



## *The District's Growing Investment Market Underwriting State and Local Government Securities*

ALMOST every program for raising the South's income to the national level points to the need for more capital investment. The South needs capital to develop its natural resources, to build factories and provide working capital for them, to develop all types of large and small businesses and to mechanize and make necessary changes in its agricultural operations.

Often, it is not clearly understood that funds are also needed for the expansion of governmental facilities that increase productivity. The South needs more and better school buildings in which to train its children to become efficient workers. It needs roads and bridges over which the products of its farms and industries can be hauled and its people transported. It needs water and sewer systems to serve its rapidly expanding rural and urban population. It needs hospitals to safeguard the health of its citizens.

These government facilities must be paid for out of taxes levied by the state and local governmental units. Consequently, it might be argued, securing long-term capital to build them should be no problem. A governmental body, however, like many private businesses, does not always have funds available when needed. Sometimes, in a growing community, immediate needs far outstrip existing resources, although economic growth may make a public improvement relatively easy to pay for in the future. Moreover, it is exceedingly difficult to change tax rates so that they correspond to the irregular demands for funds.

For these and other reasons, state and local governments, like private businesses, must frequently finance capital investments by borrowing. Last year the states, cities, counties, school districts, and other local units in Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee, which area is approximately that of the Sixth Federal Reserve District, borrowed over 300 million dollars, mostly to pay for public improvements. This sum, of course, does not measure the full amount spent for these purposes; the total was probably at least twice as great. Satisfying the capital needs of state and local governments thus constitutes an investment problem of considerable magnitude.

As recently as twenty-five years ago, the South's financial resources ranked low, compared with those of the rest of the country. Much of the financing of its capital needs, therefore, came from outside the area. The result, according to some students, has been a scarcity of capital with which to adequately develop the South's potentialities. Moreover, it is sometimes contended that capital secured from outside the area costs more than that which is available locally.

But, although this condition was true twenty-five years ago, have not conditions changed? It is easy to find ample evidence

that the region's financial resources have grown in the last twenty-five years. In 1924, for example, total resources of all the banks in the six states, which are entirely or partially within the Sixth Federal Reserve District, amounted to about 2.3 billion dollars. By last year the six state total had grown to 9.7 billion, over four times as great as the total for 1924. Although inflationary developments during World War II account for much of the growth, the six states' banking resources grew at a greater-than-national rate. This growth is also characteristic of other parts of the South.

### **Bringing the Investor and Borrower Together**

Adequate banking resources are essential for a local capital market, whether or not the capital is to be used for private or public purposes. Borrowing by state and local governments involves transferring funds from the hands of individual and institutional savers into the hands of those who can use them profitably. This function is performed by investment dealers or commercial banks acting as investment dealers.

**THE INVESTMENT DEALER.** An investment dealer is a middleman between the borrower and the investor. Alone, or in conjunction with a syndicate of other investment dealers, he purchases the securities, often on the basis of competitive bidding, and resells them to the public. His profit comes from the spread between the buying and selling price. Although the term *underwriting* when strictly defined does not include the purchase and sale of securities, but only the guarantee of their sale, it is often used loosely to include both. For the sake of simplicity, the broader meaning is used in this discussion.

**REQUISITES FOR A LOCAL INVESTMENT MARKET.** At least three conditions should be present before investment dealers can operate successfully. First, individuals and corporations must have accumulated savings which will provide a market for the securities the dealers buy. Indeed, before they bid for the privilege of selling the securities, many dealers have definite or fairly definite ideas as to customers for them.

A second requisite is sufficient capital or free access to bank credit. Although he is acting merely as a middleman, the dealer needs funds from time to time to carry his inventories just as ordinary retail merchants do. He also needs funds for the "good-faith" checks which he must put up when he bids. Moreover, he must be able to obtain the loans at relatively low rates. Otherwise, the expense would wipe out his small margin between the buying and selling price or he would be unable to compete with dealers financed from the large money centers. Although the credit may be required for short periods only, the sums required may be so large that they can only be provided by large banks.

A third condition essential for successful operation is a sufficient volume of security issues to underwrite. Because profits on individual issues are relatively modest, the volume of securities handled must be fairly large.

Financing the capital needs of state and local governments is similar in many respects to supplying the capital needs of businesses. A study contrasting the underwriting of twenty-five years ago with that of the present period may, therefore, help answer the question, Is the South meeting a greater proportion of its capital needs out of its own resources?

The study is limited to the underwriting of the securities of the Sixth District states and their local governmental units. All issues about which information could be secured from published resources have been analyzed for the period 1923 and 1924 and for 1948 and 1949. Two years have been combined in order to provide somewhat larger samples than would be obtainable from a single year's experience.

Although 1,536 individual security issues of state and local governments have been included in the analysis, it may be well to emphasize that no absolute exactitude can be claimed for the results of the study. Information on some small issues never reaches even the financial press and data on others are scanty and in some cases unreliable. It is believed, however, that the information in an aggregate is such that certain broad generalizations are valid.

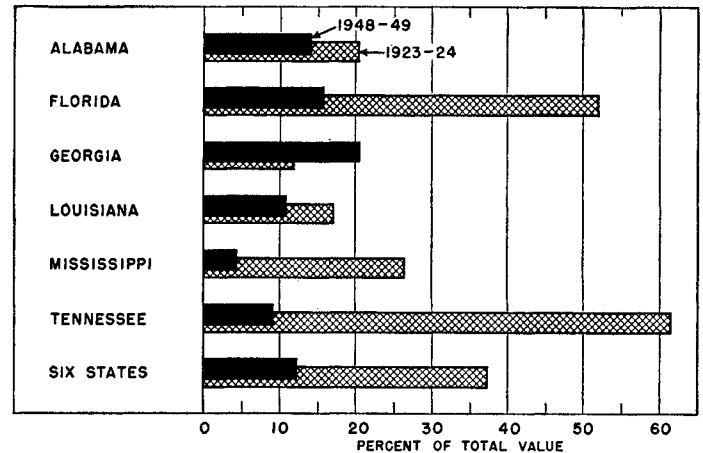
**Underwriting Municipals Twenty-five Years Ago**

In the early 1920's, as well as in the present period, states and municipalities were carrying on heavy postwar programs of building roads and schools and making other public improvements. The Sixth District states were no exception. The total amount borrowed in these states in 1923 and 1924 was small by present standards, 191 million dollars, but the number of issues of "municipals," as both state and local issues are called in the investment market, was somewhat greater than the number issued in 1948 and 1949. Small issues, those of less than one million dollars, accounted for approximately 60 percent of the total dollar volume.

**PREFERENCE FOR SMALLER ISSUES.** Southern firms, including those located outside the District states, accounted for the exclusive underwriting of 45 percent of the total dollar volume. Syndicates composed predominantly of southern firms, together with firms outside the South, accounted for 7 percent. Syndicates in which southern firms participated but

were not leaders underwrote another 11 percent. About 37 percent of the total was underwritten exclusively by firms located outside the South. Commercial banks underwrote almost a fifth of the total. In addition, several banks were active through their investment company affiliates, which were permitted by the banking laws at that time.

**SIXTH DISTRICT STATE AND LOCAL GOVERNMENT ISSUES UNDERWRITTEN ENTIRELY OUTSIDE THE SOUTH, BY STATE**



In 1923-24, 37 percent of the value of all issues in the Sixth District states was underwritten by investment dealers or banks located outside the South; in 1948-49 the percentage was 12.

Sixth District dealers showed a decided preference for the smaller issues. They underwrote 82 percent of the value of issues of less than 100,000 dollars. They were also active in buying larger issues of up to a million dollars, which accounted for 70 percent of the total underwriting. Most of the larger issues, however, went to investment dealers or banks outside the South.

**EFFECT OF LIMITED RESOURCES.** That financial resources were limited was the primary reason for the restriction on dealers' operations. Limited financial resources may also explain why southern firms at that time did not participate in syndicates with other southern firms to handle the larger issues. Underwriting the smaller issues evidently exhausted their resources. With minor exceptions, when larger issues were underwritten, it was generally done entirely by non-southern firms.

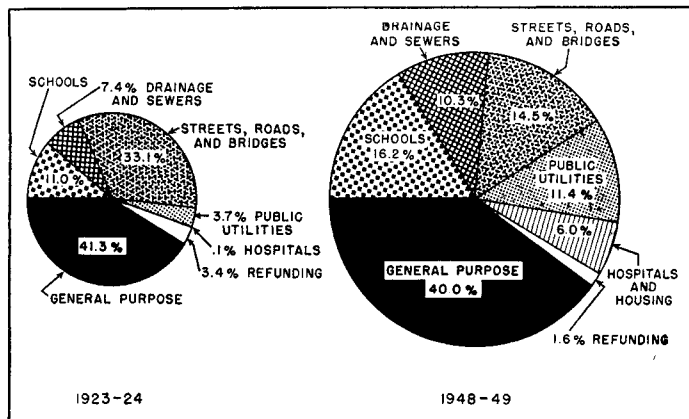
Non-southern firms were actively competing in the underwriting of southern securities, both the large and small governmental units. Many mid-western firms had agents constantly on the road seeking opportunities to underwrite municipals. This practice prevailed especially in Florida. There, where cities were trying to keep up with the land boom, the proportion underwritten by non-southern firms exceeded that for any other District state. Only a fourth of the value of the issues was underwritten entirely by Florida firms.

**COSTS TO THE BORROWER.** There is no conclusive evidence that the governmental bodies financing the requirements through non-southern firms obtained their money at a lower rate of interest on comparable issues. The median for issues underwritten by firms entirely outside the South was 5.44 percent, despite the greater concentration of the non-southern firms in the longer maturities and larger issues, which, other things being equal, generally earned lower yields.

**Present Practices in Underwriting**

Once established, a pattern of underwriting tends to become self-perpetuating. Some dealers become known as specialists

**PURPOSE OF SIXTH DISTRICT STATE AND LOCAL GOVERNMENT BORROWING**



The Sixth District states and their local governmental units issued securities amounting to 191 million dollars in 1923 and 1924, and to 544 million in 1948 and 1949.

in the securities of certain cities, states, or counties. They have a background of knowledge with which to more easily appraise these borrowers' securities and also they may even know possible buyers. When organizing a syndicate, the dealer tends to associate with dealers he has worked with before. Investors, on the other hand, often prefer securities of cities or states with which they are familiar because of previous investments.

**RESEMBLANCE TO PREVIOUS PATTERN.** It is, therefore, not surprising that the pattern of underwriting for the years 1948-49 bears a close resemblance to the pattern of twenty-five years ago. In many cases, the same firms or their successors are now underwriting the securities of the same borrowers. In spite of the persistence of this historical pattern, however, certain developments point to an increased participation of the South in its own financing.

**LESS UNDERWRITING EXCLUSIVELY BY NON-SOUTHERN FIRMS.** The major change in the pattern of underwriting is that a lesser proportion of the securities is underwritten exclusively by non-southern underwriters today; not that a larger proportion is underwritten exclusively by southern firms. The large issues still attract underwriters from outside the area. The difference is that underwriting them is no longer the exclusive prerogative of non-southern firms. In fact, in 1948-49, only 13 percent of the value of the total underwriting was done without the participation of southern banks or investment dealers.

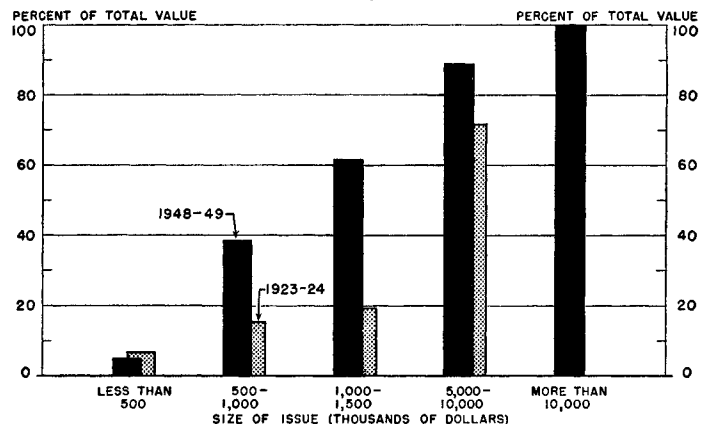
**LOWER COSTS TO SMALL BORROWERS.** Underwriting the smallest issues has now become almost exclusively a job for southern concerns. These firms increased their share of underwriting in each size classification of less than one million dollars. For example, in 1948-49 they underwrote 89 percent of the issues of less than 100,000 dollars, compared with 82 percent twenty-five years earlier. There is rather general agreement among the investment dealers and the bankers that a reduced cost of borrowing to the smaller communities has resulted. Twenty-five years ago, it was not uncommon for a small city to pay a differential of as much as one percent over the cost to the larger city. Such differentials are now infrequent.

It cannot be assumed in each case that securities are necessarily underwritten by dealers in the same area where they are absorbed by investors or vice versa. However, investment dealers base their bids upon their ability to market the securities, and the proportion of securities underwritten in a region

is a fair indicator of the demand by investors in that region. **GROWTH IN NUMBER OF INVESTMENT DEALERS.** The increase in southern underwriting is shown by the growth in the number of active investment dealers other than banks. According to the record of 1923 in the Sixth District states, only 27 firms were active underwriters of state and local government issues. Twenty-five years later the number had grown to 87. Investment dealers were doing a larger proportion of the underwriting in 1948-49, compared with commercial banks, than they were in the earlier period. The Banking Acts of 1933 and 1935 required member banks to divorce their investment affiliates and limited their underwriting activities to securities which were general obligations of the governmental bodies. On the other hand, there has been an increase in the joint underwriting by banks and investment dealers.

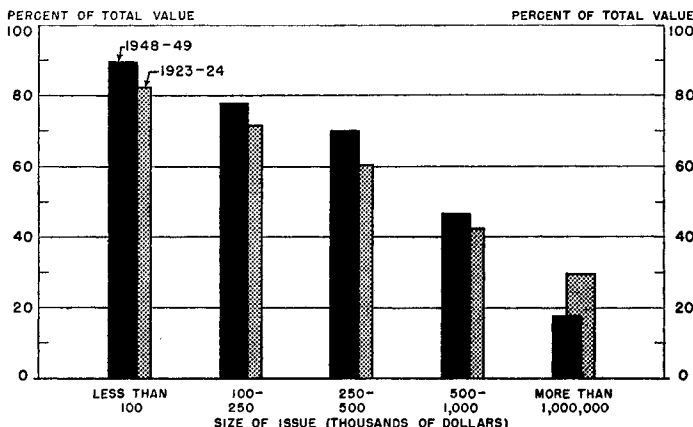
**MARKET FOR SECURITIES.** Who buys the securities from the dealers and commercial banks? No comprehensive statistical evidence is available, but it is impossible not to get the general impression that there is a substantial local demand for them. Because of their comparatively low yield, an average of about 2.5 percent in 1949, these securities do not appeal greatly to the individual investor of moderate means. But because they are tax exempt, they have special appeal to persons in the high income brackets. The securities also have certain tax attractions for corporations.

**SOUTHERN PARTICIPATION IN JOINT UNDERWRITING WITH NON-SOUTHERN FIRMS, SIXTH DISTRICT STATE AND LOCAL GOVERNMENT ISSUES, BY SIZE OF ISSUE**



In recent years, southern underwriters have participated more with firms outside the South in the underwriting of the larger issues than in 1923-24, when most of the larger issues were underwritten entirely outside the South.

**SIXTH DISTRICT STATE AND LOCAL GOVERNMENT ISSUES UNDERWRITTEN ENTIRELY IN THE SOUTH, BY SIZE OF ISSUE**



In 1948-49, southern underwriting accounted for a larger portion of all issues of less than one million dollars than in 1923-24.

Securities are generally issued to mature at periodic intervals until final maturity. Because of a desire for liquidity, banks prefer near-term maturities. There is consequently a rather keen competition for these maturities and this competition sometimes explains the organization of a syndicate by large banks who wish to add such securities to their portfolios.

Securities issued by special authorities or based upon the revenues of public utility operations usually yield a higher rate than general obligation bonds based upon the full faith and credit of a taxing unit. These revenue bonds have a special attraction for insurance companies, not only in the South but elsewhere, because of the higher yield. They are also bought by trust funds, pension funds, and institutional investors.

An example of the diversified demand can be found in the purchasers of a recent fairly large issue of a leading southern city. The near-term maturities were taken by a large New York bank heading the syndicate; some were bought

**STATE AND LOCAL GOVERNMENT SECURITY ISSUES, SIXTH DISTRICT STATES  
CLASSIFIED BY SIZE OF ISSUE AND LOCATION AND TYPE OF UNDERWRITER  
(Percent of Dollar Total)**

Type and Location of Underwriter	Size of Issue (Thousands of Dollars)															
	Less than 100		100 - 250		250 - 500		500 - 1,000		1,000 - 5,000		5,000 - 10,000		Over 10,000		All Sizes	
	1923-24	1948-49	1923-24	1948-49	1923-24	1948-49	1923-24	1948-49	1923-24	1948-49	1923-24	1948-49	1923-24	1948-49	1923-24	1948-49
Entirely southern	82	89	71	78	60	70	42	47	22	20	28	11	—	—	45	27
Within state of issue	65	69	56	64	42	51	31	34	14	7	28	11	—	—	34	18
Commercial banks	29	20	24	8	21	4	17	3	8	1	—	—	—	—	15	2
Investment dealers	34	44	28	44	19	37	9	22	6	4	—	—	—	—	14	11
Banks and dealers	2	5	4	12	2	10	5	9	—	2	28	11	—	—	5	5
Other southern states	17	20	15	14	18	19	11	13	8	13	—	—	—	—	11	9
Within and outside state of issue	1	7	2	7	1	8	1	11	8	2	—	—	—	—	4	3
Out-of-state	16	13	13	7	17	11	10	2	—	11	—	—	—	—	7	6
Predominantly southern*	1	—	3	3	7	10	7	9	13	14	—	8	—	—	7	8
Predominantly non-southern**	#	2	2	4	1	4	8	29	6	48	72	81	—	100	11	52
Entirely non-southern***	17	9	24	15	32	16	43	15	59	18	—	—	—	—	37	13
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

\*Syndicates in which southern banks or dealers are the leaders, but including non-southern firms.

\*\*Syndicates in which non-southern banks or dealers are the leaders, but including southern firms.

\*\*\*Includes a few issues for which the location of the underwriter is unknown.

#Less than one-half of one percent.

Source: Federal Reserve Bank of Atlanta classification of information published in *The Commercial and Financial Chronicle* and *Bond Buyer* for 1,536 issues underwritten in the years 1923, 1924, 1948, 1949.

by insurance companies; others by a pension fund; some by a trust fund; and others by a few investors with substantial incomes. Although the issues were underwritten by a syndicate headed by a New York bank, the greater part of the securities went to southern investors.

### Continued Need for Additional Capital

Increased participation of southern firms in syndicates underwriting state and local government securities, an increased underwriting of small issues by southern investment dealers, and an increase in the number of investment dealers have all resulted from the growth in the South's financial resources. However, it is inevitable that the question will be raised as to why all the underwriting has not been done by southern firms.

It is evident that lack of sufficient financial resources is still of prime importance. The investment dealers in one large southern city, for example, consider their area as a "million-

dollar market." They must seek help elsewhere in underwriting the larger issues. In other District cities the maximum may be larger or smaller, but there is a point beyond which neither the investment dealer's own capital nor the bank credit available is sufficient to handle the issues. Moreover, there is a tendency to look for additional resources, not from other parts of the South but from the traditional capital markets.

Even within the Sixth District states, there is no central capital market for southern securities. With a few exceptions, most investment dealers limit their operations to their own and a few neighboring states. In general, New Orleans investment dealers extend their operations beyond Louisiana into Mississippi and to a lesser degree into Texas. The Georgia investment dealers, in addition to operating in their own state, do some business in Alabama and to a lesser degree in Florida. More general southwide underwriting is done by a few Tennessee dealers. Dealers employ their funds in the areas with which they are most familiar and in which they can operate most efficiently. When dealers from different southern areas band together, they generally do it through a syndicate headed by a non-southern firm.

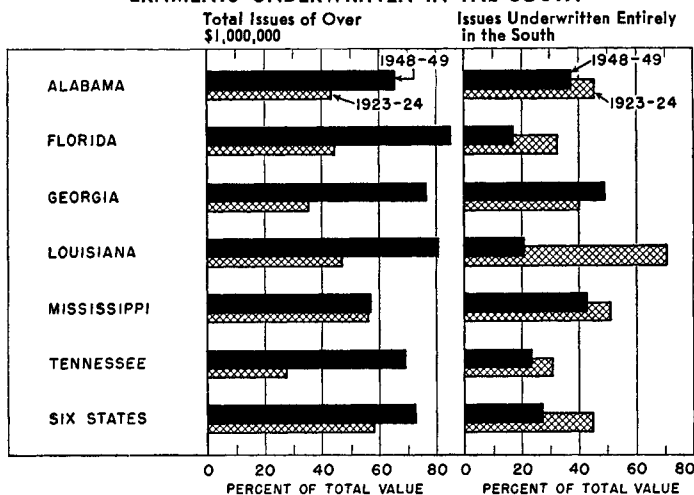
Prestige requires that a syndicate be headed by the firm with the greatest resources. Consequently, although some syndicates underwriting southern securities may have been organized primarily by southern dealers, they are often headed by the northern firms whose resources are almost unlimited, compared with those of southern dealers.

### Capital Needs Still Outstrip Supply

In an expanding economy like that of the South, there is always a greater need for capital investment than can be provided by the savings of its own people. Only when the South has reached economic maturity does it seem likely that it will be able to supply all its capital needs. The economic opportunities of the South inevitably attract capital, which in turn increases the South's productivity. The greater participation of Southerners in underwriting state and local securities, however, indicates that with increased financial resources, the area can satisfy its capital needs on more favorable terms.

CHARLES T. TAYLOR

### INFLUENCE OF SIZE OF ISSUE UPON PROPORTION OF TOTAL ISSUES OF SIXTH DISTRICT STATE AND LOCAL GOVERNMENTS UNDERWRITTEN IN THE SOUTH



Because a greater proportion of the issues were large in 1948-49, southern underwriters accounted for a smaller proportion of the total issues than in 1923-24, despite increased underwriting of the smaller issues.

# Deposit Growth at Mississippi Member Banks

DESPITE its recent rapid industrialization, Mississippi depends more heavily upon agriculture as a source of income than do any of the other five states served by the Federal Reserve Bank of Atlanta. The latest United States Department of Commerce income estimates show that almost a third of the state's income payments to individuals comes directly from agriculture. The ratio for the District is 15 percent.

Of the 201 banks in the entire state of Mississippi, only 31 are member banks. This condition does not, however, impose such serious limitations upon the use of member bank deposit figures that they do not indicate the trend of deposits at all banks, particularly in the Sixth District section of Mississippi.

The Mississippi territory served by the Federal Reserve Bank of Atlanta through its New Orleans Branch consists of 43 southern counties comprising 55 percent of the state's total area and containing about 50 percent of the state's population of 2,171,806.

Moreover, the state's member banks are concentrated there. The 19 member banks in the Sixth District part of Mississippi have about 85 percent of the state's total member bank deposits and over 60 percent of the total deposits at all banks in that section of the state. In addition, many member banks, especially those in Jackson, do an extensive correspondent business with nonmember banks. The trend of member bank deposits, therefore, represents fairly well the trend of deposits at all banks. The following discussion relates entirely to Mississippi member banks in the Sixth District.

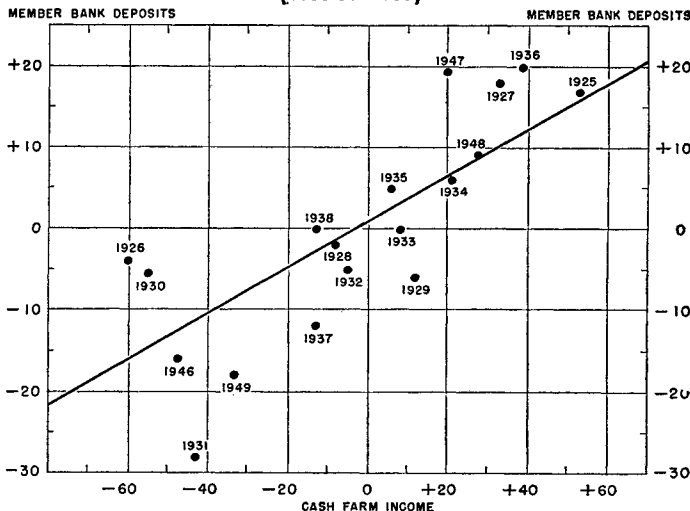
Deposit changes at the Mississippi member banks have differed markedly from those at member banks throughout the country during three periods in the last thirty years. From 1923 through 1929, deposits were at a comparatively higher level than was true of the country as a whole; there was a more rapid increase in deposits at Mississippi member banks during World War II; and finally, in the three postwar years of 1946, 1947, and 1948 the state's member bank deposits rose 5 percent, compared with 2 percent for the nation.

## Agriculture and Bank Deposits

From 1924 to 1929, inclusive, Mississippi's cash farm income averaged 40 percent above the 1935-39 average, whereas national income—both agricultural and nonagricultural—averaged about 30 percent below the 1935-39 average. As is shown in the accompanying chart, the indexes of bank de-

posits in Mississippi and the United States indicate clearly the higher level of bank deposits in Mississippi resulting from the comparatively high level of farm income.

CHANGES IN ANNUAL INDEXES OF MISSISSIPPI'S CASH FARM INCOME AND MEMBER BANK DEPOSITS, 1925-38 (1935-39=100)

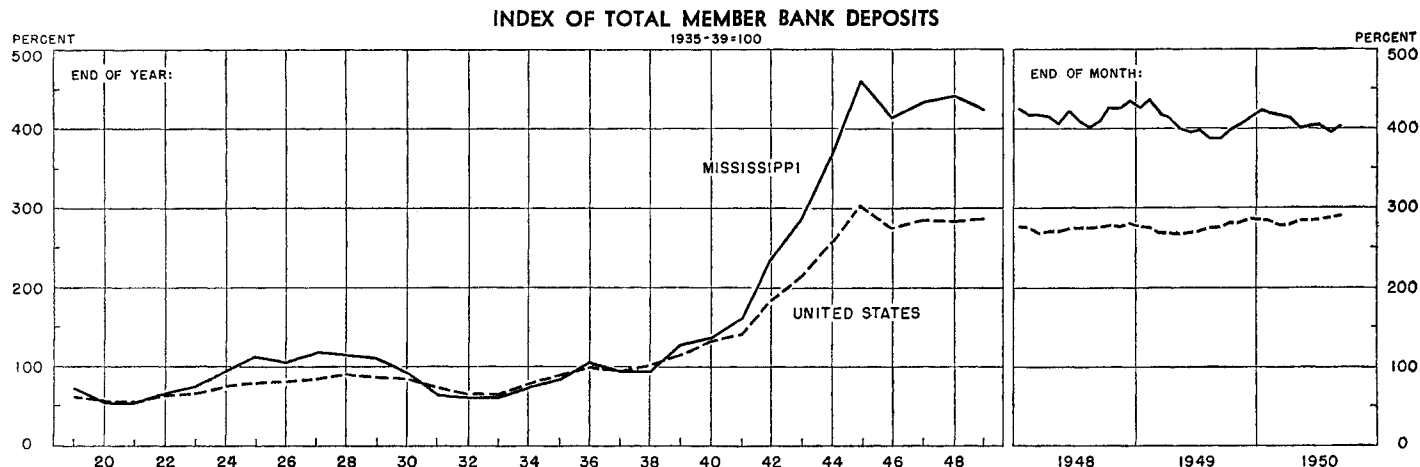


For the prewar years of 1925 through 1938, about 60 percent of the changes in Mississippi member bank deposits was associated with changes in cash farm income. In the postwar years this relationship was resumed. The differences between the actual changes in bank deposits and those computed on the basis of the prewar relationship averaged less than one percent for the years 1946 through 1949. The line on the chart shows the relationship for the prewar period.

In fact, in the whole period before 1939, when World War II began to influence the flow of deposits, variations from year to year in member bank deposits were rather closely associated with variations in farm income. From 1925 to 1938, inclusive, 60 percent of the variation in annual changes in bank deposits was associated with changes in cash farm income. The state's economy did not entirely depend upon agriculture, but there were very few years when deposits did not change in the same direction as agricultural income.

## Deposits Up 261 Percent

The war brought a greater rate of growth in Mississippi member bank deposits than in those of member banks throughout



## Sixth District Indexes

DEPARTMENT STORE SALES*						
Place	Adjusted**			Unadjusted		
	Oct. 1950	Sept. 1950	Oct. 1949	Oct. 1950	Sept. 1950	Oct. 1949
DISTRICT.....	370	409	376	388	426	395
Atlanta.....	409	466	376	449	518	414
Baton Rouge.....	370	391	414	381	433	427
Birmingham.....	373	409	319	391	437	335
Chattanooga.....	370	437	320	389	467	336
Jackson.....	353	383	364	402	452	415
Jacksonville.....	401	416	511	429	412	547
Knoxville.....	366	417	349	381	426	363
Macon.....	328	369	307	355	421	332
Miami.....	420	473	467	387	383	429
Montgomery.....	321	365	307	353	387	338
Nashville.....	401	480	394	425	494	418
New Orleans.....	350	361	350	364	383	364
Tampa.....	453	518r	606	462	497r	618

DEPARTMENT STORE STOCKS						
Place	Adjusted**			Unadjusted		
	Oct. 1950	Sept. 1950	Oct. 1949	Oct. 1950	Sept. 1950	Oct. 1949
DISTRICT.....	456	438r	347	497	451r	379
Atlanta.....	584	583	462	678	635	536
Birmingham.....	385	368	262	423	387	288
Montgomery.....	444	509	375	533	489	449
Nashville.....	739	645	519	813	691	571
New Orleans.....	419	381	328	432	385	338

GASOLINE TAX COLLECTIONS***						
Place	Adjusted**			Unadjusted		
	Oct. 1950	Sept. 1950	Oct. 1949	Oct. 1950	Sept. 1950	Oct. 1949
SIX STATES.....	255	247	217	250	252	213
Alabama.....	245	242	220	243	254	218
Florida.....	218	217	194	199	213	176
Georgia.....	257	255	226	254	266	223
Louisiana.....	288	269	242	296	283	248
Mississippi.....	238	246	209	242	254	213
Tennessee.....	278	252	212	277	257	211

COTTON CONSUMPTION*				ELECTRIC POWER PRODUCTION*			
Place	Oct. 1950	Sept. 1950	Oct. 1949	SIX STATES..	Sept. 1950	Aug. 1950	Sept. 1949
	TOTAL.....	180	168		143r	416	408
Alabama.....	190	178	156r	Hydro-			
Georgia.....	180	171	141r	generated	339	291	349
Mississippi.....	119	73	88r	Fuel-			
Tennessee.....	145	132	121r	generated	517	561	398

MANUFACTURING EMPLOYMENT***				CONSTRUCTION CONTRACTS			
Place	Sept. 1950	Aug. 1950	Sept. 1949	Place	Oct. 1950	Sept. 1950	Oct. 1949
	SIX STATES..	152	150r		140r	DISTRICT...	540
Alabama.....	154	151	144r	Residential..	850	951	873
Florida.....	134	132r	126r	Other.....	390	558	557
Georgia.....	153	151	139r	Alabama.....	726	858	620
Louisiana.....	143	139	137r	Florida.....	549	730	672
Mississippi.....	153	150	131r	Georgia.....	538	998	528
Tennessee.....	159	159	147r	Louisiana.....	451	606	628
				Mississippi..	514	409	203
				Tennessee..	440	504	934

CONSUMERS PRICE INDEX				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Item	Oct. 1950	Sept. 1950	Oct. 1949	Unadjusted..	Oct. 1950	Sept. 1950	Oct. 1949
	ALL ITEMS...	180	180		172	24.0	23.3
Food.....	212	215r	203	Adjusted**...	22.8	24.3	19.4
Clothing.....	201	198	192	Index**.....	92.5	98.4	78.6
Fuel, elec., and refrig.	140	138	136	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings.....	197	195	182		Oct. 1950	Sept. 1950	Oct. 1949
Misc.....	157	157	155	Unadjusted..	336	350	300r
Purchasing power of dollar.....	.56	.56	.58	Adjusted**...	337	353	301r

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

r Revised

the country. The 261-percent gain in Mississippi bank deposits between 1939 and the end of 1945, however, was based less on the economic effects of expanded war manufacturing and military training programs than upon a growth in agricultural income. In 1945, manufacturing pay rolls were 85 million dollars greater than in 1939, and Government pay rolls were 180 million greater. Agricultural income, however, exceeded either of these with a 189-million dollar growth.

## Postwar Changes

The end of war manufacturing and military training programs did not, of course, affect Mississippi's income and bank deposits as much as in other states, but the decline that did occur was accentuated by a decrease in agricultural income. Mississippi was the only state in the District where manufacturing pay rolls were greater in 1946 than in 1945; it was also the only state which had a smaller agricultural income. Bank deposits everywhere were declining in 1946, but those of the Mississippi banks fell at a greater rate than elsewhere.

TOTAL DEPOSITS AT MISSISSIPPI MEMBER BANKS  
Classified by Area

Area*	Percent Change, End of Year				
	1939-45	1945-46	1946-48	1948-49	1939-49
Jackson Area.....	+299	-13	+8	-1	+273
Jackson.....	+307	-14	+7	-2	+271
Outside Jackson.....	+264	-9	+16	+3	+297
Hattiesburg-Laurel-					
Meridian.....	+312	-10	+1	-5	+255
Natchez.....	+121	-3	+1	-5	+107
New Orleans Area					
(Hancock & Harrison					
Counties, Miss.).....	+131	+19	+11	-2	+199
Mississippi**.....	+261	-11	+5	-3	+231
Sixth District.....	+254	-8	+1	+0	+228
United States.....	+163	-9	+2	+2	+151

\*Areas include several counties surrounding each city.

\*\*That part included in the Sixth District.

In 1947 and 1948 the greater-than-national rate of deposit growth at the Mississippi banks reflected the pickup in agricultural income. Mississippi farmers received 533 million dollars for their crops and livestock in 1948, which was 1.8 times as much as in the first postwar year of 1946. In addition, other factors were drawing income into the state. Mississippi's petroleum production, mostly in the Sixth District section, expanded from four million barrels in 1940 to 46 million barrels in 1948. The state was also reaping the benefits of its campaign to balance agriculture with industry; its manufacturing pay rolls in 1948 set a record high.

But Mississippi's agricultural income is still three times as important as its manufacturing income and a decline in cash farm income in 1949 from 1948 brought with it a 3-percent decline in bank deposits. At member banks throughout the country, deposits rose 2 percent.

By any standard, deposits at the Mississippi banks are still comparatively high. At the end of 1949, Mississippi depositors had 2.3 times as much to their credit as ten years previously, whereas deposits at all member banks throughout the country were only 1.5 times as great. This retention of wartime gains is a measure of the progress being made in the development of Mississippi's economy.

CHARLES T. TAYLOR

*This article is the fifth in a series in which deposit trends in the individual Sixth District states are being discussed.*

# District Business

## Leveling Off in Sales of Consumer Durable Goods

CONSUMERS throughout the Sixth District have cut down on their buying of durable goods. A reaction to the war-scare buying following the outbreak of the war in Korea was expected, but stricter credit controls may account for some of the decline. Incomplete reports for November indicate that the downward trend begun in October has been intensified.

As would be expected, sales have fallen off most at those stores specializing in goods for which there were heavy demands in preceding months and which are now subject to credit controls. Sales of the District furniture stores were down 23 percent this October and household appliance store sales were about the same as in last October.

On the other hand, department stores in which furniture, floor coverings and appliances, radios and television sets, and similar items accounted for a fairly small part of total sales reported that they sold about the same this October as last October. Appliance sales at the department stores, however, were down 15 percent.

**SALES AT DISTRICT REPORTING STORES**  
Percentage Change, 1950 From Corresponding Months in 1949

	Household Appliance	Furniture Stores	Motor Vehicle Dealers	Department Stores
January.....	+1	+12	+34	-1
February.....	+19	+12	+28	+3
March.....	+23	+17	+33	+6
April.....	+27	+2	+35	-5
May.....	+17	+6	+34	+8
June.....	+13	+6	+34	+7
July.....	+34	+30	+46	+32
August.....	+49	+16	+56	+17
September.....	+72	+29	+44	+13
October.....	+0	-23	+39	+0
November.....	n.a.	n.a.	n.a.	+2p

Source: Motor vehicle sales: weighted averages of Department of Commerce data for four District areas; other: stores reporting to this bank. n.a. Not available. p. Preliminary.

During the first three weeks of November, department stores sold 4 percent more than they did during the same part of 1949. November reports from a limited number of stores, however, showed sales of durable goods continuing below last year's level. Television sales, which have been keeping up well despite consumer credit controls, took a dip below last year's total for the week ended November 18.

Although less current reports are available for motor vehicle dealers, total dollar sales in October and November for new cars were probably well above the corresponding months last year but below the record-breaking months of July and August. New car registrations in the Atlanta metropolitan area were 31 percent greater this October than last October. For the three weeks ending November 18, registrations were 12 percent greater than in the same period last year. Although deliveries to dealers were lower in November 1949 than in the preceding months, they were higher than in either November 1948 or November 1947.

The volume of new instalment loans granted by Sixth District commercial banks in October was 11 percent less than in September. Although credit granted this October was 6 percent greater than that granted in October last year, the rate of increase from the previous year was lower than that reported for any previous month this year. C.T.T.

## Sixth District Statistics

INSTALMENT CASH LOANS					
Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change Oct. 1950 from		Percent Change Oct. 1950 from	
		Sept. 1950	Oct. 1949	Sept. 1950	Oct. 1949
Federal credit unions.....	44	-6	-1	-1	+34
State credit unions.....	18	-35	-20	-3	+28
Industrial banks.....	11	-16	+32	+5	+31
Industrial loan companies..	11	+6	-9	-1	-6
Small loan companies.....	36	-3	+1	+0	+9
Commercial banks.....	33	-11	+6	+1	+36

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change Oct. 1950 from	
		Sept. 1950	Oct. 1949
Total sales.....	118	-29	-23
Cash sales.....	101	+1	-3
Instalment and other credit sales..	101	-33	-25
Accounts receivable, end of month	113	-2	+19
Collections during month.....	113	-1	+11
Inventories, end of month.....	88	+10	+23

WHOLESALE SALES AND INVENTORIES*					
Type of Wholesaler	No. of Firms Reporting	Sales		Inventories	
		Percent Change Oct. 1950 from		Percent Change Oct. 31, 1950, from	
		Sept. 1950	Oct. 1949	Sept. 30 1950	Oct. 31 1949
Electrical group					
Wiring supplies.....	3	+10	+99	3	+5
Appliances.....	4	-20	+44	3	-10
General hardware.....	11	-5	+22	6	+10
Industrial supplies.....	12	-4	+62	3	+6
Jewelry.....	4	-4	+9	3	-2
Lumber and building materials.....	4	-15	+46	.	.
Confectionery.....	5	+35	+3	.	.
Drugs and sundries.....	8	+1	+12	.	.
Dry goods.....	18	-10	+17	12	+2
Groceries					
Full-line.....	41	-1	+3	27	+8
Specialty lines.....	14	-3	+5	8	-11
Shoes and other footwear.....	3	-0	+32	.	.
Tobacco products.....	10	-17	+17	6	-3
Miscellaneous.....	17	-8	+24	14	+2
Total.....	154	-5	+20	85	+3

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

DEPARTMENT STORE SALES AND INVENTORIES*					
Place	PERCENT CHANGE				
	Sales		Year to Date 1950-1949	Stocks	
	Oct. 1950 from Sept. 1950	Oct. 1949		Oct. 31, 1950, from Sept. 30, 1949	Oct. 31, 1949
ALABAMA.....	-6	+12	.	+10	+41
Birmingham.....	-7	+17	+8	+9	+47
Mobile.....	-4	+5	+7	.	.
Montgomery.....	-5	+4	+6	+9	+19
FLORIDA.....	+4	-14	.	+11	+44
Jacksonville.....	+8	-22	+0	+10	+32
Miami.....	+5	-6	+9	+10	+63
Orlando.....	-6	-16	+5	.	.
St. Petersburg.....	+9	-12	.	.	.
Tampa.....	-3	-24	+6	+15	+37
GEORGIA.....	-10	+8	.	+8	+25
Atlanta.....	-10	+9	+10	+7	+26
Augusta.....	-11	+2	+6	+8	+21
Columbus.....	-13	+14	+21	.	.
Macon.....	-12	+7	+14	+11	+7
Rome.....	-2	-11	+1	.	.
Savannah.....	-0	+9	+11	+18	+31
LOUISIANA.....	-2	-2	.	+11	+24
Baton Rouge.....	-8	-9	-4	+11	+14
New Orleans.....	-1	+0	+3	+12	+28
MISSISSIPPI.....	-6	-2	.	+8	+22
Jackson.....	-8	-3	+7	+9	+18
Meridian.....	-9	-3	-1	.	.
TENNESSEE.....	-10	+5	.	+14	+35
Bristol.....	-10	-4	+1	+9	+12
Bristol-Kingsport-Johnson City.....	-9	-4	+1	.	.
Chattanooga.....	-14	+16	+18	+7	+42
Knoxville.....	-7	+4	+4	.	.
Nashville.....	-11	+2	+8	+18	+42
OTHER CITIES**.....	+1	-4	+9	+10	+24
DISTRICT.....	-5	+0	+7	+10	+32

\* Includes reports from 116 stores throughout the Sixth Federal Reserve District.  
\*\* When fewer than three stores report in a given city, the sales or stocks are grouped together under "other cities." They are, however, included in state figures.

## Sixth District Statistics

## Industry and Employment

CONDITION OF 27 MEMBER BANKS IN LEADING CITIES (In Thousands of Dollars)						
Item	Nov. 22 1950	Oct. 25 1950	Nov. 23 1949	Percent Change Nov. 22, 1950, from		
				Oct. 25 1950	Nov. 23 1949	
Loans and investments—						
Total.....	2,548,228	2,519,270	2,412,158	+1	+6	
Loans—Net.....	1,109,543	1,067,223	874,666	+4	+27	
Loans—Gross.....	1,123,751	1,081,315	885,701	+4	+27	
Commercial, industrial, and agricultural loans.....	666,869	634,791	531,592	+5	+25	
Loans to brokers and dealers in securities.....	14,112	12,172	8,135	+16	+73	
Other loans for pur- chasing and carrying securities.....	35,882	36,122	34,712	—1	+3	
Real estate loans.....	91,367	89,807	72,632	+2	+26	
Loans to banks.....	5,449	5,154	3,847	+6	+42	
Other loans.....	310,072	303,269	234,783	+2	+32	
Investments—total.....	1,438,685	1,452,047	1,537,492	—1	—6	
Bills, certificates and notes.....	554,875	561,227	459,207	—1	+21	
U. S. Bonds.....	661,157	668,033	868,712	—1	—24	
Other securities.....	222,653	222,787	209,573	—0	+6	
Reserve with F. R. Bank.....	423,502	400,324	382,813	+6	+11	
Cash in vault.....	42,224	43,144	41,530	—2	+2	
Balances with domestic banks.....	165,360	174,742	161,010	—5	+3	
Demand deposits adjusted	1,821,828	1,840,400	1,725,926	—1	+6	
Time deposits.....	525,895	526,237	537,697	—0	—2	
U. S. Gov't deposits.....	52,737	46,081	48,682	+14	+8	
Deposits of domestic banks	556,383	512,933	488,786	+8	+14	
Borrowings.....	17,300	6,000	3,500	*	*	
* More than 100 percent.						
DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
	Oct. 1950	Sept. 1950	Oct. 1949	Percent Change		Year-to- date 10 mos. 1950 from 1949
				Oct. 1950 from	Oct. 1949	
				Sept. 1950	Oct. 1949	
ALABAMA						
Anniston.....	27,828	26,340	23,030	+6	+21	+12
Birmingham.....	416,489	407,982	320,264	+2	+30	+16
Dothan.....	19,449	16,915	16,216	+15	+20	+15
Gadsden.....	23,919	22,509	20,340	+6	+18	+17
Mobile.....	148,549	149,219	113,607	—0	+31	+4
Montgomery.....	107,185	98,234	85,277	+9	+26	+15
FLORIDA						
Jacksonville.....	319,641	311,099	258,711	+3	+24	+17
Miami.....	283,846	253,100	226,540	+4	+16	+15
Greater Miami.....	389,074	387,473	309,987	+6	+26	+19
Orlando.....	58,614	60,575	47,820	—3	+23	+26
Pensacola.....	38,842	39,213	34,774	—1	+12	+8
St. Petersburg.....	69,283	65,887	54,087	+5	+28	+22
Tampa.....	131,973	138,999	116,452	—5	+13	+19
GEORGIA						
Albany.....	32,061	28,398	25,738	+13	+25	+13
Atlanta.....	1,121,301	993,811	856,436	+13	+31	+16
Augusta.....	79,375	71,218	61,584	+11	+29	+12
Brunswick.....	9,258	11,468	8,559	—19	+8	+11
Columbus.....	68,386	68,669	57,087	—0	+20	+27
Elberton.....	5,411	4,813	4,433	+12	+22	+13
Gainesville*.....	23,228	21,021	14,804	+10	+57	+26
Griffin*.....	15,406	13,288	11,963	+16	+29	+12
Macon.....	77,345	74,690	58,468	+4	+32	+18
Newnan.....	13,461	10,220	9,003	+32	+50	+13
Rome*.....	27,882	25,209	23,849	+11	+17	+17
Savannah.....	107,316	106,408	84,508	+1	+27	+12
Valdosta.....	12,574	12,244	11,317	+3	+11	+0
LOUISIANA						
Alexandria*.....	41,619	41,782	32,264	—0	+29	+17
Baton Rouge.....	111,599	105,567	103,609	+6	+8	—4
Lake Charles.....	42,116	46,693	35,656	—10	+18	+9
New Orleans.....	849,087	827,781	685,510	+3	+24	+11
MISSISSIPPI						
Hattiesburg.....	20,086	20,123	18,114	—0	+11	+13
Jackson.....	159,874	162,770	138,163	—2	+16	+13
Meridian.....	33,753	35,437	28,950	—5	+17	+14
Vicksburg.....	31,488	25,094	33,073	+25	—5	+2
TENNESSEE						
Chattanooga.....	166,492	164,308	134,343	+1	+24	+14
Knoxville.....	132,125	130,886	105,189	+1	+26	+13
Nashville.....	386,067	367,232	299,778	+5	+29	+18
SIXTH DISTRICT						
32 Cities.....	5,084,793	4,857,962	4,076,636	+5	+25	+14
UNITED STATES						
333 Cities.....	124,855,000	123,222,000	101,834,000	+1	+23	+3
* Not included in Sixth District total.						

In October, textile mill activity increased and steel mills continued operations at more than 100 percent of rated capacity. Although coal mining was at about the same rate as in September, construction contracts awarded were in smaller volume.

**CONSTRUCTION CONTRACTS** awarded in the District in October were valued at 109,635,000 dollars, a decrease of 21 percent from September. The October total was 18 percent smaller than the total for October last year, but October 1949 had the largest total ever reported for a peacetime month except one—September 1941. Total awards were down from September in five District states, the only increase being in Mississippi. October awards were larger than they were a year ago in Alabama, Georgia, and Mississippi, but these increases were more than offset by decreases in the other states. Residential contracts, accounting for 51.3 percent of the total in October, were off 10 percent from September, although there were increases in Alabama, Mississippi, and Tennessee.

For the first 10 months of 1950, total awards in the District were 48 percent greater than in that part of 1949; residential awards were up 64 percent; and other contracts 35 percent. For the same period, both total and residential awards were greater than at this time last year in each state.

**TEXTILE MILL ACTIVITY** in the District in October, on the basis of the daily average rate of cotton consumed, was at the highest level in four years. Sixth District mills used an average of 15,527 bales of cotton for each business day in October, an increase of 6.7 percent over September and 25.3 percent greater than in October 1949. In the three months of the new cotton year, August through October, the mills used 31.1 percent more cotton than in that period a year ago. Between June and September there was a rise of about 54 percent in mill margins—the spread between the cost of a pound of raw cotton and the price of the finished product.

**ELECTRIC POWER PRODUCTION** in the District was up 2 percent further in September; an increase of 16.4 percent over August in hydro-generated power was offset in part by a decrease of 7.8 percent in current generated by the use of fuels. September output was 12.5 percent greater than it was a year earlier; current produced by use of fuels was 30 percent greater than in September last year; but hydro-generated current was about 3 percent less. Hydro-generated current accounted for 46.2 percent of the total in September this year and for 53.4 percent in September 1949.

**MANUFACTURING EMPLOYMENT** increased 1.4 percent further in September and was 8.4 percent greater than in September 1949. Indications point to further gains in October. The September increase was shared in by each District state, increases ranging from 0.3 percent in Tennessee to 2.7 percent in Louisiana. Compared with September a year ago, the gains ranged from 4.1 percent for Louisiana to 17.1 percent for Mississippi.

In the more important industries except food and food products, there were increases in September over August, and there were increases over September 1949 for all groups. In food and food products, seasonal increases in Florida and Louisiana were slightly more than offset by decreases in Alabama, Georgia, Mississippi, and Tennessee. Other groups made gains for the month ranging from 1.1 percent in lumber and wood products and 1.9 percent in textiles to 4 percent each in apparel and in paper and paper products, and 4.9 percent in chemicals.

D.E.M.