlets alone, to say nothing of the vast sums spent in other trade channels. The number of tourists and the number of dollars have both been larger in more recent seasons.

Trade

As Charles T. Taylor, Financial Economist of the Federal Reserve Bank of Atlanta, said in a recent issue of the Bank's *Monthly Review*, sunshine and sea breezes may indeed be free, but while tourists are enjoying them they must have food and lodging, transportation, and a host of other services. Supplying the needs of tourists as well as the needs of a population growing rapidly in numbers and in wealth has raised the trade and service industries to the top of the list of income producers.

In 1947 Floridians drew 814.5 million dollars of income, wages and salaries together with proprietors' income, from the trade and service industries. The importance of these industries as sources of income is at once apparent when one recalls that in 1947, agriculture produced an income of 299.4 million dollars and manufacturing, 216.7 million. These were the two next highest income producers.

Between 1929 and 1948, total retail sales increased by 170 percent in the country as a whole and by 242 percent in the Sixth Federal Reserve District. In Florida, however, they went up by 373 percent. The index of department store sales, which went up by 224 percent in the nation at large between 1935 and 1949, rose by 345 percent in the Sixth Federal Reserve District. In Florida, however, the index rose by 377 percent.

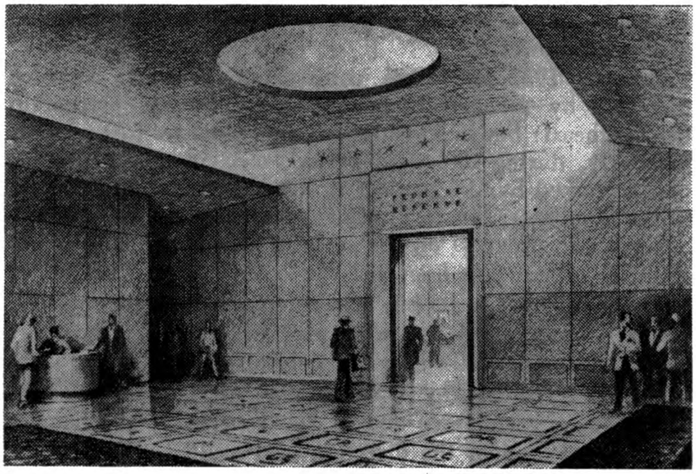
Manufacturing

Although Florida has many things of which to boast, it makes no claim as yet to being a leading manufacturing state. Nevertheless, the nearly 3,000 manufacturing establishments there in 1947 added a value of nearly 350 million dollars and so made an important contribution to the state's economy.

The manufacture of food and kindred products ranked highest among the manufacturing industries in 1947 both with respect to the number of establishments and of value added by manufacture—701 establishments in which 92 million dollars of value was added by manufacture. Value added by manufacture in plants producing paper and allied products amounted to 55.8 million dollars, and in those producing lumber products (except furniture) to 47.2 million dollars.

Even though Florida cannot yet be called an outstanding manufacturing state, value added by manufacture increased faster there between 1929 and 1947 than it did in the nation as a whole—159 percent, compared with 143 percent.

The latest addition to the state's family of manufacturing industries is the frozen citrus concentrate industry—the industry that produces the little frosty cans of concentrated citrus juices that are now found in nearly every food store.



Lobby of Branch's new building

The birth and rise of this industry has been something of a modern industrial miracle. It has not only brought citrus juices to the consumer in a convenient form and with a quality comparable to that of fresh fruit juice, but has also brought prosperity to citrus growers by greatly enlarging their existing and potential markets. In the 1948-49 season nearly 10.5 million gallons of frozen citrus concentrates were produced in Florida. This output consumed 160 thousand boxes of grapefruit and over 11 million boxes of oranges.

Other Pillars of Progress

In the edifice of a state's economy, it is not only the more obvious economic activities that are important. Others, even though seemingly less important, are also structural members of the whole and help support the state's prosperity. In Florida the list of such minor economic activities is long, but there are three that deserve special mention—lumbering, fishing, and mining.

From its great forest resources the state draws lumber, pulpwood, gum and wood naval stores, veneers, poles and piling, crossties, cooperage, fence posts, fuel wood, and other miscellaneous items. In 1947 the wholesale manufacturing value of these forest products amounted to approximately 174 million dollars.

The waters of Florida's lakes and streams and the ocean waters almost surrounding the state abound in a great variety of fish. These fish constitute an economic resource of considerable present value and of vastly greater future value. In 1948 the value of the commercial fish catch from Florida waters amounted to nearly 35.3 million dollars. Shrimp, mullet, blue crab, and mackerel were the most important varieties in the catch.

In mining, Florida is noted as the nation's chief source of supply of phosphate rock. In 1947 Florida produced 6.5 million long tons of phosphate out of a national total of 9.1 million tons. The value of phosphate rock at the mines was 32.9 million dollars in Florida, compared with 47.5 million dollars for the nation.

What of the Future?

Florida's rapid growth in population and its abounding activity in primary production and distribution is reflected in such auxiliary activities as construction and the generation of electric power.

Between 1935 and 1949, construction contracts awarded increased by 461 percent in the nation; by 411 percent in the Southeast; but in Florida they increased by 570 percent. Similarly, during the same period, electric power production increased by 196 percent in the nation; by 339 percent in the Southeast; but in Florida it increased by 478 percent.

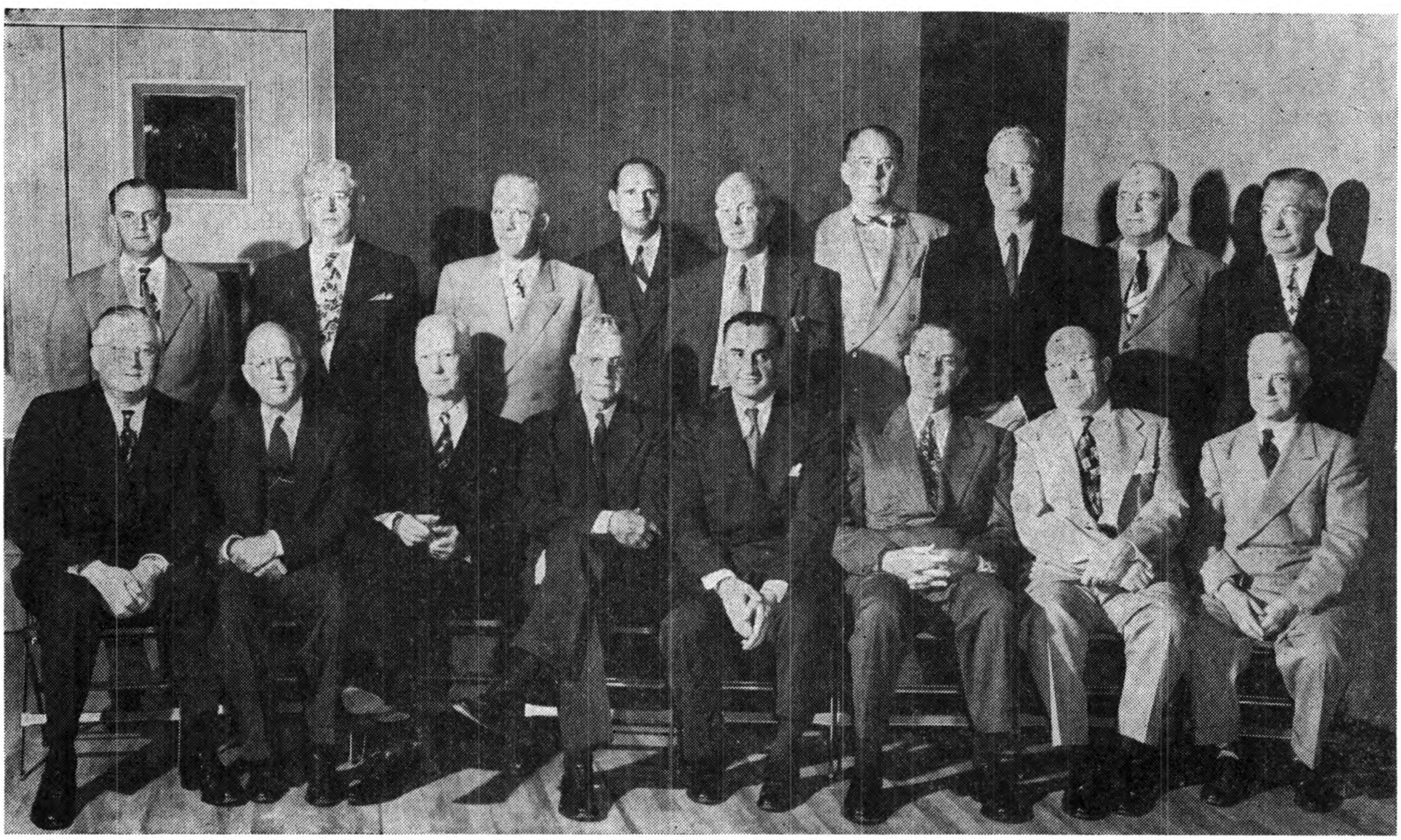
Economic progress on the scale of that in Florida is not something that just happens. It comes about because of qualities inherent in its business community—aggressiveness, progressiveness, and a lively spirit of venture. These are found in abundance in Florida businessmen. They are stimulated and fostered by a network of alert and intelligent Chambers of Commerce and by the Florida State Chamber of Commerce under the direction of Harold Collee and his capable staff. Economic progress comes about, too, because of the application of science to agricultural and industrial problems. Florida's universities and colleges, her laboratories and experiment stations, have all made an outstanding contribution to the economic, social, and cultural progress of the state.

But all of Florida's amazing economic development could scarcely have occurred if the state had not had an alert and enterprising banking community. It is the banks that have channeled money and credit into all those productive activities that have combined to produce the state's enviable economic prosperity.

The banks, in turn, could not have done their job so well if there had not existed in the United States the greatest central banking institution in the world, the Federal Reserve System. It is the Federal Reserve System that mobilizes the credit resources of the nation and places them at the disposal of areas such as Florida, whose expanding economies can best make use of them. In Florida the Jacksonville Branch is the outpost of the Federal Reserve System, serving the banks of the state in the first instance, but, through them, serving the economy of the whole state. It is this inter-relationship between the System, the banks, and the state's complex economic life that lends particular significance to the construction of a more commodious building for the Jacksonville Branch.

During the recent war there was an acceleration of the whole economy of the state because of war activities. This wartime boom put extraordinary pressure on the facilities of the Jacksonville Branch. The end of the war, however, did not bring about any diminution of the pressure on the Branch, for the economy of the state went right on expanding.

Some Distinguished Federal Reserve Representatives at Jacksonville Meeting



Left to Right, Front Row: Paul E. Reinhold, Donald Comer, J. A. McCrary, President W. S. McLarin, Jr., Governor M. S. Szymczak, Chairman Frank H. Neely, George J. White, Leslie R. Driver

Back Row: T. C. Clark, P. L. T. Beavers, E. P. Paris, Howard Phillips, J. Hillis Miller, T. A. Lanford, J. D. Camp, W. C. Bowman, J. E. Bryan

Now the clouds of war are again hovering low over the world and once more our country is in the midst of military mobilization. Once more, therefore, Florida will undoubtedly be an important area for the training of troops and other war activities. Once more business and banking will respond to the new demands placed upon them. The new Branch building that was already needed to meet the peacetime growth of the state will be needed more than ever to meet banking and business needs in a war emergency.

Florida has had a brilliant record in the past quarter of a century both in peace and in war. The future can be still brighter if farmers and businessmen, scholars and scientists, labor and management, banks and the Federal Reserve continue to co-operate in the pleasant task of making Florida an ever better state in which to live and work and do business in peace, as well as to share in the sterner task of rebuilding the nation's defenses.

Earle L. Rauber

Bank Announcements

Effective November 1, the Punta Gorda State Bank, Punta Gorda, Florida, will be added to the Par List. This is a nonmember bank. It has a capital stock of $50,000; surplus and undivided profits of $75,000; and deposits of $1,600,000. Its officers are C. H. McNulty, President; William Fletcher, Vice President and Cashier; and Grace L. Dewey and Betty Coleman, Assistant Cashiers. On the Board of Directors is N. Ray Carroll, who is also a member of the Board of Directors of the Jacksonville Branch of the Federal Reserve Bank of Atlanta.

The Madeira Beach Bank, Madeira Beach, Florida, a newly organized nonmember bank, will open for business on November 1 and will remit at par. N. Ray Carroll will be President. John W. Roberts will be Vice President and Cashier. Capital stock amounts to $100,000; surplus and undivided profits to $100,000.

Another newly organized nonmember bank plans to open for business and begin remitting at par on November 1—the Bank of Hollywood, Hollywood, Florida. The officers of that bank will be Robert Pentland, Jr., Chairman; Ben Tobin, President; Richard S. Wright and John A. Elbon, Vice Presidents; and William A. Setchel, Cashier. The bank will have capital stock of $320,000; surplus of $50,000; and undivided profits of $30,000.

All three of these banks are in territory served by the Jacksonville Branch of the Federal Reserve Bank of Atlanta.

The Union County Bank, Maynardville, Tennessee, a newly organized nonmember bank, located in the territory served by the Nashville Branch, opened for business and began remitting at par on October 2. This bank has a capital stock of $25,000, surplus of $5,000, and undivided profits of $7,500. Its officers are Cecil H. Butcher, President; Harry A. Miller, Vice President; Roy G. Ousley, Cashier; and Kenneth Myers and J. Howard Collett, Assistant Cashiers.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume: Percent Change Sept. 1950 from Aug. 1950	Volume: Sept. 1949	Outstandings: Percent Change Sept. 1950 from Aug. 1950	Outstandings: Sept. 1949
Federal credit unions	42	—16	—6	—0	+38
State credit unions	20	—15	—1	+2	+36
Industrial banks	11	+11	+57	—3	+26
Industrial loan companies	14	—8	—11	—0	—5
Small loan companies	39	—7	+8	+16	+5
Commercial banks	33	—6	+24	+3	+38

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change Sept. 1950 from Aug. 1950	Sept. 1949
Total sales	118	+5	+32
Cash sales	102	—13	+13
Instalment and other credit sales	102	+8	+36
Accounts receivable, end of month	113	+4	+28
Collections during month	113	+4	+23
Inventories, end of month	88	+4	+14

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	SALES			INVENTORIES		
	No. of Firms Reporting	Percent Change Sept. 1950 from August 1950	Sept. 1949	No. of Firms Reporting	Percent Change Sept. 30, 1950, from Aug. 31 1950	Sept. 30 1949
Automotive supplies	4	—11	—5	3	+2	—3
Electrical group						
Full-line	3	—28	+37	.	..	..
Wiring supplies	4	—16	+38	3	+8	+32
Appliances	3	+40	+124	.	..	..
General hardware	12	—11	+33	7	+5	+5
Industrial supplies	12	—7	+67	3	+3	+13
Jewelry	4	+16	+7	3	+14	—6
Lumber and building materials	3	+38	+79	.	..	..
Plumbing and heating supplies	4	—19	+28	3	—1	—9
Drugs and sundries	9	—2	+9	3	+6	+17
Dry goods	17	—15	+14	11	+1	+18
Groceries						
Full-line	44	—8	+2	32	+5	+15
Specialty lines	12	—17	+9	7	+4	+7
Shoes and other footwear	3	—5	—8	.	..	..
Tobacco products	8	—6	+17	5	—3	—4
Miscellaneous	17	+17	+15	16	—4	+3
Total	159	—6	+20	96	+2	+8

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

DEPARTMENT STORE SALES AND INVENTORIES

Place	Sales—Percent Change Sept. 1950 from Aug. 1950	Sept. 1949	Year to Date 1950-1949	Number of Stores Reporting: Sales	Stocks	Stocks Percent Change Sept. 30, 1950 from Aug. 30 1950	Sept. 30 1949
ALABAMA							
Birmingham	+9	+15	+7	4	3	+14	+46
Mobile	+12	+3	+7	5	.	..	..
Montgomery	+14	+19	+7	3	3	+10	+21
FLORIDA							
Jacksonville	+6	+8	+4	4	3	+20	+27
Miami	—0	+19	+11	5	4	+16	+58
Orlando	+15	+11	+8	3	.	..	..
Tampa	—0	+4	+11	5	3	+11	+31
GEORGIA							
Atlanta	—2	+15	+11	6	5	+13	+33
Augusta	+1	+20	+6	4	3	+5	+25
Columbus	+8	+26	+22	4	.	..	..
Macon	+19	+18	+15	6	4	+7	+12
Rome	+16	+5	+3	4	.	..	..
Savannah	+15	+13	+11	6	4	+19	+28
LOUISIANA							
Baton Rouge	+17	—8	—4	4	4	+9	+14
New Orleans	+3	+6	+4	5	4	+13	+25
MISSISSIPPI							
Jackson	+14	+3	+8	4	4	+7	+16
Meridian	+17	+2	—0	3		..	..
TENNESSEE							
Bristol	+12	+5	+2	3	3	+8	—5
Chattanooga	+12	+33	+18	4	3	+12	+45
Knoxville	+6	+9	+4	4	.	..	..
Nashville	+6	+16	+9	6	5	+17	+35
OTHER CITIES*	+11	+15	+12	24	22	+10	+25
DISTRICT	+5	+13	+8	116	77	+13	+30

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

Why Credit Controls?

THE OUTBREAK of the war in Korea meant much more to the American economy than supplying the goods to carry on the war in that area. Of greater long-range importance was the decision to build up the military strength of the United States no matter what the immediate outcome of the war. What it will cost to carry out that decision is as yet only a matter of conjecture. Some estimates are being made that defense expenditures in the future will equal or exceed what is now being spent for all purposes by the Federal Government.

What is perfectly clear, however, is that a larger part of American production must be diverted to military needs than heretofore. Americans do not have the choice between consuming the same quantity as before or consuming less. They have only the choice of doing the job with inflation or without it.

Inflation Results When Purchasing Power Grows Faster Than Goods and Services

Generally speaking, inflation is the result of either a rapidly increasing money supply or an increased use of money with a constant or decreasing amount of goods and services. Since the economy was already operating at near capacity at the outbreak of the Korean War, there was little likelihood that inflationary pressures could be reduced merely by increasing the supplies of goods for civilian consumption. There remained as the only alternative, therefore, the reduction of civilian demand.

When the Korean War Started, the Nation Was Near Full Production

Industrial production was at its postwar high when the conflict in Korea began. Over 61 million persons were at work and only 3.4 million were unemployed. Personal income was near the postwar peak of December 1948.

Consumer Demands Were Heavy. A great part of production was going to meet demands created by the biggest building boom in the history of the country and to satisfy the desires of Americans for automobiles, appliances, and other durable goods. On a yearly basis, consumers were spending 26.7 billion dollars for durables in the second quarter of 1950 and new construction including commercial as well as residential building was costing 20.9 billion dollars at an annual rate.

Credit Was Increasing Purchasing Power. Readily available consumer and mortgage credit meant that the new homes, appliances, and automobiles could be bought without reducing total expenditures for other items. Much of this additional purchasing power was the result of a growth in bank credit. At all banks in the United States, loans had expanded 2.3 billion dollars since the first of the year and most of the expansion came from more loans to consumers and on real estate. During the first half of 1950, nonfarm mortgages recorded grew 440 million dollars and consumer instalment credit, over a billion dollars.

Increased Military Needs Mean Inflationary Pressures

What happens to prices when purchasing power increases and the rate of spending grows without a corresponding growth in goods and services has already been demonstrated in the few months since the start of the Korean War. The BLS index of prices of basic commodities had risen 25 percent by the end of September and between May and September the BLS more comprehensive index of wholesale prices rose 8 percent. Building materials prices soared. In Atlanta, for example, one type of Southern pine, which had increased 3 percent during the first five months of the year, jumped from $78.93 a thousand board feet in May to $101.43 in September. Oak flooring increased from $238 per thousand to $293 in September. These price increases occurred even before production has been fully channeled to military uses.

Consumer buying, rather than being limited by rising prices, expanded enormously and was helped by an increase of 1.9 billion dollars in consumer credit in the months of June, July, and August. Bank loans, increasing by 3.6 billion dollars in the same months, helped provide further credit not only for construction and consumers but for businessmen as well. Unless purchasing power is reduced, further inflation can be expected when the supply of goods available for consumption is cut further.

Direct Controls Will Not Cure Inflation. Some think that the inflationary problem can be solved by rationing, controlling inventories, and fixing prices by law. Price controls and rationing, however, reduce neither the money supply nor the desire to spend it. Unless controls are to be continued forever, the restrained inflationary pressures are likely to eventually operate as they did following the removal of controls after World War II.

Cutting Purchasing Power Attacks the Basic Cause of Inflation. On the other hand, purchasing power can be cut to the level of goods and services available. Increasing taxes is one method; reducing nonmilitary Government expenditures is one way; and controlling credit expansion is another. The Federal Reserve System is charged with the responsibility of managing the money supply and is therefore not only exercising general controls, but has also been charged under the Defense Production Act with administering selective credit controls of consumer and real estate credit.

General Credit Controls Influence the Money Supply

Bank deposits, which constitute the major portion of the nation's money supply, are created by bank loans. Consequently, anything that limits bank lending helps limit inflationary pressures. When they cannot get additional bank credit, both consumers and businessmen must cut their demands.

By Influencing Member Bank Reserves. Because the amount member banks can lend depends upon their reserves, the Federal Reserve Banks can influence changes in the money supply by altering reserve requirements. The System may also reduce the total amount of reserves available to member banks by selling Government securities on the open market.

By Adjusting Interest Rates. The System can increase the yield of Government securities through open market operations, thus helping to prevent member banks from obtaining additional reserves for loan expansion. In addition, by raising the rediscount rates the Federal Reserve Banks make it more expensive for banks to increase their reserves by borrowing and may, therefore, cause them to increase the cost of loans to their customers.

On August 18 the Federal Open Market Committee stated that both it and the Board of Governors were "prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market."

As a step in implementing this policy, the Board of Governors approved increases in the rediscount rate at the Federal Reserve Banks of from 1½ to 1¾ percent. Furthermore, by open market operations the yield on short-term Government securities has been raised and their price reduced.

Selective Credit Controls Reduce Pressure Where It Is Greatest

The reasons for selecting consumer and real estate credit for specific controls are, of course, obvious. The pressures of retail buying on prices have been concentrated in consumer durable goods and housing and this buying has been for the most part on credit.

By Reducing Demand for Consumer Durable Goods. The Board of Governors under the authority of the Defense Production Act, therefore, reinstituted consumer credit controls on September 18 as a means of reducing demand for consumer durable goods. These controls, exercised under Regulation W, set minimum down payments and maximum maturities for certain goods purchased on the instalment plan. Because the controls as originally applied were not as effective as necessary, terms were stiffened on October 16.

By Reducing Demands for New Construction. Further brakes were applied to inflationary pressures on October 12 when the Board of Governors, with the concurrence of the Housing and Home Finance Administrator, instituted controls of residential real estate credit under Regulation X. At the same time the Federal Housing Administration and the Veterans Administration tightened credit by similar regulations.

Because of the higher down payments and shorter maximum amortization periods on new construction specified in the controls, credit purchases of new housing will likely be reduced. Reduction in inflationary pressures is expected to come not only from limiting the growth of credit but also from freeing men and materials for the job of filling the nation's defense requirements.

Success in Controlling Inflation Means Less Direct Control is Necessary

No painless method exists by which a large portion of the nation's energies can be diverted to meeting the needs of the expanded defense program. Because it does not impose detailed and complex restrictions on the economic activities of the people, controlling the money supply seems to be the method of combating inflation that is most consistent with the American free enterprise system. The more nearly credit controls and an adequate fiscal policy accomplish the job, the less will direct controls be required.

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted**			Unadjusted		
	Sept. 1950	Aug. 1950	Sept. 1949	Sept. 1950	Aug. 1950	Sept. 1949
DISTRICT	409p	415	367	426p	373	381
Atlanta	466	484r	407	518	488r	452
Baton Rouge	391	389	425	433	342	472
Birmingham	409	404	356	437	372	381
Chattanooga	437	429	329	467	386	352
Jackson	383	401r	371	452	369r	438
Jacksonville	416	406	387	412	361	383
Knoxville	417	431	386	426	371	394
Macon	369	378	313	421	329	356
Miami	473	478	406	383	358	329
Montgomery	365	354	304	387	315	322
Nashville	480	474	413	494	431	425
New Orleans	361	395	339	383	343	360
Tampa	521p	546	490	500p	464	471

DEPARTMENT STORE STOCKS

Place	Adjusted**			Unadjusted		
	Sept. 1950	Aug. 1950	Sept. 1949	Sept. 1950	Aug. 1950	Sept. 1949
DISTRICT	438r	405	337	451r	401	347
Atlanta	583	557	437	635	563	477
Birmingham	368	347	252	387	340	264
Montgomery	509	407	421	489	428	404
Nashville	645	585	477	691	591	511
New Orleans	381	355	306	385	341	309

GASOLINE TAX COLLECTIONS***

Place	Adjusted**			Unadjusted		
	Sept. 1950	Aug. 1950	Sept. 1949	Sept. 1950	Aug. 1950	Sept. 1949
SIX STATES	247	246	214	252	244	218
Alabama	242	240	215	254	242	225
Florida	217	219	188	213	213	184
Georgia	255	253	211	266	258	221
Louisiana	269	275	242	283	278	254
Mississippi	246	196	207	254	202	213
Tennessee	252	262	219	257	265	223

COTTON CONSUMPTION*

Place	Sept. 1950	Aug. 1950	Sept. 1949
TOTAL	168	174	133r
Alabama	178	194	149r
Georgia	171	169	129r
Mississippi	73	107	77r
Tennessee	132	142	105r

ELECTRIC POWER PRODUCTION*

	Aug. 1950	July 1950	Aug. 1949
SIX STATES	408	383	364
Hydro-generated	291	260	340
Fuel-generated	561	544	396

MANUFACTURING EMPLOYMENT***

Place	Aug. 1950	July 1950	Aug. 1949
SIX STATES	149	143	138r
Alabama	151	146	140r
Florida	126	122	119r
Georgia	151	142	136r
Louisiana	139	134	138r
Mississippi	150	144	133r
Tennessee	159	153	146r

CONSTRUCTION CONTRACTS

Place	Sept. 1950	Aug. 1950	Sept. 1949
DISTRICT	686	694	418
Residential	951	1153	746
Other	558	472	260
Alabama	858	757	486
Florida	730	764	478
Georgia	998	752	485
Louisiana	606	796	423
Mississippi	409	374	170
Tennessee	504	598	461

CONSUMERS PRICE INDEX

Item	Sept. 1950	Aug. 1950	Sept. 1949
ALL ITEMS	180	179	174
Food	199	215	208
Clothing	198	192	193
Fuel, elec., and refrig.	138	138	135
Home furnishings	195	187	182
Misc.	157	156	155
Purchasing power of dollar	.56	.56	.57

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Sept. 1950	Aug. 1950	Sept. 1949
Unadjusted	23.3	21.5	19.6
Adjusted**	24.3	24.3	20.4
Index**	98.4	98.3	82.7

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Sept. 1950	Aug. 1950	Sept. 1949
Unadjusted	350	347	294r
Adjusted**	353	347	297r

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

p Preliminary
r Revised

District Business Conditions

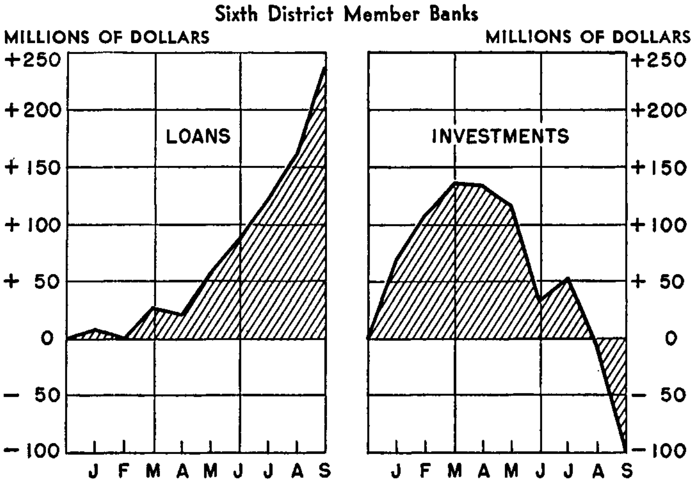
Loan Expansion Continues

LOANS at District member banks grew more in September than in any other month since October 1947. At the end of the month, total loans were 235 million dollars greater than at the first of this year and 365 million dollars more than on the corresponding date last year. The September increase was almost equally divided between country banks and banks in the reserve cities of Atlanta, Birmingham, Jacksonville, Nashville, and New Orleans.

Also, it was more than the normal seasonal increase at this time of the year. Last year, even though many banks were increasing their loans by participating in the cotton and peanut price-support programs of the Commodity Credit Corporation, the dollar increase in September was less than half as great. This year practically no financing of this type is being done.

Before the outbreak of the Korean War, most of the loan expansion could be traced to high level of construction activity and to heavy instalment buying. In September and October, however, although consumer and real estate loans continued to grow, about four-fifths of the total increase was the result of greater business loans, according to the reports from banks in leading cities.

CUMULATIVE CHANGES IN LOANS AND INVESTMENTS
BY MONTHS SINCE JANUARY 1, 1950
Sixth District Member Banks



The necessity of financing growing inventories probably accounts for some of the growth in business loans. Following the buying wave in July, department stores throughout the District placed unusually heavy orders and, despite heavy August sales, the seasonally adjusted index of inventories rose 13 percent during that month and rose still further in September. Substantial increases in inventories were also reported by other retailers and in many lines of wholesaling.

Until June, banks had been provided with increasing funds for loans and investments by an inflow into the District which raised deposits by 103 million dollars between the first of the year and the end of May. Loans did not rise correspondingly and the banks used the additional funds to increase investments.

Since June, deposits have declined and at the end of September they were only 54 million dollars greater than at the first of the year. In order to obtain additional reserves and to meet the withdrawal of funds, banks decreased their investments, principally short-term Governments. By the end of September, member banks in the District had 100 million dollars less in investments on their books than at the beginning of the year. C.T.T.

Industry and Employment

In September, textile mill operations in the Sixth District were at a rate slightly lower than that recorded in August, but well above last September. Steel mills continued to operate well above rated capacity, as they have been doing since March; and coal production was substantially greater than it was a year ago.

COTTON CONSUMPTION by textile mills in Alabama, Georgia, Mississippi, and Tennessee was at a daily rate of 14,549 bales in September—down 3.4 percent from August, but 26.7 percent greater than in September last year. For the two months of the new cotton year, mills in these states have used 37.4 percent more cotton than in the same months of 1949. The increase for the nation was 29.5 percent.

ELECTRIC POWER PRODUCTION in the District states in August was at the highest level since March. It was 6.6 percent more than in July and 12 percent greater than in August 1949. Current generated by hydro-electric plants increased about 12 percent for the month, and accounted for 40.4 percent of total production, but was 14 percent less than a year ago. Fuel-generated power was up 3 percent from July and was 42 percent greater than in August last year.

MANUFACTURING EMPLOYMENT in August increased over July in each of the District states and continued greater than a year earlier. The gains for the month averaged 4.6 percent, and ranged from 3.1 percent in Alabama to 6.4 percent in Georgia. The yearly increases averaged 8.4 percent for the District, ranging from 0.7 percent in Louisiana to 12.8 percent in Mississippi.

Gains were reported in the number of workers in all of the more important industry groups from July to August and also over August of last year. In some groups—food and food products and chemical products, for example—the increases from July to August were partly seasonal. In transportation equipment, which includes shipbuilding and repair, employment increased 9.6 percent from July to August because of increased activity in shipyards. Government contracts for the reconditioning of Navy vessels, of course, were the basis for much of the revival of activity.

The primary metals industries employed less than one percent more workers in August than in July. In textiles, August employment was up about 4 percent from July and was 12.5 percent greater than a year ago. Government orders were partly responsible for this increase. In lumber and wood products, August employment was 3 percent greater than a month earlier and up 5 percent from August 1949. Apparel establishments increased their number of workers 10.5 percent in August; it was nearly 12 percent greater than a year ago. Employment in food and food products industries increased 8.8 percent in August, but was only slightly greater than a year ago. D. E. M.

Timber and Lumber Prices

There are some sections in every state in the District where farmers obtain a large part of their income from the sale of forest products. For many years periodic price information on major farm products has been published by the agricultural statisticians and the crop-reporting services in the various states. Little or no information, however, has been published on the prices received for standing timber or for sawlogs.

In September 1949 the Georgia Crop Reporting Service, in response to numerous inquiries, began publishing a quarterly report on prevailing prices paid to Georgia timber growers for standing timber and for sawlogs. Average prices paid by sawmill operators for pine, red oak, white oak, gum, and poplar are reported for five forestry areas in the state. These reports indicate price trends, although prices vary in individual cases because of differences in quality, size, and location of the timber.

Prices for standing timber, sawlogs, and finished lumber have increased sharply since the first of the year. From January to July, wholesale prices of Southern pine lumber in Georgia increased 11 percent; prices paid for standing pine timber increased 17 percent. Nearly all of these increases occurred after April. Prices paid for pine sawlogs increased 8 percent from January to July. All of this increase occurred after April.

For most farm products, the price at the farm fluctuates more violently than does the price at the wholesale or retail level. This is mainly because wholesale and retail prices contain charges for marketing and processing that change slowly. From the limited data available, however, it appears that wholesale lumber prices may also change less rapidly than prices for sawlogs or standing timber, but, on occasion they may change more rapidly. From 1939 to 1942, stumpage prices for yellow pine in Georgia approximately doubled but prices for yellow pine lumber increased only 40 percent. From 1943 to 1949, wholesale prices of yellow pine lumber doubled in price, whereas stumpage prices of yellow pine in Georgia increased only 45 percent.

Since July, wholesale prices of yellow pine lumber have risen rapidly. According to estimates made by the Bureau of Labor Statistics, average dealer-to-contractor prices for No. 2 Common Southern pine boards in the Atlanta area rose 17 percent from July to September. Prices for dimension lumber and drop siding increased 16 percent and 22 percent, respectively, during the same period. According to reports from trade sources, one of the main reasons for the rapid advance in prices for Southern pine lumber is that sawmills started the season with unusually small stocks. During the winter months, when construction activity usually declines, the mills ordinarily build up their stocks. Construction, however, was abnormally heavy during the winter months and only small stocks could be accumulated. Government purchases and bids since the beginning of the Korean War have also helped create temporary shortages.

Farmers who are growing timber on a sustained-yield basis, however, do not sell timber just because the price seems favorable. Within a system of selective cutting, there are always opportunities to defer cutting in order to hit a more favorable market. As in the marketing of other farm products, close attention to trends in timber and lumber prices may pay large dividends.

B. R. R.

Sixth District Statistics

CONDITION OF 27 MEMBER BANKS IN LEADING CITIES
(In Thousands fo Dollars)

Item	Oct. 25 1950	Sept. 27 1950	Oct. 26 1949	Percent Change Oct. 25, 1950, from Sept. 27 1950	Percent Change Oct. 25, 1950, from Oct. 26 1949
Loans and investments—Total	2,519,270	2,454,718	2,377,658	+3	+6
Loans—Net	1,067,223	1,012,444	844,148	+5	+26
Loans—Gross	1,081,315	1,026,363	855,307	+5	+26
Commercial, industrial, and agricultural loans	634,791	581,946	508,101	+9	+25
Loans to brokers and dealers in securities	12,172	11,432	7,439	+6	+64
Other loans for purchasing and carrying securities	36,122	35,691	33,836	+1	+7
Real estate loans	89,807	89,771	72,676	+0	+24
Loans to banks	5,154	5,107	4,110	+1	+25
Other loans	303,269	302,416	229,145	+0	+32
Investments—total	1,452,047	1,442,274	1,533,510	+1	—5
Bills, certificates, and notes	561,227	552,131	455,640	+2	+23
U. S. Bonds	668,033	666,105	869,522	+0	—23
Other securities	222,787	224,038	208,348	—1	+7
Reserve with F. R. Bank	400,324	391,463	385,583	+2	+4
Cash in vault	43,142	42,976	41,571	+0	+4
Balances with domestic banks	174,742	163,638	166,967	+7	+5
Demand deposits adjusted	1,840,400	1,795,960	1,711,187	+2	+8
Time deposits	526,237	525,853	538,179	+0	—2
U. S. Gov. deposits	46,081	64,130	59,097	—28	—22
Deposits of domestic banks	512,933	452,585	469,221	+13	+9
Borrowings	6,000	7,500	500	—20	*

*More than 100 percent.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	Sept. 1950	Aug. 1950	Sept. 1949	Percent Change Sept. 1950 from Aug. 1950	Percent Change Sept. 1950 from Sept. 1949	Percent Change Year-to-Date 9 mos. 1950 from 1949
ALABAMA						
Anniston	26,340	23,545	21,573	+12	+22	+11
Birmingham	407,982	382,572	310,900	+7	+31	+14
Dothan	16,915	16,359	13,691	+3	+24	+14
Gadsden	22,509	22,295	17,441	+1	+29	+17
Mobile	149,219	138,624	121,769	+8	+23	+2
Montgomery	98,234	86,533	75,514	+14	+30	+13
FLORIDA						
Jacksonville	311,099	318,285	251,981	—2	+23	+16
Miami	253,100	276,035	205,126	—8	+23	+15
Greater Miami*	367,473	397,589	285,029	—8	+29	+18
Orlando	60,575	59,795	50,718	+1	+19	+27
Pensacola	39,213	38,821	33,025	+1	+19	+8
St. Petersburg	65,887	63,191	48,258	+4	+37	+21
Tampa	138,999	137,809	109,061	+1	+27	+19
GEORGIA						
Albany	28,398	27,130	21,441	+5	+32	+12
Atlanta	993,811	1,012,012	804,717	—2	+23	+14
Augusta	71,218	63,760	56,007	+12	+27	+10
Brunswick	11,468	9,798	8,588	+17	+34	+11
Columbus	68,669	70,758	53,283	—3	+29	+28
Elberton	4,813	3,853	3,952	+25	+22	+11
Gainesville*	21,021	19,457	13,655	+8	+54	+22
Griffin*	13,288	11,972	11,139	+11	+19	+9
Macon	74,690	75,162	62,069	—1	+20	+16
Newnan	10,220	9,311	9,930	+10	+3	+8
Rome*	25,209	22,182	20,821	+14	+21	+17
Savannah	106,408	102,179	83,832	+4	+27	+10
Valdosta	12,244	29,164	11,513	—58	+6	—1
LOUISIANA						
Alexandria*	41,782	35,840	31,967	+17	+31	+16
Baton Rouge	105,567	105,161	103,427	+0	+2	—5
Lake Charles	46,693	42,524	36,291	+10	+29	+8
New Orleans	827,781	846,676	684,108	—2	+21	+9
MISSISSIPPI						
Hattiesburg	20,123	19,441	17,579	+3	+14	+13
Jackson	162,770	165,670	134,622	—2	+21	+13
Meridian	35,437	30,927	27,599	+15	+28	+14
Vicksburg	25,094	22,752	23,442	+10	+7	+3
TENNESSEE						
Chattanooga	164,308	160,374	132,022	+2	+24	+13
Knoxville	130,886	125,915	104,545	+4	+25	+12
Nashville	367,292	379,583	292,597	—3	+26	+17
SIXTH DISTRICT 32 Cities	4,857,962	4,866,014	3,930,621	—0	+24	+13
UNITED STATES 333 Cities	123,259,000	128,383,000	101,072,000	—4	+22	+11

*Not included in Sixth District total.

National Business Conditions

INDUSTRIAL activity, employment, and pay rolls increased somewhat further in September and early October. Business and consumer demands for goods were less active after mid-September and wholesale commodity prices showed little change. Retail prices continued upward, reflecting in part earlier advances in wholesale markets. Credit to business, consumers, and real estate owners expanded considerably further. Consumer credit regulations, which became effective on September 18, were tightened on October 16 and housing credit restrictions were put into effect October 12.

Industrial Production

Industrial production showed a small further increase in September and early October, following the sharp advances in August. Reflecting mainly continued gains in output of iron and steel and their products, machinery, and crude petroleum, the Board's seasonally adjusted index rose from 209 in August to 211 in September. In October, a further small increase is likely, as a result chiefly of expanded output of steel and of producers durable goods and military equipment.

Steel production increased in September to a level slightly above the June rate, and in October has advanced about 3 percent further to a new record. The gain in activity in machinery industries in September was much smaller than in August, mainly because labor disputes curtailed operations in some important plants. Automobile production continued close to the high level of recent months. In view of the growing volume of defense production and the limited supply of metals and certain other industrial materials, the National Production Authority has established a priority system for defense orders.

Output of textile, paper, rubber, and petroleum products in September was maintained at the exceptionally high levels reached in August. Meat production rose much more than seasonally. In mid-October, the National Production Authority announced more stringent measures to curtail consumption of rubber in civilian products.

Output of crude petroleum advanced further to a new record rate in mid-September but subsequently leveled off. Coal output showed little change and production of iron ore was maintained in record volume over this period.

Construction

Contracts awarded in September for most types of private and public construction declined more than seasonally from the record summer level. The number of housing units started in September was estimated to be 115,000. This was 28,000 fewer units than the average number started during the summer months but 12,000 more than in September 1949.

Employment

The total number employed in nonagricultural industries was at an all-time high of about 45 million in September, 2 million more than in September 1949. Unemployment declined moderately further to 2.3 million and was at the lowest level since late 1948.

Distribution

Consumer buying showed less than the usual seasonal increase in September and early October from the peak rates reached during the summer. Value of purchases, however, remained substantially above year-ago levels, reflecting in part higher prices. Purchases of durable goods continued above the high levels reached during the first half of this year. Distributor stocks of most goods have increased further in this period following a reduction in July. At department stores, value of stocks by the end of September was about one-fifth above the relatively low level reached a year ago.

Commodity Prices

The average level of wholesale prices changed little from mid-September to the third week of October, as livestock and meat prices showed seasonal declines and increases in prices of nonfood commodities slowed down. Prices of industrial materials leveled off as buying became less urgent, and increases in finished goods were less numerous.

The consumers price index rose 0.5 percent from mid-August to mid-September, reflecting mainly marked increases in retail prices of apparel and housefurnishings. Since that time additional advances in these and other goods have been announced.

Bank Credit

Total loans and corporate and municipal security investments of commercial banks showed further sharp increases during September and the first half of October. The expansion at banks in leading cities totaled 1.8 billion dollars and brought the total rise at these banks since June to almost 4 billion. Business loans increased much more than seasonally while loans to real estate owners and consumers continued to rise substantially.

Treasury deposits at Federal Reserve Banks, which were large in late September owing to tax collections, were drawn down in the first three weeks of October, thus supplying a substantial volume of reserve funds. Outflows of currency into circulation and of gold and cash redemption of part of the maturing Treasury bills held by the Reserve Banks absorbed some of these funds. Commercial banks, however, continued to sell Government securities, in part to the Federal Reserve System, and built up their excess reserve balances.

An increase in interest rates to bank customers, initiated in New York City in late September, became more widespread in early October.

Security Markets

Common stock prices, after rising somewhat further in the first two weeks of October to the highest levels since September 1930, showed little change during the following 10 days. Yields on most bank eligible Treasury securities increased further in the first three weeks of October, while yields on Treasury bills declined somewhat. There was little change in yields on long-term Treasury and high-grade corporate bonds.

BOARD OF GOVERNORS