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Monthly Review

Farm Income Sustained in 1959

District Earnings Will Hold at Last Year's Level Despite Higher Costs

Farmers in the six states that lie wholly or partly in the Sixth Federal Reserve District may have another profitable year. Judging from trends in harvests and sales to date, based on estimates by this Bank, farmers' earnings will compare favorably with those last year; their sales could exceed the \$3.3 billion mark reached in 1958 by at least 10 percent. Net income, or payments after all cash expenses have been met, however, probably will not rise above last year's because lower direct Government payments and higher production costs will likely counteract increased sales. If the region's net farm income is maintained this year, it will be in contrast to the national trend which, according to the United States Department of Agriculture, is expected to show a substantial drop from last year.

Major Sources of Income

Farmers who rely heavily on cash crops, especially tobacco, cotton, and citrus, can look for their gross sales to be well above those last year. Receipts from the sale of livestock and poultry products, on the other hand, may be substantially lower, as poultry, egg, and hog prices are averaging well below 1958. Farmers whose incomes depend largely on sales of those items may find it more difficult to meet their financial obligations as they approach a new year.

Cash Crops the Booster Early this year farmers had to decide how they could best use 2.3 million crop acres they deposited in the Government's acreage reserve program last year. The choice was easy for many farmers: They planted the additional acres to crops they had previously grown—cotton, tobacco, corn, and rice. After all crops were planted this year, cotton, the region's most widely grown cash crop, covered 44 percent more acres than last year. Many farmers in North Florida, South Georgia, and East Tennessee depend heavily on tobacco for income so they planted 14 percent more tobacco. In Louisiana farmers upped their sugar cane and rice plantings—important crops in that state—by more than a tenth.

Old man weather smiled on the South again this year; thus, crops are producing high yields. The region's cotton farmers are making out better than its other growers; they expect to average nearly a bale an acre for a total of around four million bales, or 61 percent more than last year. Gains in tobacco, rice, citrus, and many other crops are being made, but they are overshadowed by the large gain in cotton production.

Despite gains in output, crop prices are holding up well for most farmers. Prices received by Florida's citrus growers will average above those last year, and declines in prices of many other farm crops are

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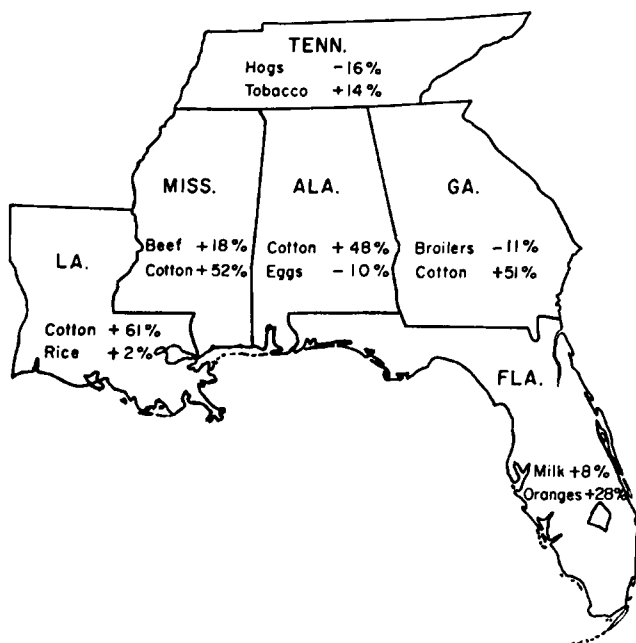
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*Federal
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Preliminary Estimated Changes in Cash Receipts 1959 from 1958, Selected Commodities

Sixth District States



being minimized by price-support activities. Increased crop sales, therefore, will offset losses in livestock sales.

Livestock and Poultry Receipts the Dampener Marketings of livestock and poultry products will be larger this year than last but prices will be lower. On balance, livestock will contribute less to farmers' gross income than in 1958. Hogs top the list for market gains and their selling price likely will show the sharpest decline. In Tennessee, where hogs are an important source of cash, farmers will sell an estimated 19 percent more hogs for roughly 16 percent fewer dollars than were grossed from hogs last year. Since pork production and prices are following the same pattern in other District states, similar losses will be encountered over the entire region.

Poultry and eggs also are in full supply, especially in Alabama, Georgia, and Mississippi, but low prices may reduce receipts from both. Farmers substantially reduced their chick placements for broilers recently, and prices are improving but in general the reductions were too late to improve poultry incomes this year. Many farmers, therefore, who depend heavily on poultry sales for their income are finding prices painfully low.

Those farmers selling beef animals this year are more

Beginning this month, each issue of the *Monthly Review* will include a brief discussion of economic conditions in an individual District state. This month's discussion on conditions in Louisiana is found on page 8. The December *Review* will carry a summary on Florida's economy.

cheerful; existing prices are far above those for other livestock groups. High beef prices probably will lift collective gross beef sales for the region even though in most areas fewer beef animals are reaching the market. Only farmers in Mississippi expect an increase in shipments. Finally, milk production and prices in most states probably will hold near last year's. Dairy farmers in Florida likely will be the only group to significantly increase milk sales.

Government Payments Lower

Direct payments to farmers in Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee totaled \$199 million in 1958. Of that amount, \$145 million went to farmers for leasing crop land to the Government under the acreage reserve Soil Bank Act. The balance was distributed among the wool, sugar, and conservation programs. Since no payments were made for leased row crop acres this year, District state farmers received substantially less in direct payments.

Paradoxically, the cut in direct payments has been a stimulant to farm income because termination of the acreage reserve program is almost solely responsible for the increased row crop plantings this year. Heaviest payments last year for leased land were made to farmers in Alabama, Georgia, and Mississippi—\$36 million for Alabama and \$35 million each for Georgia and Mississippi. Farmers in those three states boosted their cotton acreage this year almost a million acres.

Production Costs Higher

The increased volume of farm products marketed this year required larger amounts of fertilizer, seed, and insecticides, and although prices for those items have remained relatively stable, farmers paid out considerably more money for their supplies. Not all prices held steady: Farmers generally found interest and wages higher than in 1958, and also they paid higher taxes.

That the incomes for this region's farmers will not fall this year as much as those for the nation's farmers is not surprising when one examines the sources of farm income. Livestock and livestock product sales will suffer the biggest loss this year and those sales make up roughly 60 percent of the nation's cash farm receipts. Although livestock and poultry have attained a prominent place in District agriculture, they still play second fiddle to crops. During the 1954-56 period, crop sales produced 64 percent of farmers' cash receipts in this region. Cotton, citrus, tobacco, and rice are important sources of regional farm income and sales of those crops will be up this year. Nationally, wheat and small feed-grain sales will be substantially lower this year than last year but few farmers in this area grow commercial grain. The small grain crop that is helping pull national farm income down will have virtually no effect on District farmers' income.

Taken generally, the region's farmers are in a better financial position than they were at this time last year. They have now had two relatively good years to help them pay debts carried over from the low income years of 1956 and 1957.

N. CARSON BRANAN

District Department Stores Flex Their Muscles

Department store sales have recovered the ground they lost during the recent recession. Until March, the recovery in the District closely paralleled that in the nation. From March through August, however, sales showed a stronger and more persistent rise in the District than in the nation. Then, in September, declines occurred in both regions, but the first three weeks of October brought them up slightly. These movements in department store sales measure consumer spending at retail stores that employ 25 or more persons and carry all the merchandise lines shown in the bottom chart.

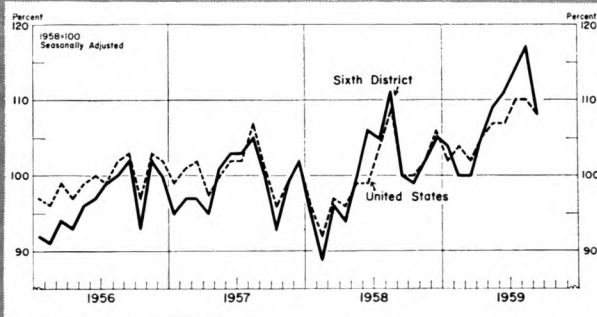
Within the District, a wide variation in the department store sales recovery has occurred this year. This variation is depicted in the tables presented at the back of each issue of the *Monthly Review*, where percentage changes and seasonally adjusted indexes of department store sales are given for major areas. Increases in some states have been more than twice as great as gains registered by other states. Sales in Florida, Mississippi, and Tennessee have advanced more during the first nine months of this year over that period last year than other District states or the nation. Performances among District cities have shown an even wider variation. In a few areas, sales have actually been running under last year's, whereas some cities have registered phenomenal gains.

Some of the largest increases in department store sales have been made in District cities where store facilities have been expanded or where new stores have been built. Such improvements can bring in entirely new business because a new building in a new location may attract people who were previously too far from the department store to patronize it regularly. Floor space additions can also increase sales by enabling the stores to carry lines and assortments of merchandise which consumers may want but which were previously not carried because of space limitations. Additional facilities, then, at least partially explain some of the phenomenal sales increases in a few District cities. Yet, sales at stores that have added new facilities account for no more than about one-fourth of the increase in total District department store sales between March and August of this year.

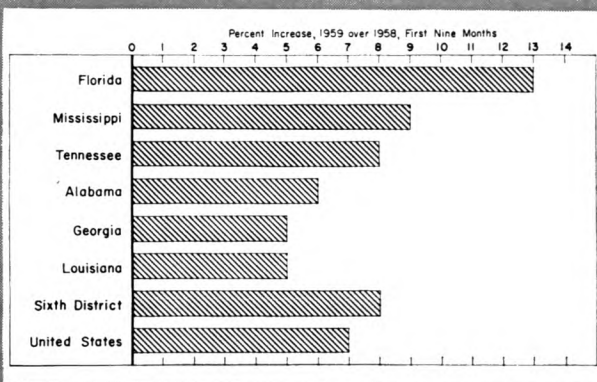
The stronger performance of department store sales in the District than nationally since March is partly attributable to heftier percentage increases in consumer income and spending here. When people earn more, they usually spend more, and when folks spend more, they generally do not forget to spend more at department stores. One measure of what people earn is manufacturing payrolls. From March through August seasonally adjusted payrolls increased more in the District than in the nation.

As might be expected, the larger percentage increase in District consumer earnings also gave rise to a greater consumer spending gain at retail stores in the District than nationally. Sales seasonally adjusted, of firms operating one to ten retail stores increased more from March through August in the Sixth District than they did in the United States. These sales data are supplied in unadjusted form to the Federal Reserve Banks by the Bureau of the

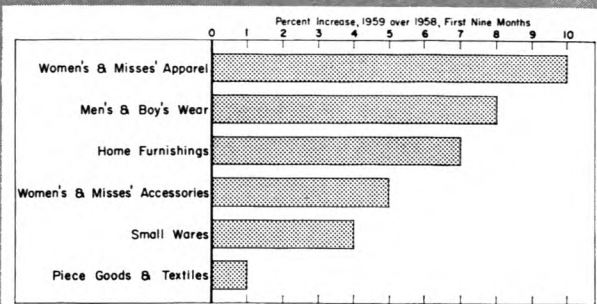
Department store sales were stronger in the District than in the nation from March through August . . . September brought a sharp decline, however, to both the District and the nation.



Within the District, the recovery in department store sales this year has varied widely,



And among departments, even more.



Census and provide an indication of trends in certain types of consumer spending, including spending for the types of merchandise sold in department stores.

Another frequently used measure of general spending is bank debits, that is, amounts spent by check. So far this year, the District states that have registered the largest gains in department store sales over the same period last year have also shown the greatest increases in bank debits. Likewise, sales have increased most in those cities which have enjoyed the largest gains in general spending, after allowance is made for new department store facilities.

WINFIELD HUTTON

Paying for Public Schools

Financial Challenge to Southern Governments

Education is a process through which we acquire facts, skills, and sometimes even wisdom. It begins at birth, goes on in school, and continues throughout life in one form or another. The knowledge absorbed through formal instruction in public elementary and high schools is only part of our education but often it may be a crucial part. For some, this instruction may be their only exposure to organized thought; for others, it may stimulate or discourage further study in particular subject-matter areas. Public education, therefore, is of paramount importance to all, since it may influence the direction in which our lives are started and may play a large part in determining our future.

The importance and desirability of a public education system of high quality is generally accepted by parents, governments, and just about all other segments of our society. As a concept, education is as unassailable as motherhood and the flag. Unlike these other totally endorsed symbols, however, public education is something that must be bought and paid for. Taxpayers and governments are becoming increasingly conscious of this as ever-higher levels of spending are required to keep up with existing school needs.

The Size of the Financial Load

Current and capital spending for public elementary and secondary schools by state and local governments that lie wholly or partly within the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—amounted to about \$1.2 billion for the school year ending 1959, more than twice the amount spent in 1950. Current expenditures—spending to finance daily school operations—have risen sharply and steadily in recent years and, in an average year, account for about

80 percent of total spending. Capital outlays for school sites, buildings, and equipment vary much more from year to year than current expenditures because they are to some extent postponable. Despite year-to-year variations, however, there has been a definite upward trend in capital outlays in most District states.

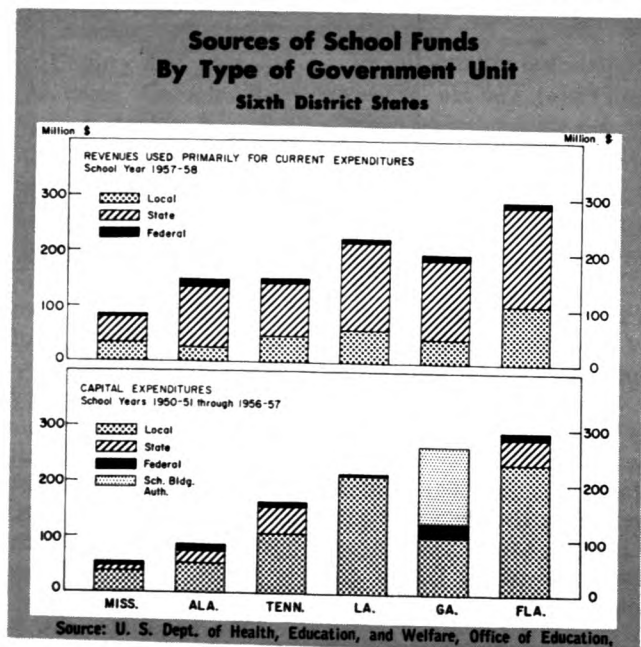
The rate of increase in total spending for schools since 1950 has varied considerably by District state. There have been developments common to many states, however, which have stimulated an ever-increasing volume of spending. The clamor to upgrade the quality of education by raising standards of teaching, expanding curricula, and improving facilities and the rising school costs associated with an increase in the general price level have created pressures for more spending in all District states. In addition, increases and shifts in population, particularly in Florida, Louisiana, and Georgia, have made the financial burden of these states even heavier. How to pay for an expanding public education system is a question many state and local government officials are pondering over.

Sources of Funds

State governments are bearing the major share of current school expenditures in all District states. Estimates of revenue for all public elementary and secondary schools in District states for the school year 1957-58 indicate that state governments accounted for 66 percent of all revenue; local municipalities and the Federal Government accounted for 29 percent and 5 percent, respectively. Funds from state and Federal sources are grants provided through appropriations by state legislative and national boards from their respective tax sources. School funds from local sources are derived chiefly from property taxes.

Alabama, Georgia, and Louisiana state governments each accounted for about 70 percent of total school revenue in the school year 1957-58; the Tennessee and Florida state governments made up 60 percent, and the Mississippi state government accounted for only 55 percent of total school revenue. The share of school revenue derived from District state governments was much greater than in most other states throughout the nation. Thirty-seven state governments provided a smaller proportion of total school revenue in 1957-58 than any District state, with shares ranging from 7 percent in Nebraska to 53 percent in Texas. The greater reliance outside the South on local governments as a source of school revenue implies a property base of higher value or a tradition of higher assessment rates in relation to market value of property or both.

In states inside and outside the District, however, there appears to be a definite trend toward greater reliance on state governments as a source of school revenue. Over the two decades 1937 to 1957 the proportion of total school revenue from state sources throughout the nation increased from 30 percent to 41 percent; the proportion from Federal sources increased from 1 to 3 per-



cent, and the proportion from local sources declined from 69 to 56 percent.

Funds for capital outlays, in contrast to current expenditures, are provided primarily from local sources. Of the more than \$1.0 billion of capital outlays made by governmental units in District states during the period 1950-57, almost 70 percent represented expenditures by local governments financed mainly through the sale of bonds. Each District state relied primarily on local financing except Georgia, which made extensive use of the device of school building authorities. Capital spending in individual states was closely correlated with increases in school enrollment and ranged from \$54 million in Mississippi to \$294 million in Florida.

A Pertinent Question

The increase in spending in southern schools in recent years has been associated with the need to provide a better education for a larger number of students. States outside the South have also been working and spending to raise public education standards. Therefore, a pertinent question to ask ourselves is, Where do we stand now? How does spending for schools in the South compare with that in other states, and what do such differences as may appear imply about differences in the quality of education?

Sixth District states were spending less per pupil in 1958-59 than the national average, as measured by average current expenditures per pupil in average daily attendance. The average amount spent per pupil in District states ranged from \$164 in Alabama to \$330 in Louisiana, compared with an average of \$340 for the nation.

Part of the variation in the average current expenditure per pupil among states reflects differences in teachers' salaries. The average salary for teachers in Florida and Louisiana is somewhat above the national average of \$4,775. Average salaries in the other four District states are substantially below the national average, and range from \$3,575 in Tennessee to \$3,885 in Alabama.

Variations in average expenditures among states are not, of course, synonymous with differences in the quality of education, because of differences in the abilities of instructors, curricula, and facilities. Quality of education is a rather intangible concept which cannot be precisely quantified. Nevertheless, differences in average expenditures, and particularly differences in teachers' salaries,

raise some questions that should not be ignored. Perhaps the major question is whether states in which teachers' salaries are substantially lower than the national average can retain and attract instructors of a caliber essential to an education system of high quality.

States' Ability to Pay

Although the average current expenditure per pupil in District states still lags behind the average for the nation, intensive efforts have been made to catch up. Mississippi, for example, which was the second lowest state in terms of average expenditures in 1958-59 had, nevertheless, increased expenditures at a faster rate than any other state in the nation over the last decade. Mississippi's performance in terms of "rate of increase" is typical of the other District states.

Efforts to raise the average expenditure per pupil in District states closer to the national level are hampered because the District has a larger number of children to educate in relation to population than the nation as a whole and has a smaller income base from which to obtain school revenue. School enrollment as a percent of civilian population in Georgia, for example, was higher in 1957-58 than in any other state in the nation and in all other District states was higher than the national average. Per capita District income, however, amounted to \$1,511 in 1958, compared with \$2,057 for the nation; it varied considerably among District states moreover, ranging from \$1,053 in Mississippi to \$1,876 in Florida.

The ability of governments to spend on schools or to provide any other public services is closely related to the income and wealth of the state. Thus, even though District states in the aggregate have spent a larger share of their total income on schools than the nation, their average expenditure per pupil has been smaller.

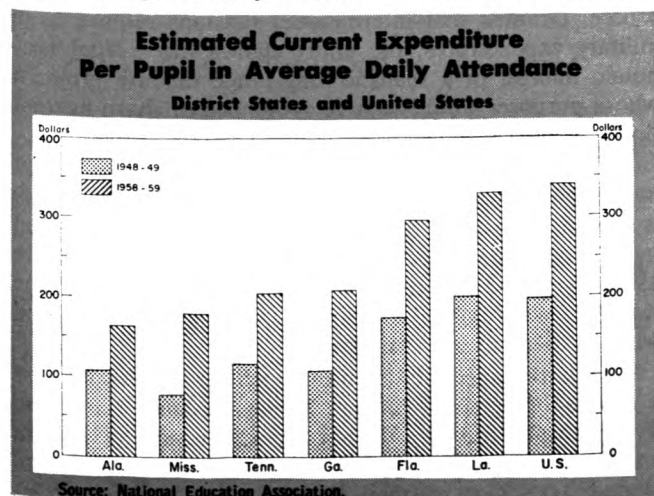
Pressures for Spending Continue

It would appear that District governments must continue to run fast just to keep up with the needs of an expanding school population. If Census projections are on the mark, the District school population, children between the ages of 5 and 17, will rise about 17 percent between 1957 and 1963, with particularly sharp increases forecast for Florida, Louisiana, and Georgia. School problems would, of course, be further complicated by a continuation of the movement of families from rural to metropolitan areas, and pressures for additional improvements in education programs.

Where will the funds needed to finance an expanded school program come from? Can we ask a generation of youngsters to wait for a better education until the South's economic fortunes improve further? Or, should taxpayers and governments count the cost of the education program they want and make sacrifices necessary to attain it?

The ideological values of the democratic and communist systems are now being heatedly debated on the world stage. We must be prepared not only to defend our way of life intellectually, but to take the offensive. And to do battle in the world of ideas requires a well-informed, educated population.

ALFRED P. JOHNSON



Government

An Increasingly Important Source of Income

The casual observer, as well as the careful student of economic change in this country, has undoubtedly been aware of developments in recent times that have increased demands for government services. Population has been increasing rapidly; there has been a trend toward urbanization; increased emphasis has been given to the need for more and better education; road building has been stimulated by the rising number of automobiles; war and international tensions have accentuated the need for defense spending; an increased sense of responsibility for dealing with problems of economic fluctuations and growth has evolved. As governments have tried to meet the demands arising from these and other developments, a larger and larger share of the nation's income flow has been channeled through government. A brief review of available figures leaves no doubt that this has also occurred in the Sixth Federal Reserve District, which comprises Alabama, Florida, Georgia, the southern halves of Louisiana and Mississippi, and the eastern two-thirds of Tennessee.

Income from Government Up More Than Total Income

That government has become a more important source of income over the last three decades in Sixth District states is apparent from a comparison of the trend in total personal income and the trend in that part of total income received from government. Total personal income has trended strongly upward, as the chart shows, but the amount received from government sources has shown a greater increase, more than doubling in relative impor-

tance in the period for which figures are available. Of every \$100 in personal income received in 1958, \$13.90 came from a governmental source, compared with only \$6.30 in 1929.

The long-run trend toward increased governmental importance is unmistakable, although it has not been steadily upward. Indeed, government sources of income, as one might expect, were actually much more important during World War II, when enormous military expenditures were being made. Although a sharp decline followed the end of the war, government as a source of personal income in Sixth District states has shown an increase in relative importance in the last ten years or so.

Defense Spending Important

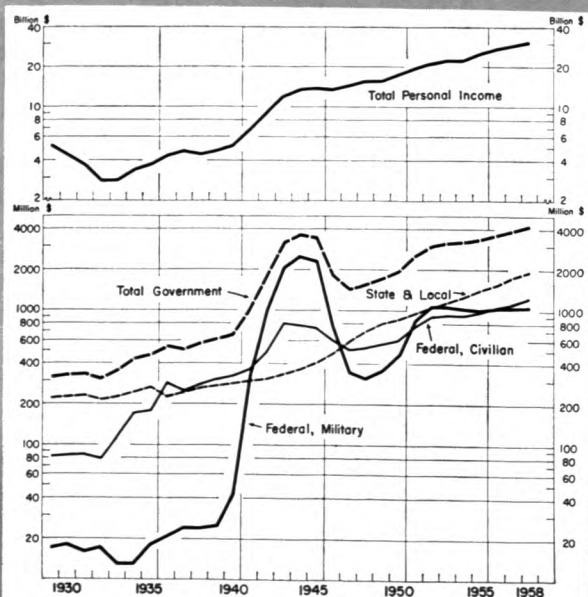
It is clear from the detail shown on the chart that war and postwar needs for defense expenditures have had a dramatic impact on government as a source of income, specifically, of course, the Federal Government. Military pay received in the Sixth District states showed an enormous increase in the period immediately preceding and during World War II. Even after an initial sharp postwar decline, it was still nearly 13 times the volume of military pay in the late 1930's. Following the outbreak of the Korean War, military pay more than tripled by 1952, but since then, it has remained relatively stable in this District.

The gyrations in military pay associated with war were unavoidable, but they do, nevertheless, suggest that the economy had some severe adjustments to make as the impact of the up and down movements was felt. Perhaps the surprising thing is that, in spite of the sharp fluctuations in military pay in the last half of the 1940's, total personal income in the District dropped only slightly in one year, 1946, resuming its upward movement thereafter. With military pay remaining relatively stable since 1952, the Sixth District economy has not had to absorb the shock of sharp fluctuations in personal income from this source. Granted that international tensions require large military expenditures, the entire nation has a vital economic interest in a realistic long-range defense program whose purposes would include avoidance of sharp fluctuations, such as those shown for this District in the chart.

A look at the postwar record reveals that the District has an even greater interest of this type, for military pay is considerably more important as a source of personal income here than it is for the country as a whole. In the 1956-58 period, it provided 3.7 percent of total income received by individuals in Sixth District states, compared with 2.2 percent in the nation.

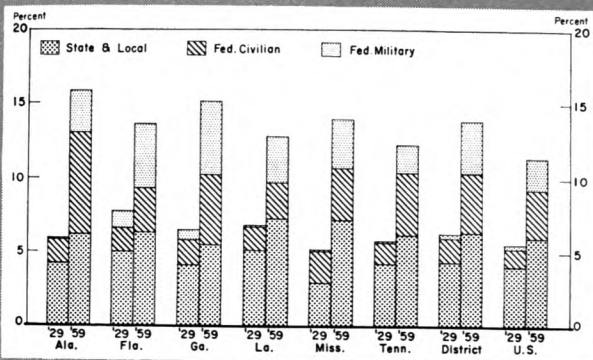
The importance of defense-associated employment as a source of personal income is even greater than these figures imply, for they do not include income of civilian employees at military establishments. Such income is included as a part of total Federal civilian personal in-

Personal Income from Government
Sixth District States, 1929-58



Personal Income from Government As Percent of Total, 1929 and 1959

District States and United States



come shown separately in the chart. From available employment figures, it is apparent that about half of the civilian pay received from the Federal Government is defense-associated. In the war years, of course, it was undoubtedly much higher. It seems probable, therefore, that fluctuations in defense-associated civilian employment were responsible for the sharp changes in Federal civilian personal income during the 1940's.

Certainly defense-associated civilian employment is a particularly important source of income in many of the areas surrounding the 90-odd major military installations located in Sixth District states. Civil service data show that approximately 13,000 civilians are employed at the 10 Navy and Air Force bases in the Pensacola trade and banking area, which comprises the 13 western-most counties of the Florida panhandle. Similarly, about 15,000 civilians are employed at the Warner Robins Air Force Base near Macon, Georgia, and roughly the same number work at the Redstone Arsenal near Huntsville, Alabama. Visualizing the income paid such numbers of civilian employees, in addition to the military personnel stationed at these installations, one begins to see what defense expenditures mean to the economies of the surrounding areas. Some idea of the dependence of particular areas on defense expenditures can be obtained by noting figures for the Pensacola trade and banking area for 1954, when personal income of Government employees accounted for over 40 percent of total personal income.

Other Federal Activities Important

While the Sixth District has seriously felt the effect of war and increased international tensions, it has also felt the rising trend in nondefense activities of the Federal Government. This can be inferred from the longer-run upward trend in personal income received by Federal civilian employees in Sixth District states. In 1929, personal income paid to civilian employees accounted for 1.6 percent of total personal income, whereas in 1958 it accounted for 4.0 percent. In recent years, civilian pay of Federal employees has exceeded military pay, the Federal Government providing in all about \$7.50 of every \$100 received by residents of Sixth District states.

"What," the reader may ask, "is the basis for the high

volume of civilian personal income?" We can obtain a reasonably accurate picture by looking at available information on civilian employment of the Federal Government, which averaged about 257,000 in District states during 1958. Of this total, roughly one-half, as mentioned above, is estimated to be employed by defense establishments. To obtain some idea of the type of work engaged in by the remainder, we can look at some departmental employment figures for mid-1958. At that time, 41 percent were employed by the Post Office Department, 16 percent by the Veterans' Administration, and approximately 12 percent by the Tennessee Valley Authority, these three agencies thus accounting for nearly 70 percent of nondefense-associated Federal employment. The Agriculture, Commerce, and Treasury Departments accounted for another 20 to 25 percent.

Don't Forget State and Local Governments

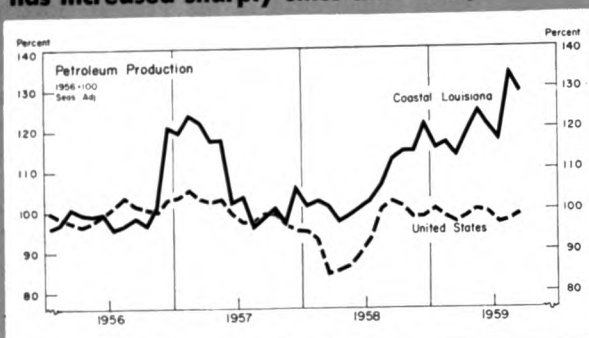
As important as the Federal Government is as a source of personal income, one should not forget the numerous state and local governments. During the 1957 Census of Governments, more than 4,200 state and local governmental units were counted. Together, they bulk large as a source of personal income, providing in 1958 nearly as much income as the combined total of Federal military and civilian payrolls. Back in the early 1930's, of course, before Federal civilian payrolls began a rapid rise and defense spending brought military payrolls to the recent high volume, state and local governments provided more than twice as much personal income as Federal Government.

Besides showing the past and current importance of income from state and local governments in relation to Federally derived personal income, a review of the last three decades also shows that personal income from state and local governments has increased more rapidly than total personal income. As a result, state and local governments provided \$6.40 of every \$100 received by individuals in 1958, compared with \$4.40 in 1929. It is also apparent that such income has not fluctuated as violently as Federal payrolls have. State and local governments, therefore, have provided a much more stable source of income to District residents than has the Federal Government during the period under review. Finally, personal income from state and local governments has had a sharper upward trend in the postwar period than it did in the prewar period.

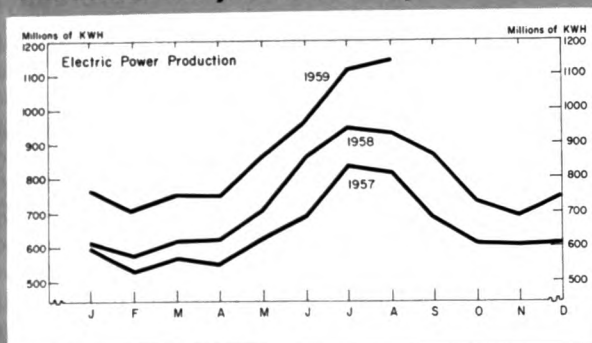
It is the state and local governments that feel most directly the impact of greater demand for governmental services associated with a rapidly growing population and urbanization, for improved highways, and for more and better educational services, some of the factors mentioned in the opening paragraph of this article as explaining the national trend toward increasing government activity. With pressures from such demands increasingly acute in the postwar period, it is not surprising that the trend in income payments by state and local governments has been more sharply upward in this period. One important aspect of the greater demand for governmental services, increasing expenditures for education, is treated more fully in

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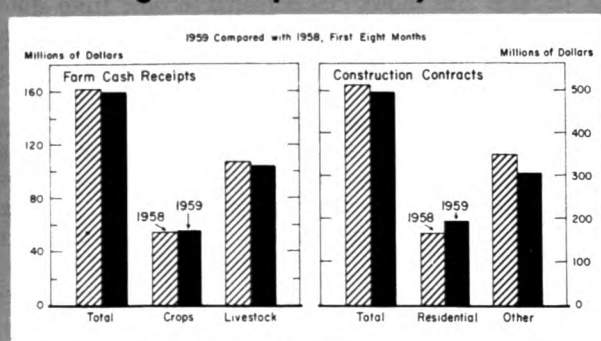
Output of crude petroleum products in Louisiana has increased sharply since mid-1958;



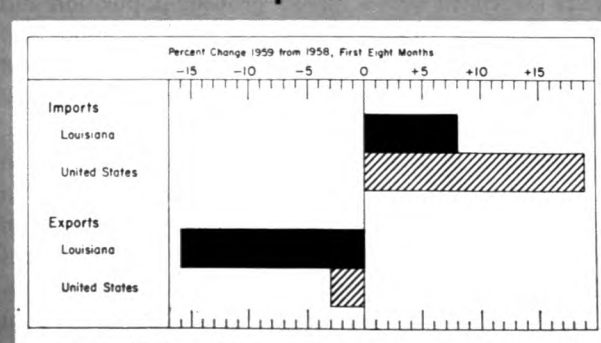
And larger amounts of electric power were produced to run Louisiana's factories, offices, and homes this year than last year.



Not much change has occurred in farmers' cash receipts, but the value of construction contracts awarded has dropped slightly below the total for the eight-month period last year.



Trade through Louisiana's ports has declined from last year—the gain in imports failed to offset the loss in exports.



Observers in the Pelican state of Louisiana have seen mixed economic trends this year. Although some business indicators rose rapidly, others fell with equal momentum. Weaknesses in foreign trade, construction, and employment have been offset by strength in other indicators.

Petroleum Industry Sets Record

Louisiana is the nation's third largest petroleum producing state and a large portion of the state's economic strength this year is massed in that industry. Because the industry is highly mechanized, it uses vast sums of capital and generates a widespread economic impact; nevertheless, it directly provides relatively few jobs. In August less than 6 percent of the nonfarm workers were employed in the oil fields. Yet these workers are currently producing over a million barrels of crude oil daily, three-fourths of it in southern Louisiana.

Progress in Louisiana's oil industry this year has been notable, far outstripping that in the nation. All told, the oversupply of oil products in this country and abroad underlies a declining trend in national crude oil output, but the Pelican state's oil producers have enjoyed an 11-percent gain in their output since the year began. This gain was made possible partly by the state's large oil resources. Not only has exploration drilling been very successful but Louisiana wells are the highest producers in the nation. In 1957, the average daily output per well for the southern portion of that state was almost ten barrels above that in any other oil-producing state.

Electric power companies also have been a growth industry in Louisiana this year. Based on sales for the first seven months, their business rose 11 percent above the same period last year. Power companies' sales records indicate that industrial plants spurred the growth in their sales this year; such plants bought 13 percent more electricity than during the first seven months in 1958. Commercial and residential users, on the other hand, upped their purchases by only 9 percent.

Construction activity is trailing events in 1958, yet within the industry there are mixed trends. Judging from contract awards, home building fared better during the first eight months this year than last year, but business construction lagged. In August the value of business contracts awarded was about \$24 million below the level last August.

Farmers in Louisiana, on the other hand, are holding their own; their sales during the first eight months changed little from last year. Meanwhile, even though costs are up, with a large cotton and rice crop already being harvested, they should end the year with as much income as they earned last year.

International Trade Weakens

Net foreign trade through Louisiana's ports has declined this year. True, the value of items brought into the country has risen slightly, but the rise has been more than offset by a drop in exports.

New Orleans, Louisiana's largest port, also is the nation's largest port for grain shipments as well as a

n Louisiana

major port for general cargo items. Although officials do not expect any drop in grain exports this year, they do foresee a significant decline in general cargo trade. Louisiana's ports are apparently losing some of this trade to the newly opened St. Lawrence Seaway. This loss adversely affects port activity: It reduces the dollar value of cargo and it lowers the number of workers needed. Customarily more labor is required in relation to value for general cargo items than for bulk items like grain and oil. Green coffee imports, classed as general cargo and accounting for roughly half the dollar value of all imported commodities, were up substantially this year. This, however, did not offset losses in total exports and other imports.

Moderate Uptrend in Bank Lending

Adverse developments in port activity apparently have not severely affected activity at banks. They are lending more money this year than they did in 1958. Based on loans made by banks that are members of the Federal Reserve System, total loans are roughly 15 percent above last year. According to mid-year reports, bank lending to individuals increased more rapidly than all other loans; real-estate loans and loans to commercial and industrial firms also showed marked gains over last year.

Total bank deposits in the state have not shown as much strength as loans. At the end of September all deposits at member banks were \$50 million lower than at the beginning of 1959. Both loans and deposits in Louisiana lagged behind those in other District states.

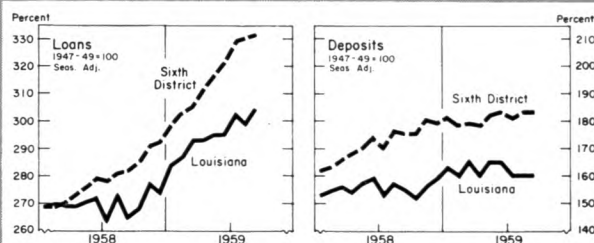
Bank debits, often thought of as the pulse of economic activity, have risen in the Pelican state but at a slower pace than for the District. Debits to demand deposits generally have followed the same upward pattern throughout the state this year. Compared with a year ago, the Shreveport and Monroe areas in the northern portion of the state and the Baton Rouge and Lafayette areas in southern Louisiana enjoyed the greatest gains. One reason areas like Lake Charles and New Orleans have had less improvement in debits this year is because they had a relatively smaller drop last year during the recession.

Employment Declines

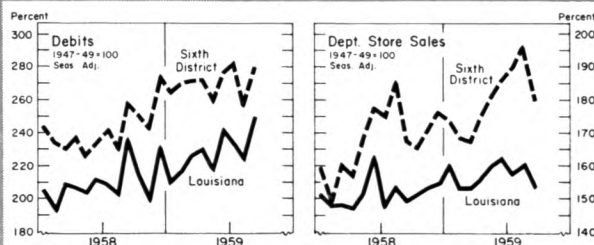
The state's number one problem this year has been its lagging employment. The index of nonfarm employment after adjustments for seasonal changes has declined each month except May, when high construction and Government employment swelled the totals. In August there were actually 6,400 fewer nonfarm workers employed than in August last year. In fact, such employment was lower than at any time during 1957 or 1958. The largest cut-back in employment occurred in transportation, communication, and public utilities; significant drops, however, appeared in construction, mining, and trade.

Several factors contributed to the weak employment situation. Activity in international trade and construction has been lower; fewer workers, therefore, were needed in those fields. Then too, the trend toward further mechanization in many lines continues this year with new

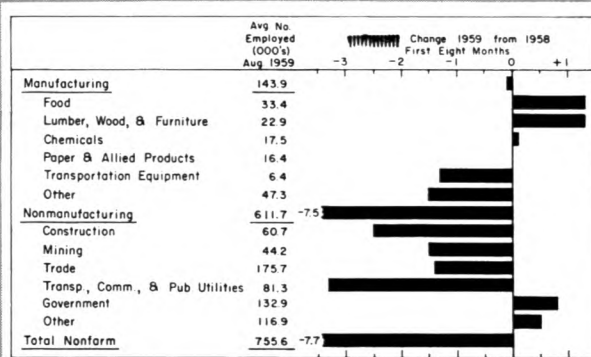
Loans made by member banks have risen sharply, but deposits have not shown the same strength.



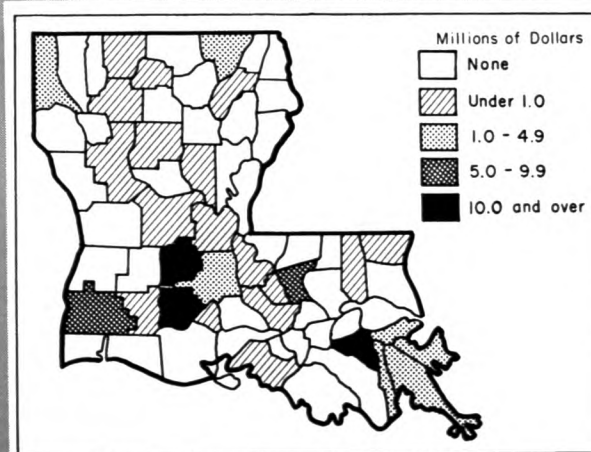
Although bank debits have risen moderately since early 1958, department store sales have not kept pace.



Total nonfarm employment has been lower this year than during 1958.



Investments in new and expanded plants during the first half of this year were concentrated in southern Louisiana but were slightly lower than during the same period last year.



machines replacing workers. Meanwhile, labor disputes have plagued some businesses during the year.

Industrial Growth Forges Ahead

Despite certain economic weaknesses in Louisiana, businessmen have expressed faith in their state's future by spending \$85 million for new and expanded plants during the first half of this year. According to the state's Department of Commerce and Industry, 30 parishes shared this growth. The Department, furthermore, is optimistic about the remainder of the year; they foresee investment in new and additional plants for the whole year at least as high as the \$197 million invested in 1958.

N. CARSON BRANAN

Government—Continued from Page 7

another article appearing in this issue of the *Monthly Review* on page 4.

State by State

Changes discussed above have been related primarily to the Sixth District states as a group, but the bar chart on page 7 shows that the trend toward an increasing importance of government as a source of income has occurred in each state to various degrees. In each case, government in 1958 provided a larger percentage of total personal income than it did in 1929. All three major types of government payrolls increased in relative importance, but the increase in the military portion was the most dramatic.

That District states differ only in degree from one another and, as a group, only in degree from the United States is perhaps significant in another way. It is a re-

minder that developments in the Sixth District are, after all, affected strongly by national developments and that residents of the area have been busy trying to solve, through their state and local governments, many of the same problems being dealt with in other parts of the country as well.

PHILIP M. WEBSTER

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Percent Change				
	Sept. 1959	Aug. 1959	Sept. 1958	Year-to-date 9 Months	
				Sept. 1959 from 1958	1959 from 1958
ALABAMA					
Anniston	41,505	41,674	36,021	-0	+15
Birmingham	763,199	717,287	720,825	+6	+6
Dothan	32,052	31,585	31,174	+1	+3
Gadsden	32,509	35,073	33,542	-7	+3
Huntsville*	62,956	60,402	57,999	+4	+9
Mobile	290,912	270,686	251,015	+7	+16
Montgomery	168,629	158,590	167,039	+6	+1
Selma*	29,636	23,091	24,869	+28	+19
Tuscaloosa*	51,406	51,412	47,110	-0	+9
Total Reporting Cities	1,472,804	1,389,800	1,369,594	+6	+8
Other Cities†	723,710	695,879	718,062	+4	+1
FLORIDA					
Daytona Beach*	56,730	57,797	53,968	-2	+5
Fort Lauderdale*	189,983	178,304	171,544	+7	+11
Gainesville	40,923	36,455	33,380	+12	+23
Jacksonville	753,601	744,780	671,781	+1	+12
Key West*	14,379	13,476	13,762	+7	+4
Lakeland*	71,897	70,351	68,075	+2	+6
Miami	824,971	781,864	726,087	+6	+14
Greater Miami*	1,200,669	1,155,679	1,087,656	+4	+10
Orlando	236,285	230,415	181,844	+3	+30
Pensacola	85,448	87,912	77,473	-3	+10
St. Petersburg	216,550	199,602	184,750	+8	+17
Tampa	410,152	394,404	358,570	+4	+14
West Palm Beach*	115,797	114,369	112,261	-1	+3
Total Reporting Cities	3,392,414	3,283,544	3,015,064	+3	+13
Other Cities†	1,473,562	1,414,475	1,303,530	+4	+13
GEORGIA					
Albany	Included in "Other Cities"				
Athens*	37,225	35,709	34,889	+4	+7
Atlanta	2,015,628	1,990,180	1,849,163	+1	+9
Augusta	105,178	108,032	99,442	-3	+6
Brunswick	23,155	25,759	20,154	-10	+15
Columbus	110,719	103,166	99,940	+7	+11
Elberton	9,646	9,258	8,519	+4	+13
Gainesville*	45,436	48,058	51,936	-5	-13
Griffin*	18,473	18,266	16,876	+1	+9
LaGrange*	18,860	19,119	17,710	-1	+6
Macon	122,047	117,597	112,926	+4	+8
Marietta*	30,204	31,711	26,321	-5	+15
Newman	20,201	19,959	15,628	+1	+29
Rome*	46,333	42,619	39,664	+9	+17
Savannah	196,429	188,436	190,182	+4	+3
Valdosta	34,654	48,451	28,525	-28	+21
Total Reporting Cities	2,834,188	2,806,320	2,611,875	+1	+9
Other Cities†	979,967	929,532	879,042	+5	+11
LOUISIANA					
Alexandria*	72,410	72,780	69,030	-1	+5
Baton Rouge	256,646	263,966	246,359	-3	+4
Lafayette*	65,241	61,270	57,619	+6	+13
Lake Charles	83,750	84,359	79,371	-1	+6
New Orleans	1,334,237	1,302,882	1,238,821	+2	+8
Total Reporting Cities	1,812,284	1,785,257	1,691,200	+2	+7
Other Cities†	568,109	565,190	552,809	+1	+3
MISSISSIPPI					
Biloxi-Gulfport*	49,491	49,498	42,636	-0	+16
Hattiesburg	35,861	35,857	32,918	+0	+9
Jackson	283,366	278,015	274,894	+2	+3
Laurel*	27,475	28,451	24,465	-3	+12
Meridian	48,538	42,914	40,845	+13	+19
Natchez*	23,611	23,053	20,604	+2	+15
Vicksburg	21,122	18,214	19,479	+16	+8
Total Reporting Cities	489,464	476,002	455,841	+3	+7
Other Cities†	261,005	253,426	241,621	+3	+8
TENNESSEE					
Bristol*	43,824	43,713	41,726	+0	+5
Chattanooga	320,635	332,198	294,728	-3	+9
Johnson City*	40,614	41,311	38,261	-2	+6
Kingsport*	80,556	82,713	71,635	-3	+12
Knoxville	233,200	217,203	215,510	+7	+8
Nashville	664,048	705,552	658,314	-6	+15
Total Reporting Cities	1,382,877	1,422,690	1,320,174	-3	+5
Other Cities†	562,027	561,986	496,911	+0	+13
SIXTH DISTRICT					
Reporting Cities	15,952,411	15,584,101	14,655,723	+2	+9
Other Cities†	11,384,031	11,163,613	10,463,748	+2	+9
Total, 32 Cities	4,568,380	4,420,488	4,191,975	+3	+9
UNITED STATES					
344 Cities	215,938,000	208,131,000	195,205,000	+4	+11

* Not included in total for 32 cities that are part of the National Bank Debit Series.
† Estimated.

Department Store Sales and Inventories*

Place	Percent Change				
	Sales		Inventories		
	Sept. 1959 from 1958	9 Months 1959 from 1958	Sept. 30, 1959 from Aug. 31 1959	Sept. 30 1958	
ALABAMA					
Birmingham	-1	+4	+13	+10	
Mobile	+2	+3	+13	+4	
Montgomery	-8	+5	
FLORIDA					
Daytona Beach	-11	+13	+11	+15	
Jacksonville	-14	+3	+9	..	
Miami Area	-29	+28	+22	+14	
Miami	-7	+11	+9	+10	
Orlando	-7	+11	
St. Ptsbg-Tampa Area	-6	+11	
GEORGIA					
Atlanta**	-1	+7	+5	+18	
Augusta	+2	+7	+5	+22	
Columbus	-4	+20	+14	..	
Macon	-10	+3	-1	+9	
Rome**	-3	+8	+4	+7	
Savannah	+9	+15	+19	..	
LOUISIANA					
Baton Rouge	-4	-3	-1	..	
New Orleans	-11	+4	+5	+7	
MISSISSIPPI					
Jackson	-3	+6	+9	+12	
Meridian**	-3	+3	+10	+16	
TENNESSEE					
Bristol-Kingsport	+10	+8	+7	..	
Johnson City**	-1	+6	+8	+10	
Bristol (Tenn. & Va.)**	-2	-2	+3	+12	
Chattanooga	-2	-7	+0	+13	
Knoxville	+2	+4	+9	..	
DISTRICT					
Reporting Cities	+4	+10	+9	+2	
Other Cities†	-6	+7	+8	+13	

* Reporting stores account for over 90 percent of total District department store sales.
** In order to permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for non-department stores, however, are not used in computing the District percent changes.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

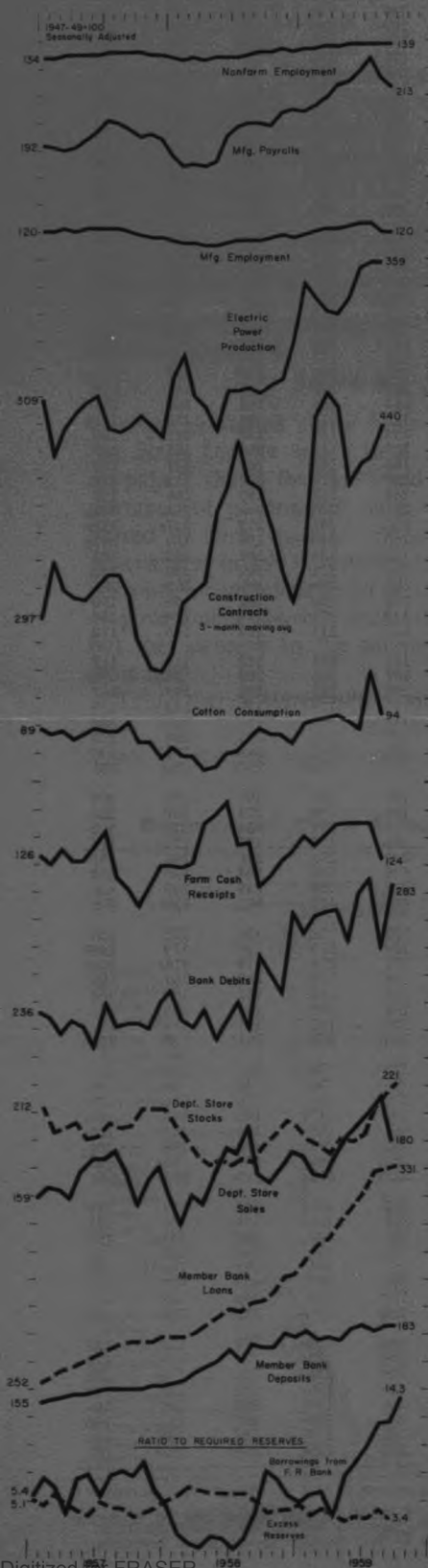
	1958					1959								
SIXTH DISTRICT	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.
Nonfarm Employment	135	136	136	137	136	137	137	138	138	139	139	139	139	139
Manufacturing Employment	117	117	118	118	118	119	120	121	121	122	123	123	120	120
Apparel	168	167	169	170	172	173	174	174	176	179	182	185	185	185
Chemicals	130	127	127	128	129	132	132	133	135	135	135	135	136	132
Fabricated Metals	181	182	179	178	179	182	178	179	180	181	182	181	175r	177
Food	112	112	113	112	112	113	114	115	115	113	114	112	112	113
Lbr., Wood Prod., Fur. & Fix.	76	79	80	80	79	79	80	78	79	80	79	80	79	81
Paper & Allied Products	156	159	159	159	160	160	161	161	161	163	163	165	163	165
Primary Metals	88	89	94	90	92	91	92	95	98	100	103	102	73r	74
Textiles	85	86	86	86	86	86	87	88	87	88	88	89	88	88
Transportation Equipment	221	220	203	213	217	213	205	200	207	210	207	213	215r	205
Manufacturing Payrolls	200	200	199	204	205	204	206	209	214	215	219	224	216	213
Cotton Consumption**	85	89	87	87	84	91	92	93	94	92	89	110	94	93
Electric Power Production**	313	311	314	316	330	351	346	341	340	346	357	359	359	n.a.
Petrol. Prod. in Coastal														
Louisiana & Mississippi**	176	187	190	190	201	192	193	189	198	206	200r	195r	222	214
Construction Contracts*	397	393	364	333	309	336	445	463	453	397	411	416r	440	n.a.
Residential	413	421	433	375	367	364	362	394	398	429	433	425	444	n.a.
All Other	384	371	308	298	262	314	496	520	499	370	393	410	436	n.a.
Farm Cash Receipts	136	104	112	123	130	141	134	142	150	151	151	124	124	n.a.
Crops	118	82	84	99	92	128	113	105	127	131	112	117	95	n.a.
Livestock	182	185	217	216	211	162	164	185	183	181	192	190	182	n.a.
Dept. Store Sales**	185	168r	165	170	176	174	168	167	175	182	186	190	196	180p
Atlanta	183	158	154	161	162	164	161	155	169	161	174	178	188	169
Baton Rouge	192	179	180	214	204	195	180	171	190	187	192	179	190	168p
Birmingham	148	133	131	129	138	136	127	127	135	135	127	136	145	131
Chattanooga	158	148r	154	163	156	162	154	148	148	164	161	168	164	155
Jackson	124	107	111	126	124	124	116	104	111	121	114	124	131	111p
Jacksonville	136	129	135	136	142	143	141	136	130	135	139	138	221	166
Knoxville	156	151	146	155	163	161	154	147	151	153	148	164	165	165
Macon	183	147	153	158	158	161	155	143	170	166	168	167	177	158
Miami	285	251r	258	230	256	242	248	251	263	269	277	301	312	277
New Orleans	147	140	144	144	148	145	139	150	142	144	151	151	155	151
Tampa-St. Petersburg	221	206r	209	214	212	207	203	221	230	251	245	244	263	241p
Dept. Store Stocks*	192	198	202	207	205	200	198	195	201	200	202	212	217r	221p
Furniture Store Sales**	151	145	145	152	148	161	154	141	157	153	148	158	159	147p
Member Bank Deposits*	176	175	175	180	179	181	178	179	178	182	183	181	183	183
Member Bank Loans*	281	282	285	291	292	298	303	305	311	316	321	329	330	331
Bank Debits*	230	257	250	243	273	265	271r	273r	274r	262r	280r	285r	260r	283
Turnover of Demand Deposits*	147	146	142	139	150	144	153	149	145	158	152	162	154	150
In Leading Cities	165	161	149	146	161	153	162	160	164	174	174	179	174	164
Outside Leading Cities	113	116	105	102	121	114	121	118	112	126	117	124	115	118
ALABAMA														
Nonfarm Employment	118	118	120	120	120	121	120	121	120	121	121	122	117	117
Manufacturing Employment	104	104	104	104	105	105	106	107	107	107	106	109	100r	99
Manufacturing Payrolls	177	175	182	186	179	182	185	189	193	190	195	198	173	167
Furniture Store Sales	144	137r	136	136	131	147	154	125	145	135	134	139	143	139
Member Bank Deposits	154	152	153	158	155	155	154	154	156	157	160	160	160	160
Member Bank Loans	233	234	239	246	242	248	254	250	254	259	266	275	269	270
Farm Cash Receipts	130	97	106	101	111	126	123	147	148	132	162	164	127	n.a.
Bank Debits	208	231	221	216	232	233	233r	233r	238r	231r	253r	254r	226r	248
FLORIDA														
Nonfarm Employment	186	188	188	188	187	188	189	191	193	195	197	199	199	200
Manufacturing Employment	185	187	187	186	186	188	190	193	195	195	198	202	202	202
Manufacturing Payrolls	313	320	326	322	316	318	326	319	343	351	351	364	371	370
Furniture Store Sales	172r	171	153	170	167	176	184	163	183	176	175	178	211r	177
Member Bank Deposits	233	233	235	241	241	242	238	235	233	241	243	238	246	247
Member Bank Loans	456	457	463	477	477	485	492	500	511	526	534	544	548	550
Farm Cash Receipts	206	212	162	147	147	281	232	182	230	227	236	239	200	n.a.
Bank Debits	342	384	388	357	403	372r	382r	391r	389r	400r	437r	441r	408r	450
GEORGIA														
Nonfarm Employment	129	130	130	130	130	131	131	131	132	132	132	134	133	134
Manufacturing Employment	114	116	115	116	116	115	116	117	118	119	119	120	119	120
Manufacturing Payrolls	195	191	190	201	200	195	197	204	206	211	215	219	216r	208
Furniture Store Sales	157	145r	151	141	153	149	143	134	151	148	139	159r	163r	145
Member Bank Deposits	154	155	154	158	158	159	157	157	157	160	159	157	162	160
Member Bank Loans	212	219	223	226	227	230	237	235	244	246	250	256	260	260
Farm Cash Receipts	157	158	104	124	153	143	142	169	150	158	140	178	131	n.a.
Bank Debits	212	236	224	218	243	236	238	243r	248r	235	253r	261r	238r	258
LOUISIANA														
Nonfarm Employment	127	128	128	128	129	129	129	128	128	128	128	127	126	127
Manufacturing Employment	95	96	96	98	97	96	95	96	96	96	96	96	95	95
Manufacturing Payrolls	168	167	165	172	169	173	173	175	178	179	175	176	176r	178
Furniture Store Sales	169	185r	166	197	196	171	174	203	177	191	177	193	168r	181p
Member Bank Deposits*	157	155	152	156	159	163	160	165	160	165	165	160	160	160
Member Bank Loans*	273	265	268	277	274	284	287	293	293	295	295	302	299	304
Farm Cash Receipts	109	72	99	114	109	103	112	130	123	159	146	142	86	n.a.
Bank Debits*	201	235	215	199	230	210	216	227	229r	217r	240r	233r	223r	248
MISSISSIPPI														
Nonfarm Employment	127	130	130	131	130	132	131	131	130	132	131	131	131	133
Manufacturing Employment	129	130	132	133	132	131	131	131	132	134	133	134	134	135
Manufacturing Payrolls	246	247	247	248	245	247	246	251	250	247	247	252	253r	250
Furniture Store Sales*	123	101	80	107	133	114	106	97	110	120	132	115	129	95
Member Bank Deposits*	192	194	197	198	195	197	190	198	195	191	195	197	194	195
Member Bank Loans*	352	359	359	363	369	361	367	378	383	391	398	403	400	411
Farm Cash Receipts	100	59	99	129	122	93	85	146	129	139	163	145	116	n.a.
Bank Debits*	201	221	211	214	233	216r	210	225r	225r	208r	238r	233r	224r	236
TENNESSEE														
Nonfarm Employment	119	120	120	120	120	120	121	122	123	122	123	122	122	122
Manufacturing Employment	114	115	116	116	116	117	118	119	119	119	120	121	119	120
Manufacturing Payrolls	193	192	187	187	196	202	204	205	208	206	206	211	214r	210
Furniture Store Sales*	109	107r	112	113	113	111	114	109	114	116	116	105	122	109
Member Bank Deposits*	159	158	159	161	162	165	160	159	162	166	164	165	165	166
Member Bank Loans*	250	247	251	251	256	262	267	268	272	276	283	287	287	288
Farm Cash Receipts	112	77	114	114	100	98	107	119	109	95	113	87	108	n.a.
Bank Debits*	202	217	220	213	235	230	242r	229r	229r	225r	235r	239r	221r	229

*For Sixth District area only. Other totals for entire six states. n.a. Not Available. p Preliminary. r Revised.

**Daily average basis.

Sources: Nonfarm and mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; elec. power prod., Fed. Power Comm. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

SIXTH DISTRICT BUSINESS HIGHLIGHTS



THE DISTRICT'S ECONOMY marked time as gains in some economic sectors were offset by declines in others. Farm activity was at a high level with the fall harvest at a peak. Nonfarm employment showed little change in September, but spreading layoffs because of the steel strike have since clouded the picture. Consumer spending has slackened somewhat. Loans at member banks increased slightly from the level of the previous months. Meanwhile, borrowings from the Federal Reserve Bank of Atlanta moved up sharply.

Nonfarm employment, seasonally adjusted, showed only a minor change in September, remaining at about the level of the preceding four months. **Manufacturing** employment was unchanged, but **nonmanufacturing** rose fractionally. In mid-September, Alabama was still the only state in which employment was significantly reduced by the steel strike, but effects of the strike have reportedly become more widespread since then. **Manufacturing payrolls** declined slightly as average weekly earnings were reduced by a shortening of the number of hours worked. The **rate of insured unemployment** declined after allowance for seasonal changes.

The seasonally adjusted three-month average of **construction contract awards**, including September figures, continued to rise, but was still below the volume in the first part of the year. Cotton textile activity, as measured by cotton consumption, dropped slightly further. **Crude oil production** in Coastal Louisiana and Mississippi was at a very high level in September. It fell below the August amount, however, which was inflated as a result of efforts to regain earlier losses of allowable production.

Activity on District farms quickened in September as the peak harvest season approached. **Farm marketings**, spurred by crop sales, rose, but **prices** declined further. **Employment** increased more than seasonally with exceptionally large gains occurring in Alabama and Mississippi; **wages** paid farm workers, however, declined somewhat but remained near last year's level. **Demand deposits**, adjusted for seasonal variations, rose at banks in predominantly agricultural areas in all states except Mississippi and Tennessee.

Department store sales rose steadily during the first three weeks of October. During September, seasonally adjusted sales for the District and for almost every major metropolitan area had declined sharply. **Department store stocks** increased more than seasonally in September, which caused larger than normal **stocks to sales ratio** in that month. **Furniture store sales** decreased more than seasonally in every state except Louisiana. **Sales at appliance stores** also declined. Total retail sales increased less than they normally do in August, and **automotive sales** were virtually unchanged.

International trade through District ports slackened in August, as both **exports** and **imports** declined more than they usually do in that month. Spending of consumers, businesses, and government, as indicated by seasonally adjusted **bank debits**, rebounded sharply in September to a level just under July's record, with increases occurring in every state.

Saving by consumers in each state, as indicated by **time deposits**, **savings and loan shares outstanding**, and **ordinary life insurance sales**, was virtually unchanged in September. **Consumer instalment credit outstanding** rose at all financial institutions and at department stores in September.

Borrowings from the Federal Reserve Bank of Atlanta resumed their upward trend after leveling off in September. **Member bank loans**, seasonally adjusted, increased little during September with only Mississippi showing a sizable rise. Similarly, both seasonally adjusted **total deposits** and **demand deposits** continued to display the level pattern observed generally throughout the current year. There were no marked offsetting changes among various Sixth District states. **Holdings of U.S. Government securities** declined.