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Also in this issue:

Federal Reserve Bank of Atlanta

Southern Cities and How They Grew

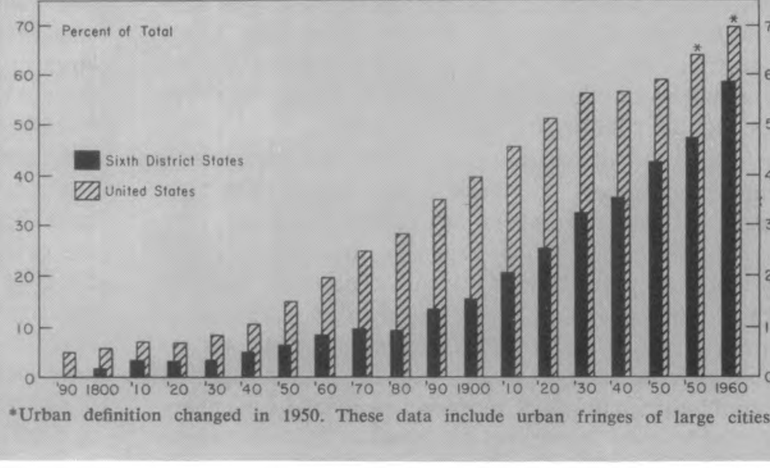
Around the middle of 1952—probably late August or early September—a seemingly commonplace event occurred in some Sixth District city. We don't know exactly what that event was. Perhaps a young girl, recently graduated from a rural high school, stepped off a bus and started her search for a job in the city. A newly-assigned branch manager of a New York-based firm may have moved his family into a comfortable suburb. Maybe a baby was born in the city hospital.

We do know that the event was far more important than it seemed at the time, for it signaled the end of the South's traditional role as a predominantly rural area. Since that date, more Southerners have lived in urban areas—cities with over 2,500 persons and thickly settled fringes of larger cities—than in the country.

The nation as a whole became urbanized at a much earlier date than the South. The chart indicates that the proportion of the nation's people living in urban areas has increased steadily since 1840—an average of 5 percentage points each decade. As early as 1870 over a quarter of the population lived in cities and towns, and in 1920 over half lived in urban areas. By 1960 almost 70 percent of the nation's population was urbanized.

In the Deep South states included entirely or partly in the Sixth Federal Reserve District, on the other hand, cities grew for a while at a much slower rate than in the nation. Less than 10 percent of the population lived in urban areas in 1870, and by 1920 the proportion had increased to only 25 percent. Since 1940, though, the percentage of people living in the urban areas of Alabama, Florida, Georgia, Louisiana, Mississippi and Tennessee has increased at well over twice the

Urban Population
Sixth District States and United States
1790-1960



*Urban definition changed in 1950. These data include urban fringes of large cities.

national rate. By 1960, the area was five-sixths as urbanized as the entire country.

A look at the factors that usually go along with the rise and fall of cities helps to explain the nature of the recent growth and development of urban areas here.

Economic Growth Precedes City Growth

The earliest towns were small, simply because agriculture yielded barely enough food to support those working the land. As farming methods improved, more and more people were free to move to the towns. Most of the resulting ancient population centers were artificial creations arising from military needs and the whims of rulers. Such places rose and fell with the tides of empires.

Only in cities where economic functions—trade, commerce, and industry—became important did any significant growth occur. Rome and Constantinople attained great size, even by modern standards, because they were economic as well as political centers of empires. When their empires crumbled from the onslaughts of the Huns and Vandals, however, so did their economic importance, and their populations were sharply reduced.

City life all but vanished during the Middle Ages as trade and commerce declined in importance and each locale tended to become self-sufficient. Most of the populace lived in small clusters of servants' dwellings surrounding feudal castles. Markets and forums, the institutions that characterized early cities, did not exist.

The revival of trade that accompanied the political and social reforms of the twelfth and thirteenth centuries set the stage for the redevelopment of towns. Most of the existing cities of Europe can trace their beginnings to this period.

As the world emerged from the Dark Ages, its economy developed many of the features that can be recognized in a modern economy. Towns, in turn, took on more of the characteristics of modern cities. Many of the factors that determine the location and growth of cities today became discernible.

The earliest Renaissance towns were founded at "breaks" in travel routes, where the main roads crossed navigable rivers or ended at the sea. As commercial activities other than trade became important, towns were established at "central" points most convenient to the surrounding countryside. Later, as the Industrial Revolution emerged, towns were located where there was sufficient water power to drive the wheels of industry. Modern industrial techniques and improved transportation resulted in urban development in places where natural resources such as coal or iron could be found.

The mere act of establishing towns did not insure that they would grow into large urban areas. The first movement of large numbers of people to cities—the process we call urbanization—began in earnest in England during the latter part of the eighteenth century, at the outset of the Industrial Revolution. Newly discovered manufacturing processes required large numbers of people to work together in a single plant. The firms that supplied the manufacturers found it more economical to be nearby. As more and more people concentrated in single areas, city life itself created a demand for new products and services, and the process became self-generating: New industries needed workers who created markets for other new industries, and so on.

Industrialization came to the United States shortly after the country was settled. Being isolated from the European manufacturing centers and having an abundance of raw materials assured the nation of a rapid rate of industrial growth. The first manufacturing plants were located in New England, where waterfalls provided the necessary power. The discovery of coal, iron ore, and other resources led to rapid industrialization in the Midwest. Both of these areas amassed large urban populations at the time they became industrialized, as did England and other European countries.

One important fact emerges from reviewing the history of European and American city development: The proportion of a region's population living in urban areas depends primarily on the extent of that region's economic activities requiring large concentrations of people. City growth, therefore, is in a sense an index of the economic character of the region in which the cities are located.

The establishment and development of cities in this part of the South further illustrates the principle set forth above. The earliest Deep South cities—Savannah, Augusta, and Mobile—were established as military and administrative centers. Nevertheless, they became important on the basis of their economic functions as port cities. New Orleans, Memphis, Columbus, Macon, and Pensacola, other cities that achieved early prominence, were also ports.

As the interior of this region became more heavily populated, towns were established at central locations to serve as market centers or transportation junctions. Most of the county seats were founded to serve this function.

The South's Cities Remain Undeveloped at First

With the exception of New Orleans, a trans-shipment point for the produce of the industrial Midwest, Southern cities remained relatively small until well into the twentieth century. Only New Orleans and Memphis contained over 100,000 people in 1900. By 1920, when 68 cities in the nation had reached this population size, only Atlanta, Birmingham, and Nashville in the District area had joined the list. Thus, an area that contained 12 percent of the nation's population had only 7 percent of its large cities and less than 4 percent of the population of these cities. As long as the South remained predominantly agricultural, its cities, reflecting this type of economy, remained small.

Recent changes in the South's economic structure have been accompanied by a growth of cities because the economic activities that have become important are those generally concentrated in urban areas. The rapid industrialization of the Deep South in recent years has been documented in a series of *Monthly Review* articles published in 1960. By 1960, this part of the South contained less than 12 percent of the nation's population. It had increased its share of the number of cities with over

100,000 people to 13 percent, however, and it held almost 9 percent of the population of these cities.

Just as the recent changes in the economic characteristics of this part of the South have been diverse, so have the economic factors that have influenced the growth of Southern cities. Manufacturing provided a large part of the original push to urban development in the six-state area, as it did elsewhere, and is still a relatively important factor. A rapidly increasing manufacturing productivity means that we are getting more and more of the goods we need, however, with little or no increase in the amount of labor required. Thus, people and resources have been directed toward other activities.

Because the nation's people have more leisure time and higher incomes, the resort business in parts of the South has become a major industry. The growth of the Southern market has resulted in the establishment of branch offices and plants in the region. Moreover, with increased incomes the demand for services from laundries, repair shops, law offices, and many others has helped to raise employment in Southern cities.

Increased governmental operations in this part of the South has been an important factor in recent city growth. Large military bases require nearby city services. The new space-age installations have caused cities to be built out of near-wildernesses. Governmental health and welfare activities have brought about a need for regional administrative centers.

Within manufacturing many changes have taken place in recent years. Employment in textiles, lumber and wood products, and primary metals, the first important manufacturing industries in this part of the South, has remained unchanged or declined in recent years. On the other hand, other industries, such as petro-chemicals, apparel manufacture, and electronics, have enjoyed rapid growth in the past decade or so and have attracted thousands of people to the region's cities.

Urban developments in the various District cities in the past ten years reflect the effects of all of these growth factors. Florida, representing over 40 percent of the urban dwellers added to the six-state area in the past decade, has a smaller percentage of manufacturing employment than any other District state. Its climate and recreational facilities have been the main attractions. Its new residents have found jobs in the growing resort industry and other service occupations that are carried on more efficiently in a mild climate. In choosing Florida for one of its missile testing sites, the Federal Government has brought about the establishment of many defense-oriented industries.

Government installations and defense industries have been partly responsible for the recent growth of an unusually large number of cities in the entire District. Some of the metropolitan areas that owe a great deal of their recent growth to Government activities include Columbus, Augusta, Macon, Albany, and Huntsville.

The decentralization of industry and the increasing importance of the Southern market have contributed heavily to the recent growth of Atlanta, Jacksonville, and Nashville. Because of such factors as their central locations and good transportation facilities, these cities have been able to attract a large share of the branch offices and branch manufacturing facilities that have come to the area in recent years.

The development of an important petro-chemicals industry has spurred the growth of such cities as Baton Rouge, Lake Charles, and New Orleans. New manufacturing plants have been instrumental in the growth of a number of smaller cities. Some large manufacturing centers, on the other hand, including Birmingham, Chattanooga, and Knoxville, have experienced lower rates of growth in recent years because their basic industries have not expanded and other growth factors have been absent.

Characteristics of Southern City Growth

Although the factors that have influenced the growth of cities have been diverse, certain general characteristics may be observed about recent urban growth in the six-state region.

In the first place, a major portion of the area's new urban residents have moved to the large cities. Cities with over 50,000 people and their thickly settled fringes in 1960 had absorbed 80 percent of the increase in urban population over the decade. Thirty-eight percent of the District's people lived in such areas in 1960, compared with only 27 percent in 1950.

The growth of large cities in the region has been outward. These cities are largely products of twentieth century developments. Perhaps the most important innovation has been the automobile, which has enabled the worker to live at a relatively great distance from his place of employment. Thus, the average District city that has over 100,000 population has only 3,600 people per square mile. This contrasts sharply with the Northeast, where the average large city crowds almost 15,000 people into each square mile.

Factors other than the newness of a city determine its density, of course. One of the most important of these is the ability, or lack of it, to annex outlying territory. A large number of District cities have expanded their areas by this method in the past decade. As a matter of fact, about two out of each five persons added to the population of urban places in the region during this period lived in areas that were annexed to cities after 1950. The total land area of District cities with more than 50,000 people increased over 50 percent in the ten-year period. Annexations were particularly important to the growth of Atlanta, which added 171,467 people in 91.3 square miles; Tampa, which picked up 140,331 new residents and 66.0 square miles; and Mobile, which added 62,375 people in a 127.5 square-mile area.

The greater part of the recent growth has occurred in the suburbs, despite large annexations to major cities. Thus, during the 1950's the populations of the central cities of District metropolitan areas increased only about 28 percent. The number of people living in the remainder of these areas, including the urban fringes and the more distant suburbs, jumped 66 percent. Indeed, the tendency for city dwellers to move farther from the middle of town has led some analysts to observe a trend toward "super"

Continued on Page 10

Financial Growing Pains of Southern Cities

Recently, we asked an important official of a large Southern city to describe his number one financial problem. Without hesitation, he answered in a word: "Money." He continued with Shakespearian-like rhetoric: "More money might not cure all of our ills, but it would sure help to ease the pain." The pain, which most major District cities feel with varying degrees of severity, is partly the result of growing.

Population has increased sharply in recent decades. But more than that, people have demanded—and in many cases obtained—a higher quality of public services. The dilemma of municipal managers in just about every major city in the nation is that the services citizens and governmental officials alike feel they need have generally exceeded the funds available to pay for them.

What are some of the needs that *cities* must respond to if they are to fulfill their role as important economic, social, and cultural centers? Are the sources of revenue available to cities equal to the demands placed upon them? How may the consolidation of metropolitan governments and functions contribute to the ideal of maximum public service at minimum cost? Answers to these questions are of more than academic interest. Most of us now live or work in cities; thus, their progress or decline will vitally affect our own well-being. It is no exaggeration to say that the cities' problems are *our* problems.

Population Growth Boosts City Spending

Most people are aware that population in and around our major cities grew rapidly during the decade of the Fifties. One does not have to review population statistics to verify this. It can be deduced from our crowded schools, the shortage of downtown parking space for autos, and the slow-moving traffic on express highways at "rush" hours. What is sometimes overlooked is the degree to which people have packed themselves into metropolitan areas, and the financial pressures on cities as a result of growth in the number and concentration of people.

"Population in metropolitan areas is expanding," you may say, "but what's a metropolitan area?" Well, metropolitan areas vary in geographic and population size and in the composition of political units within their boundaries. In general, a metropolitan area is defined as a county or group of contiguous counties that contain a city of at least 50,000 inhabitants or "twin cities" with a combined population of 50,000. The largest city within the metropolitan area is called the central city. This is the hub, the center around which the economic and social activities of the entire metropolitan area revolve.

During the Fifties, 3.7 million persons were added to the population of the District states' 29 metropolitan areas. As a result of this growth, about 10 million people, or almost one-half of the population, slept and ate, worked and played, lived and died in these areas in 1960. Although their number and size increased over the past decade, these areas still account for only 10 percent of the land surface of District states. In terms of the bunching of people, at least, we have moved toward greater "togetherness."

The first article in this *Review* points out that most of this increase in population during the Fifties was due to an increase in the number of people outside central cities. As may be seen in the chart, this pattern of growth is vividly illustrated in the population changes in the largest metropolitan areas in the District: Atlanta, Birmingham, Jackson, Miami, Nashville, and New Orleans.

Growth in population both inside and outside central cities has been an important element shaping the public service requirements of such cities. Population increases have boosted spending in most cities located in District metropolitan areas ranging from Albany, Georgia, the smallest, to Atlanta, the largest. The financial pressures created by this expansion in spending vary only slightly in kind and degree from area to area.

Cities Spend to Service

Geographic boundaries determine cities' jurisdiction in taxation and other matters. Suburbanites, in the course

Population of Standard Metropolitan Areas Within District States, 1960
(Thousands)

Metropolitan Area	*Total*	*Central City*	*Outside Central City*
Alabama			
Birmingham	635	341	294
Gadsden	97	58	39
Huntsville	117	72	45
Mobile	314	203	111
Montgomery	169	134	35
Tuscaloosa	109	63	46
Florida			
Fort Lauderdale-Hollywood	334	119	215
Jacksonville	455	201	254
Miami	935	292	643
Orlando	319	88	231
Pensacola	203	57	147
Tampa-St. Petersburg	772	456	316
West Palm Beach	228	56	172
Georgia			
Albany	76	56	20
Atlanta	1,017	487	530
Augusta*	217	71	146
Columbus*	218	117	101
Macon	180	70	110
Savannah	188	149	39
Louisiana			
Baton Rouge	230	152	78
Lake Charles	145	63	82
Monroe	102	53	49
New Orleans	868	627	241
Shreveport	281	164	117
Mississippi			
Jackson	187	144	43
Tennessee			
Chattanooga*	283	130	153
Knoxville	368	112	256
Memphis	627	498	129
Nashville	400	171	229

* Parts of the Augusta, Columbus, and Chattanooga metropolitan areas overlap into the states of South Carolina, Alabama, and Georgia, respectively.

of their work or play, however, are bound to be drawn into the "downtown area." In so doing, they add to the already heavy demand for services created by city residents.

Expenditures for freeways, streets and highways, and traffic control are probably the most obvious areas of city spending influenced by suburbanites. The commuter—who works in the city but retreats into the quiet of the country in the evening—must, morning and night, fight the traffic jams that often clog the entrance to the city. As he creeps along the road in his high-powered car, he may mutter darkly that "the city ought to widen the street" or "extend the highway" or "build an access road." Other casual travelers, the suburban housewife going downtown to shop and the salesman just passing through, add to the city's transportation problems. Also, since more people are flowing into and out of the city as a result of suburban expansion, a larger number of city police officers are needed to direct traffic and safeguard the peace.

In addition to the suburban influence, cities of all sizes have had to spend more because of the increase in the number of their residents and the extension of their city boundaries. The six major central cities noted earlier increased their total expenditures 82 percent from 1951 to 1959. Spending for current operations rose more sharply than capital outlays, but as the finance officer of one major Southern city put it, "We can usually squeeze out enough money to cover operating costs. It's the capital outlays that kill us."

Current operating expenditures include spending for what some city managers call "housekeeping." This involves expenditures for such things as police and fire protection, sanitation, and recreation, which account for a huge chunk of the budget of most Southern cities. "Sanitation may not seem like an important function," said one official, "but you ought to hear the screams from residents if the trash can overflows one day."

In the area of "housekeeping," many city managers feel they provide better services to their residents than are available to suburbanites. In areas outside the central city, trash and garbage collection is sometimes less frequent than in the city. Recreational facilities are scarce. Finally, the job of providing satisfactory police and fire protection is difficult because homes sprawl over a wide area.

The operation of schools also falls into the category of day-to-day services the city must provide. The school-age population has become so large and problems of management so great that many Southern cities maintain their school operations separate from other functions. A school district or school board handles the program, and frequently the annual amount spent for schools is about equal to that spent on all other city functions.

The expenditures of most Southern cities for current operations have risen at a gradual rate from year to year. Capital outlays of individual cities, however, are quite volatile. For the period 1950-59, the six major central cities spent over $500 million for such things as land, roads, sewer and water systems, schools, and public buildings. Again, population growth was the major stimulus to spending. More people need more residential housing. Expansion in housing frequently requires an accompanying growth in streets and in water systems and sewerage plants. Children live in many of the houses, so schools must be built. The increased volume of city activity demands more employees and more public buildings to house them. And so it goes.

Spending to renew and develop cities has not, as yet, absorbed local capital funds in any quantity. Although less obvious to him than his transportation needs, the suburbanite, as well as the city dweller, has a direct stake in the way his central city grows. The elimination of slums, the renovation of downtown shopping areas, and the general beautification of the city benefit all of us. Urban renewal projects and other redevelopment programs to revitalize the city are moving forward in many places. Often, however, the pace of progress is slow.

Those in the business of city renewal point to one encouraging sign that may give their movement impetus. People are coming to recognize that the functions of the city and the suburbs are more complementary than competitive. It makes sense to purchase bread and milk at the neighborhood store; but for specialized goods and services you are apt to find a "better buy" downtown. One may also go to the neighborhood movie as a matter of convenience; it is the central city, however, that is more likely to be able to cater to the specialized recreational wants of citizens by providing cultural and sporting facilities, such as auditoriums and stadiums.

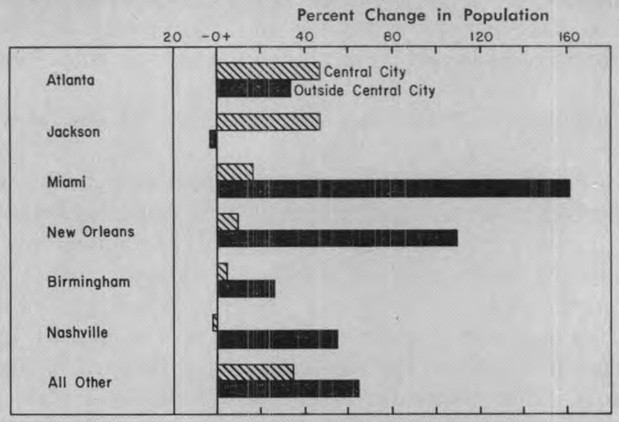
Since most Southern cities are just able to meet expenses for current operations, a large share of capital expenditures has been financed through the sale of long-term bonds. As a result, the long-term debt of most Southern cities increased and that of the six large cities noted earlier doubled from 1950 to 1959. Despite this huge increase, the level of general obligation debt of almost all cities is below the ceiling frequently established by law or statute. Thus, cities have the authority to incur debt to finance additional capital outlays. Some officials, however, are beginning to wonder how long they can continue to get approval of bond issues that involve a tax increase and are subject to referendum.

Public services cost money. Some cities, it is true, have received Federal funds for urban renewal and for other purposes. Federal and state aid, particularly through the Interstate Highway Program, have helped develop a network of roads and highways into, through, and around the city. Substantial state help and some Federal assistance have enabled cities to finance their school programs. Still, cities must raise a large share of the funds needed to provide public services. The demands are many. And money is in short supply.

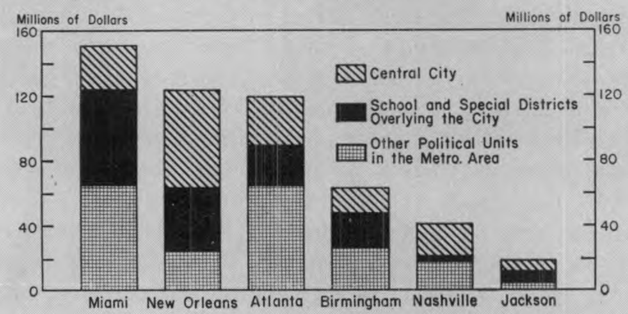
Cities Tax to Spend

The sources of general revenue available to finance city spending may be classified into three standard Census categories: intergovernmental revenue, charges, and taxes. Intergovernmental revenue represents amounts received by the city from other governments as fiscal aid or as reimbursement for the performance of services rendered. Charges reflect amounts received for perform-

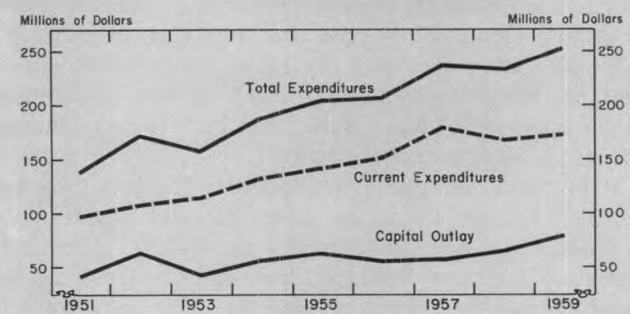
From 1950 to 1960, the growth in population inside and outside central cities in metropolitan areas resulted in a sharp expansion in demand for many types of public services.



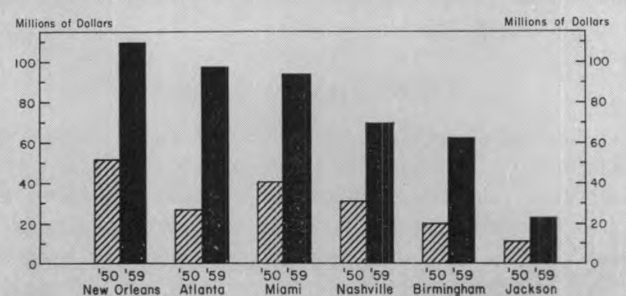
Central cities and special districts overlying the cities accounted for a large share of the total expenditures for public services made by all governments in metropolitan areas, according to 1957 Census data.



The sharp rise in expenditures for purposes other than schools illustrates the financial effort of the six cities noted above to try to keep pace with population needs.



Capital outlays for schools, water and sewers, streets and highways, and the like resulted in a rise in total long-term debt of cities.



ance of specific services and from the sale of commodities and services except by city utilities. Taxes represent that amount collected directly by the city as well as the rebate of some taxes imposed by the state.

Taxes are the major source of revenue of most Southern cities, regardless of the cities' size. The property tax provides the bulk of taxable revenue. In 1959, for example, the share of total tax revenue accounted for by the property tax in the six cities noted earlier ranged from 51 percent in Birmingham to 79 percent in Nashville. The property tax, although it appears to be slipping somewhat in importance as a major source of revenue, continues to be the cities' mainstay.

During the Fifties, the tax base of many cities rose at a faster rate than the population. This greater relative increase in the tax base reflects the general rise in income, the growth in the number of residential houses and industrial and commercial buildings, and the increase in property values. The inflationary factors that helped push up the tax base, however, also acted to increase current and capital expenditures. Thus, throughout much of the past decade, cities have been searching about for new revenue sources.

Fees and licenses have, it is true, increased in importance as a source of revenue to many Southern cities. Some cities outside the South have taxed the earnings of persons who work in the city but reside outside its limits. Others have been granted authority to levy a tax on the sales of goods and services. Still others have looked for new revenue sources, to no avail.

The lament of most cities inside and outside the South, however, is that their revenue sources are limited. The finance officer of one Southern city summed it up like this: "The Federal Government gets first crack at the choice taxes; the state comes next; and we get what's left over." Someone less partisan, however, might have responded that if properties were reasonably and uniformly valued and if exemptions were lower and the tax rate higher, the cities' problems would be less acute. While readjustment of the property tax would yield some additional income, it is questionable whether this tax can continue to bear the brunt of all necessary revenue increases.

Another common complaint of Southern cities is that the state government does not provide them with adequate financial assistance, either in the form of aid or in the rebate of taxes collected in their areas. This condition, it is alleged, has been perpetuated by rural-dominated legislatures. State governments, on the other hand, might point out that their funds are also scarce and must be allocated among competing needs.

Cities want more revenue. They also want to promote the economic growth of their areas. Both of these objectives may be encouraged if cities work toward a balanced tax structure. In such a structure, each sector of the economy would carry its "fair share" of the tax load. Taxes on residential property would not be so great as to slow down home building or drive families outside the city limits. Nor would taxes on industrial or commercial properties be so high as to discourage the growth of new businesses. To avoid undue taxation of property owners, other sources of revenue would have to become available.

Economic growth is an objective common to most political units in metropolitan areas. The success of an individual community in attaining this objective, however, is partly dependent upon expansion of the nation's economy and that of the region within which it is located. In the metropolitan environment that is developing, it is increasingly difficult for a community to "go it alone." This applies not only to the ability of a government to achieve broad economic objectives, but also to its ability to satisfactorily provide public services.

The Metropolitan Environment Changes

Large cities, with their high population densities, frequently provide efficient services, particularly of the "housekeeping" variety. In some instances, however, a small city or town may provide low-quality service because of an inadequate economic base, a small scale of operations, and/or a low population density. If a government of this type also happens to be on the fringe of a large city, it is a likely candidate for annexation—a process by which a small community is absorbed into a political and economic unit big enough in size to provide efficient public service.

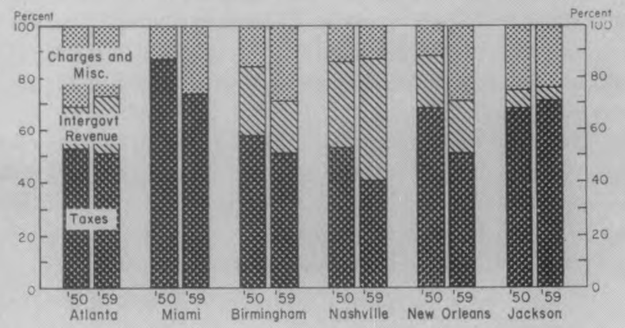
The laws and statutes regarding annexation vary among District states. Even when the laws are favorable, it is sometimes difficult to persuade the political leaders and the citizens of a community that annexation is good for them. Those people holding political power may be reluctant to give it up or share it with others. The hearts of many "to-be-annexed" citizens, moreover, may be filled to overflowing with community pride, and they may be unwilling to trade their autonomy for potential economic efficiency. Their resistance may be even more intense if annexation also means an increase in their taxes.

Even though the larger cities are swallowing up the smaller ones, they are aware of their own limitations. As a result, they are trying to distinguish between those services they can efficiently perform locally and those that might best be provided on an area basis. Why are they doing this? Basically, because functions such as transportation, sewerage, water supply, and air pollution overlap the boundaries of individual political units. These functions are metropolitan in character and frequently may be beyond the political authority and economic ability of individual units to cope with.

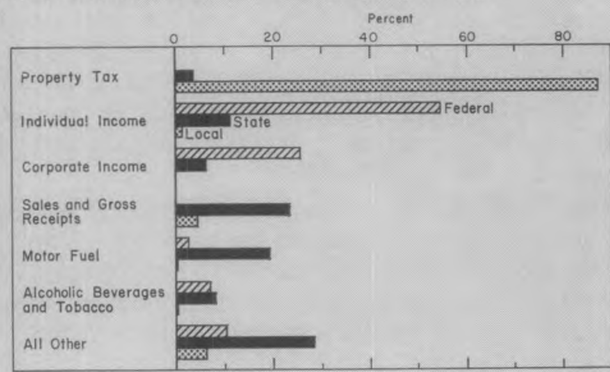
The governments in metropolitan areas in District states have responded in different ways to the challenge of area problems. The most formal plan is that of metropolitan Miami, which includes 33 separate governmental units. In 1957, a metropolitan charter was adopted by the residents of Dade County, the equivalent of the Miami metropolitan area. The "Metro" government, as it is called, has jurisdiction over all county-wide functions except state courts and the public schools. It is charged with the responsibility of planning county development and has the power to provide and/or regulate a wide range of public services throughout the metropolitan area.

In many other large metropolitan areas in District states, there is some appointed body grappling with area-wide problems. Recently, the Atlanta Region Metropolitan

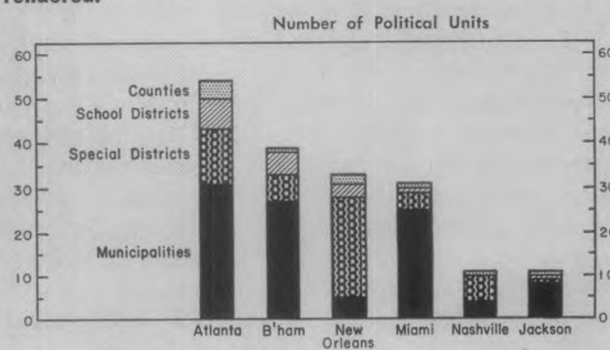
Tax revenue of most cities accounted for a somewhat smaller proportion of general revenue in 1959 than in 1950.



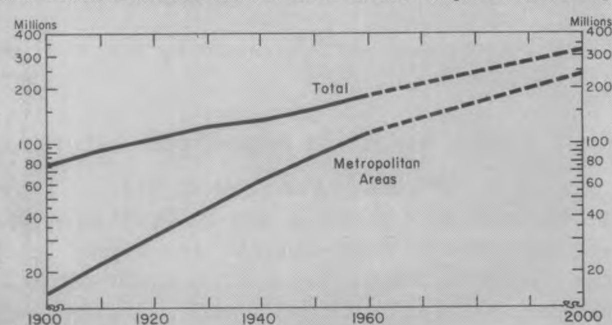
In 1959, as in other years, about 87 percent of the total tax revenue of cities and other local governments throughout the country stemmed from property taxes.



In 1957, as in more recent years, differences in tax structures, ability to pay, and population density among the many political units located within metropolitan areas produced variations in revenue and in quality of services rendered.



If the expanding population in metropolitan areas throughout the country is to be adequately provided with public services in the years ahead, some modification of the tax and revenue structures of these areas may be necessary.



Planning Commission came forth with its proposal for a rapid transit system to supplement the expressway network now under construction. Such a system would relieve traffic congestion and be a boon to citizens. It would also be of tremendous economic significance to the region. The Commission has pointed out that "With rapid transit, the outlying commercial and industrial establishments in all five counties will have available to them markets and labor forces unknown in smaller metropolitan areas. Moreover, the future economic growth of these outlying areas is enhanced by having a big-city downtown with big-city financial houses, skyscrapers, and ideas."

Although the dream of a rapid transit system is off the drawing board, much will have to be done before the wheels of the train begin to roll. The first step would be the passage of state-enabling legislation to set up an organization to carry forward the project. Continued consultation and cooperation of political units in five counties would be required to plan such things as the type of transit equipment to be used, how the capital expenditures will be financed, and how the system will be managed. If all goes well, construction of the initial system may be completed in the period 1966-69.

When governments are consolidated through annexation and public service functions are consolidated through the creation of transit systems or other agencies, the structure of metropolitan government is modified. Often, those seeking such modifications may hope to reduce the cost of public services to citizens. In practice, the result is more likely to be better service for each tax dollar.

Changes in the metropolitan structure frequently are considered in terms of economics. It should be clear, however, that political and individual values are closely intertwined with the economics of metropolitan problems. Before snapping at the bait of even limited area-wide government, individuals must be convinced that certain of their public service needs are metropolitan in character. Political leaders, in turn, must be convinced that their constituents are convinced of this. It may well be that the ingredients for success of the metropolitan approach are education, consultation, and compromise.

If population growth in metropolitan areas continues as expected, both citizens and political leaders will be required to further adapt themselves to their changing economic environment. Metropolitan man has not yet evolved. If he ever does materialize in pure form, he may have some of these characteristics: He will be proud of his local community and retain the best of the "town hall" concept of government. He will recognize, however, that he must at times subordinate his personal wishes in the interest of area progress. He will demand and get from his political leaders a clear statement of the costs of public services of varying degrees of quality. He will rationally choose that combination of quality and price that best suits his needs, recognizing that he will get in service only that which he pays for.

ALFRED P. JOHNSON

Banks Help Finance Cities' Growth Needs

"As long as we think that our city and county are in good shape financially and that their financial administration is satisfactory, we believe we have an obligation to support their credit." This is about the way a Southern banker recently described his attitude toward financing city and other local governments. The statement illustrates bankers' public-spiritedness. We are reminded, however, that banks are not charitable institutions; they have obligations to their stockholders and depositors as well as to municipalities. Fortunately, Southern banks have generally found the financing of urban governments both profitable and consistent with "sound" banking practices.

The chief financial need of municipal governments arising from the growth of cities is that of credit for capital expansion and improvements. How and to what extent are banks in this District helping to furnish this credit to Southern municipalities? Available data, together with bankers' responses to inquiries made by this Bank, can help us answer this question.

Most Banks Invest in Municipal Securities

At the end of 1960, insured commercial banks in District states held over $1.4 billion in state and local government obligations. Most of these securities are of local governments. Moreover, a large proportion represents credit extended to political units within the area for expanding and improving public facilities.

Banks invest in substantial amounts of securities issued by political units within their trading areas, although they hold issues of governments throughout the country. This policy reflects the responsibility banks feel toward local credit support and their access to the market for bonds of nearby governments. The tendency to concentrate municipal bond purchases locally is probably stronger for small banks than for large ones. Generally located in small communities, they are more apt to play the role of a local credit institution.

The amount of banks' short-term lending to state and local governments, which is mainly used by nearby political units in anticipation of tax receipts and bond sales, is relatively small. Instead of borrowing from banks, many municipal managers maintain a cash fund to draw upon when expenditures exceed tax revenues. Bond anticipation borrowing is prohibited to most state and local governments.

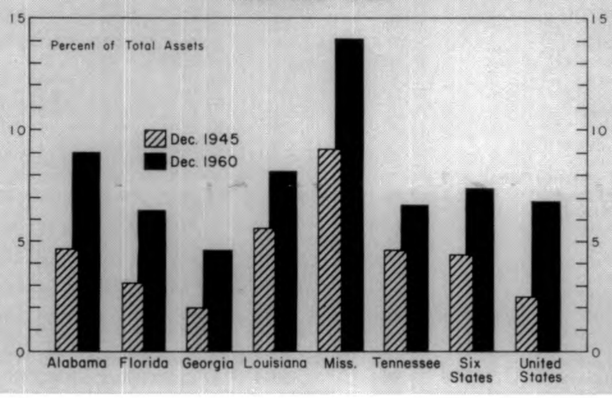
Even if District banks were to purchase securities of municipalities only within this area, they could not supply them with all the credit needed. In the five years ended 1960, local governments in District states offered for sale about $5 billion in securities. Banks in this area would have had to use roughly a third of their resources to supply this credit. To do so would have meant denying to businesses and others much of the credit that was granted them.

Judging from national data, however, the contribution of banks is substantial. In 1960 commercial banks in the U. S. held about one-fourth of the $66 billion of outstanding state and local government securities. The largest share, about two-fifths, was held by individuals and the remainder mainly by insurance companies.

Banks' Holdings Increase Faster Than Their Assets

The large amount of municipal securities now held by District banks reflects their response to the rapid increase in demand for this credit over the postwar period. From 1945 to 1960, banks in District states roughly tripled their holdings of state and local government securities. As a result, the proportion of their total assets held in such securities climbed from 4.4 percent to 7.4 percent. The percentage varies considerably from bank to bank and even among District states, but the average ratio for the area has been somewhat higher than elsewhere in the nation.

Insured Commercial Bank Holdings of State and Local Government Securities
Sixth District States and United States
1945 and 1960



During the postwar period, the rate at which banks expanded their holdings of municipals was strongly influenced by credit conditions. For example, in 1958—a year characterized by credit ease—insured banks in District states increased their holdings $210 million. However, in the following year and a half, when banks were subject to considerable restraint, their investments in municipals advanced only $35 million. In periods of tight credit, governments compete more intensely for credit with other bank borrowers because banks are more wary of reducing their liquidity.

Municipal Securities Are Profitable Bank Investments

Banks have purchased municipals in periods of both credit tightness and ease because exemption of these obligations from Federal income taxes makes them especially profitable investments. For a bank subject to a 52-percent tax rate, for example, a municipal bond yielding $2\frac{1}{2}$ percent at par is equivalent in earning power to a fully taxable U. S. Government bond of the same maturity yielding 5.2 percent.

Banks, of course, must weigh the higher risk and inferior marketability of municipal bonds against this advantage in yield. Tax exemption seems to have encouraged banks to buy more municipals, though, as evidenced by the aggressiveness with which banks bought them after the Federal Government ceased to allow exemption on its own obligations in 1941.

To some banks, another enticing feature of acquiring municipals is the possibility of getting more governmental deposits. As many bankers point out, however, large municipalities are tending to hold less of their liquid assets in bank deposits and more in short-term U. S. Government securities. On the other hand, banks do find municipal securities useful against such public deposits as they already have.

Banks Seek Shorter Maturities and High Quality

Tending to counterbalance banks' desire for profit is their insistent need for liquidity and safety. While governmental units find it necessary or desirable to issue bonds with serial maturities up to twenty or thirty years, District banks provide a good market only for those maturing within ten years. A few large District banks are willing to hold longer issues.

In addition, banks seek bonds with high formal quality ratings unless they are familiar with the financial circumstances of the borrowing unit. Some set a limit on the amount of their revenue bonds relative to the amount backed by "full faith and credit," or general obligation bonds. Bankers are aware, however, that the revenue issues of certain political units for such things as water and sewerage improvements are equal in quality to many general obligations.

A Few Banks Underwrite Municipal Securities

Although banks do not invest in municipal bonds of all maturities, they can help market longer- as well as shorter-term issues by successfully bidding on new offerings and reselling them. Nationally, according to a recent estimate, commercial banks underwrite roughly two-fifths of the dollar amount of new issues.

In the District no more than ten banks, all large and located in large cities, continually engage in underwriting municipals. Many banks in small communities occasionally underwrite issues of nearby political units. During a recent eighteen-month period, banks in District states underwrote, either singly or in participation with other bank and nonbank underwriters, 17 percent of the offerings by governments in the same area. Large money market banks in the nation's financial centers, however, substantially supplemented the relatively small underwriting contribution of District banks.

Why have certain District banks chosen to participate actively in municipal bond underwriting? As in the case of investing in municipals, when a bank bids on new issues for resale it may feel that it is fulfilling an obligation to promote community development. Moreover, to a sizable bank with personnel to specialize in this activity, underwriting can mean extra net earnings. Given access to a developed retail market for new issues, banks, like other dealers, can profit from a spread between buying and selling prices. If banks retain underwritten issues in their investment accounts, they avoid having to pay dealer commissions.

Dealer banks also enjoy a tax advantage. They do not have to amortize premiums for a security held for less than thirty days or for one maturing after five years unless the security is sold at a loss. This benefit is in addition to tax exemption on coupon yields.

The majority of banks, however, have not found it possible or desirable to engage actively in underwriting municipal securities. To underwrite larger issues, they must be able to join syndicates. For many banks, the overhead costs associated with underwriting are prohibitive. Moreover, member banks of the Federal Reserve System are not permitted to underwrite revenue bonds.

In addition to investing in and underwriting securities of municipal governments, banks provide them with certain other direct and indirect financial services. They receive and disburse state and local government deposits. Their trust departments purchase municipal securities for individuals. They lend to nonbank dealers for purchasing and carrying such securities. Finally, municipal managers say that banks have been most helpful in providing them with financial counseling. Perhaps the greatest contribution banks can make to city governments is helping them to achieve sound financial practices.

ALBERT A. HIRSCH

SOUTHERN CITIES

Continued from Page 3

cities, as the suburbs of one city ultimately meet those of another, and one large urban area is formed. The lower east coast of Florida has already reached this stage, with an unbroken concentration of people stretching from West Palm Beach to south of Miami, a distance of 80 miles. There is evidence that the area between New Orleans and Baton Rouge and the strip between Atlanta and Greensboro, North Carolina, may be headed in this direction.

These characteristics pose certain common problems for our cities. Rapid population growth puts a strain on existing municipal facilities. The direction and strength of future growth must be anticipated if new services are to be provided when needed. Although economic factors will largely determine the extent of future city growth, the ability of cities to cope with the problems of growth will determine whether or not they will function as efficient economic units.

ROBERT M. YOUNG

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

				Percent Change		
						Year-to-date 8 Months
				Aug. 1961 from		1961
	Aug. 1961	July 1961	Aug. 1960	July 1961	Aug. 1960	from 1960
ALABAMA						
Anniston	44,519	41,553	41,850	+7	+6	+3
Birmingham	869,418	804,495	901,020	+8	—4	+1
Dothan	35,665	35,782	34,925	—0	+2	+6
Gadsden	36,119	33,576	38,436	+8	—6	—5
Huntsville*	71,774	67,183	65,467	+7	+10	+11
Mobile	316,323	285,471	303,130	+11	+4	+2
Montgomery	179,343	172,116	171,504	+4	+5	+6
Selma*	24,692	22,617	23,894	+9	+3	+2
Tuscaloosa*	58,034	55,209	54,737	+5	+6	+5
Total Reporting Cities	1,635,887	1,518,002	1,634,963	+8	+0	+2
Other Cities†	746,577	720,374	761,136r	+4	—2	+1
FLORIDA						
Daytona Beach*	55,119	56,398	61,705	—2	—11	—5
Fort Lauderdale*	191,085	190,659	192,881	+0	—1	—2
Gainesville*	41,845	39,486	39,957	+6	+5	+1
Jacksonville	866,569	756,086	903,221r	+15	—4	—0
Key West*	16,263	15,619	15,802	+4	+3	+7
Lakeland*	73,009	76,701	79,886	—5	—9	+2
Miami	858,576	826,162	847,425	+4	+1	+2
Greater Miami*	1,271,921	1,238,697	1,255,999	+3	+1	+2
Orlando	235,155	253,877	246,576	—7	—5	—2
Pensacola	82,676	82,026	87,457r	+1	—5	—4
St. Petersburg	199,594	214,586	199,959	—7	—0	—3
Tampa	413,184	394,587	410,367	+5	+1	+0
W. Palm-Palm Bch.*	139,808	140,461	118,263	—0	+18	+9
Total Reporting Cities	3,586,228	3,459,183	3,612,073r	+4	—1	+1
Other Cities†	1,529,597	1,533,538	1,524,602r	—0	+0	+3
GEORGIA						
Albany	50,981	51,099	54,858	—0	—7	+0
Athens*	42,239	44,138	40,005	—4	+6	+6
Atlanta	2,314,010	2,171,330	2,209,861	+7	+5	+3
Augusta	112,351	119,037	113,982	—6	—1	+0
Brunswick	27,264	26,621	25,749	+2	+6	+7
Columbus	120,485	109,972	113,650	+10	+6	+5
Elberton	10,571	8,630	11,043	+22	—4	—6
Gainesville*	49,249	49,234	48,240	+0	+2	+2
Griffin*	20,074	18,816	19,890	+7	+1	+3
LaGrange*	15,800	15,821	18,203	—0	—13	—14
Macon	130,061	121,777	128,835	+7	+1	+1
Marietta*	33,719	32,889	30,904	+3	+9	+2
Newnan	20,656	20,251	19,651	+2	+5	+1
Rome*	47,065	45,525	49,550	+3	—5	+1
Savannah	178,491	172,050	179,791	+4	—1	—5
Valdosta	50,270	35,527	43,453	+41	+16	+3
Total Reporting Cities	3,223,286	3,042,717	3,107,665	+6	+4	+2
Other Cities†	1,003,955	946,427	936,342r	+6	+7	+5
LOUISIANA						
Alexandria*	78,198	67,136	69,769	+16	+12	—4
Baton Rouge	268,072	258,177	281,476	+4	—5	—5
Lafayette*	65,579	62,520	60,951	+5	+8	+2
Lake Charles	79,240	81,327	78,165r	—3	+1	—5
New Orleans	1,364,921	1,319,839	1,377,647	+3	—1	—0
Total Reporting Cities	1,856,010	1,788,999	1,868,008r	+4	—1	—1
Other Cities†	554,727	517,331	535,578r	+7	+4	+0
MISSISSIPPI						
Biloxi-Gulfport*	52,843	52,419	53,738	+1	—2	+6
Hattiesburg	38,661	38,408	37,832	+1	+2	+0
Jackson	345,205	308,903	337,763	+12	+2	+6
Laurel*	28,199	29,159	28,215	—3	—0	—1
Meridian	44,640	45,333	46,736	—2	—4	+0
Natchez*	24,211	21,528	22,088	+12	+10	—1
Vicksburg	22,073	21,985	20,712	+0	+7	+7
Total Reporting Cities	555,832	517,735	547,084	+7	+2	+4
Other Cities†	280,271	286,188	279,134r	—2	+0	—1
TENNESSEE						
Bristol*	48,334	48,512	45,214	—0	+7	+7
Chattanooga	366,247	335,828	327,721	+9	+12	+3
Johnson City*	44,281	41,536	42,893	+7	+3	—3
Kingsport*	89,867	87,614	83,291	+3	+8	+2
Knoxville	270,785	255,435	250,050	+6	+8	+5
Nashville	829,629	833,330	797,546	—0	+4	+7
Total Reporting Cities	1,649,143	1,602,255	1,546,715	+3	+7	+5
Other Cities†	595,479	587,676	579,451r	+1	+3	+6
SIXTH DISTRICT	17,216,992	16,520,425	16,932,751r	+4	+2	+2
Reporting Cities	12,506,386	11,928,891	12,316,508r	+5	+2	+2
Other Cities†	4,710,606	4,591,534	4,616,243r	+3	+2	+3
Total, 32 Cities	10,779,626	10,233,268	10,642,391r	+5	+1	+0
UNITED STATES						
344 Cities	255,536,000	247,667,000	241,771,000	+3	+6	+7

*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Estimated. r Revised.

Bank Announcements

The Port Charlotte Bank, Port Charlotte, Florida, a newly organized nonmember bank, opened for business on September 19 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are William L. Hart, President; N. H. McQueen, Vice President; James B. Cheek, Cashier; and William Crossland, Assistant Cashier. Capital totals $225,000, and surplus and undivided profits, $135,000.

On September 20, the nonmember St. Martin Bank and Trust Company, St. Martinville, Louisiana, began to remit at par. Officers are J. R. Bienvenu, President; A. C. Gauthier, Executive Vice President; Larry J. Comeaux, Cashier; and Martin Ducrest, Celine G. Labbe, Earl J. Bienvenu, and Gordon J. Delcambre, Assistant Cashiers. Capital totals $100,000, and surplus and undivided profits, $339,943.

Sixth District Indexes

Seasonally Adjusted (1947-49 = 100)

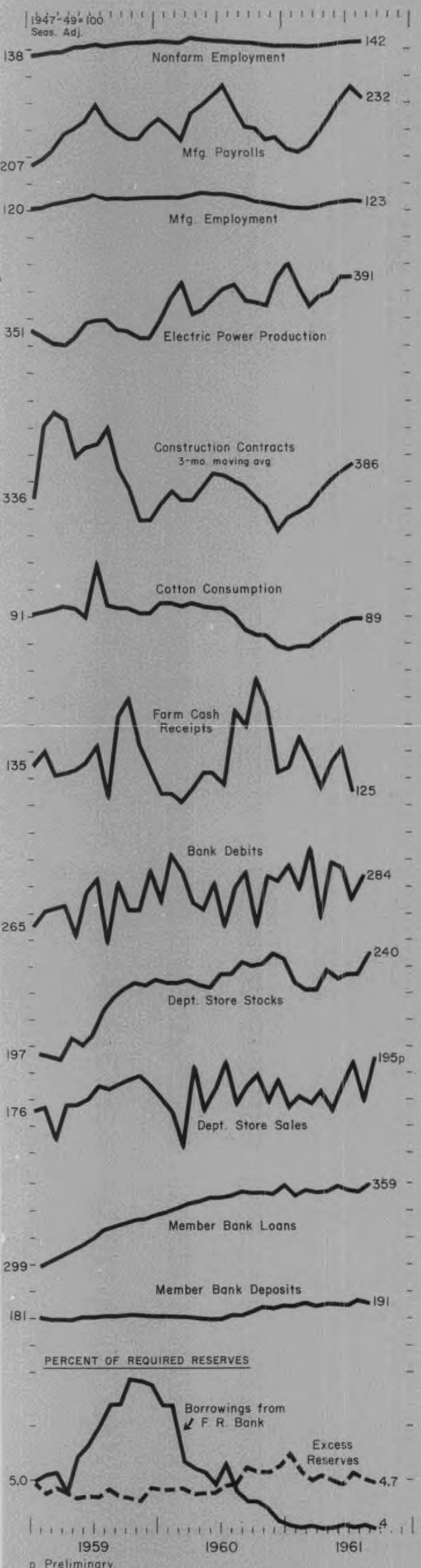
	1960						1961							
SIXTH DISTRICT	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.
Nonfarm Employment	143	143	143	142	142	141	142	141	141	141	142	142	142	142
Manufacturing Employment	126	125	124	123	122	122	121	121	121	121	122	123	124	123
Apparel	199	196	193	188	188	189	187	187	186	190	191	193	198r	196
Chemicals	137	137	132	131	131	133	133	133	134	135	135	136	135	135
Fabricated Metals	196	197	193	190	188	189	191	189	184	185	185	185	183r	187
Food	117	117	120	119	117	116	118	118	118	118	117	118	117	117
Lbr., Wood Prod., Fur. & Fix.	78	78	77	76	76	75	73	73	73	74	74	74	74	74
Paper	169	166	167	166	165	164	163	164	165	166	167	167	168	168
Primary Metals	97	95	91	92	88	89	86	87	86	87	91	92	93	94
Textiles	89	88	87	86	85	85	84	84	83	84	84	85	85	85
Transportation Equipment	197	199	199	205	185	190	191	190	183	187	188	191	193	184
Nonmanufacturing Employment	150	150	150	150	150	149	150	150	149	149	150	150	150	150
Manufacturing Payrolls	236	228	221	220	217	218	213	212	214	220	225	232	236	232
Cotton Consumption**	93	90	85	83	83	79	78	79	79	82	85	88	89	89
Electric Power Production**	382	385	373	372	369	390	401	383	368	376	379	391	391	n.a.
Petrol. Prod. in Coastal Louisiana & Mississippi**	220	221	223	232	233	250	239	237	241	244	253	252	243r	244
Construction Contracts*	370	361	353	337	322	286	307	313	323	344	361	374r	386	n.a.
Residential	376	367	362	364	305	300	286	326	341	361	392	416	398	n.a.
All Other	365	357	346	316	336	276	324	303	309	330	337	340r	377	n.a.
Farm Cash Receipts	127	155	149	167	156	132	134	145	136	126	136	141	125	n.a.
Crops	83	147	134	157	131	94	97	123	104	99	113	117	97	n.a.
Livestock	194	189	188	186	201	199	191	191	205	189	192	191	175	n.a.
Department Store Sales*/**	194	178	185	189	179	187	177	181	178	183	175	185	194	179
Department Store Stocks*	227	232	230	231	235	233	224	221	221	229	225	227	227	240
Furniture Store Sales*/**	144	133r	139	138	133	134	127	130	134	135	129	130	135	132p
Member Bank Deposits*	183	183	185	188	188	189	189	192	189	191	191	189	193	190
Member Bank Loans*	351	354	353	353	352	359	351	355	353	354	357	355	353	359
Bank Debits*	265	279	284	265	283	282	287	279	293	268	288	287	275	284
Turnover of Demand Deposits*	162	167	158	152	153	151	162	156	155	146	165	154	162	166
In Leading Cities	179	190	175	159	162	163	176	168	167	164	183	175	179	189
Outside Leading Cities	129	124	120	113	111	119	125	116	122	111	127	119	129	122
ALABAMA														
Nonfarm Employment	126	126	125	125	125	124	125	123	123	123	124	125	125	125
Manufacturing Employment	108	107	105	103	103	102	101	101	101	102	102	103	104	105
Manufacturing Payrolls	200	192	182	187	183	175	175	175	177	183	185	191	196r	196
Department Store Sales**	178	170	166	166	155	165	158	156	166	173	163	168	177	171
Furniture Store Sales	125	117	117	117	111	113	103	106	112	124	101	112	111	117
Member Bank Deposits	160	162	164	169	165	167	169	170	167	169	163	162	163	163
Member Bank Loans	291	293	292	293	294	299	300	299	303	298	304	301	295	302
Farm Cash Receipts	124	123	150	182	130	121	115	126	133	115	126	118	117	n.a.
Bank Debits	233	255	255	241	249	243	247	238	248	231	264	251	239	253
FLORIDA														
Nonfarm Employment	202	202	202	201	201	201	200	200	200	200	202	203	203	204
Manufacturing Employment	208	208	208	207	207	208	206	207	209	209	211	213	215	214
Manufacturing Payrolls	407	403	392	399	384	384	368	374	373	392	406	414	443r	431
Department Store Sales**	278	265r	256	261	268	276	264	264	287	269	263	277	290	274
Furniture Store Sales	173	160r	171	164	158	158	154	155	161	156	151	155	162	148
Member Bank Deposits	242	240	241	246	248	250	247	252	247	248	250	247	253	250
Member Bank Loans	557	564	560	561	551	560	550	556	556	550	559	555	553	561
Farm Cash Receipts	204	270	248	212	196	232	266	264	197	227	244	257	211	n.a.
Bank Debits	389	427	418	405	420	413	414	396	413	377	421	428	396	426
GEORGIA														
Nonfarm Employment	136	135	135	135	134	134	134	134	133	134	134	134	134	134
Manufacturing Employment	123	123	121	121	118	119	117	116	116	117	118	118	119	119
Manufacturing Payrolls	228	220	213	211	205	205	199	200	203	205	215	217	223r	217
Department Store Sales**	175	159	168	172	158	164	157	155	166	155	166	166	175	159
Furniture Store Sales	133	129	136	133	131	130	123r	120r	124r	132	133	133	136	136
Member Bank Deposits	161	164	166	170	169	170	169	173	172	172	175	173	176	171
Member Bank Loans	278	286	288	286	291	289	285	292	292	290	292	291	289	292
Farm Cash Receipts	125	215	160	204	120	148	144	152	171	149	144	147	127	n.a.
Bank Debits	251	257	273	249	257	256	263	254	266	244	266	269	266	269
LOUISIANA														
Nonfarm Employment	131	130	129	129	128	128	129	129	128	128	129	128	127	127
Manufacturing Employment	96	95	94	94	93	93	92	91	92	91	91	90	90	90
Manufacturing Payrolls	182	181	173	170	168	175	177	173	177	180	179	179	178r	178
Department Store Sales*/**	159	151r	148	151	140	155	151	151	155	149	149	157	157	152
Furniture Store Sales*	184	157	161	170	160	166	163	152	147	158	165	159	164	159
Member Bank Deposits*	161	159	164	163	164	166	165	167	163	169	166	167	172	169
Member Bank Loans*	335	334	332	329	323	331	319	322	314	331	324	326	327	331
Farm Cash Receipts	102	91	113	115	137	113	93	103	104	98	105	112	104	n.a.
Bank Debits*	216	230	250	212	225	234	210	207	234	213	230	246	218	230
MISSISSIPPI														
Nonfarm Employment	135	134	135	135	135	134	137	136	136	136	137	136	137	137
Manufacturing Employment	135	134	132	132	133	131	130	129	130	132	134	135	136	136
Manufacturing Payrolls	256	250	238	242	239	240	244	237	241	244	243	256	259r	261
Department Store Sales*/**	178	151r	149	158	151	164	149	146	154	157	153	165	169	156
Furniture Store Sales*	109	94	106	108	99	102	95	100	108	95	85	91	112	116p
Member Bank Deposits*	198	194	196	204	199	209	204	205	207	208	210	208	207	205
Member Bank Loans*	433	425	431	431	433	460	442	446	442	449	455	451	446	458
Farm Cash Receipts	104	98	121	141	162	136	86	99	116	90	99	99	100	n.a.
Bank Debits*	243	255	253	242	258	254	238	234	256	236	243	256	246	258
TENNESSEE														
Nonfarm Employment	127	127	126	126	125	124	124	124	124	124	125	126	126	126
Manufacturing Employment	128	127	128	126	124	123	123	123	123	123	124	125	125	124
Manufacturing Payrolls	230	231	224	221	218	217	215	216	216	222	224	230	227r	234
Department Store Sales*/**	167	151	157	164	156	157	147	154	151	147	141	152	157	146
Furniture Store Sales*	103	96	98	99	100	94	85	95	98	100	91	84	90	89
Member Bank Deposits*	170	167	166	171	169	170	170	176	176	175	174	175	179	176
Member Bank Loans*	313	314	311	313	314	328	315	319	310	311	315	312	313	320
Farm Cash Receipts	109	113	106	122	143	86	96	99	99	101	96	101	100	n.a.
Bank Debits*	230	240	238	224	247	236	248	243	255	233	258	255	256	254

*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 of 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.

DISTRICT BUSINESS CONDITIONS



The pace of economic recovery in the District has been somewhat disappointing, at least to those optimists who expect every month to be better than the last. In August most measures, seasonally adjusted, merely held the gains previously made. Manufacturing activity showed little change, as did consumer spending. Although agricultural prospects are bright, farm cash receipts actually declined.

Nonfarm employment in the District as a whole held steady in August. This over-all stability concealed small increases over July in Florida and Tennessee, however, and small decreases in Alabama, Georgia, and Louisiana. Only in Florida and Mississippi was total nonfarm employment above the level of a year ago. Factory employees put in a slightly shorter work week, and as a result manufacturing payrolls declined somewhat from the record high set in July. Construction activity increased, as shown both by employment and the volume of new contracts. The textile industry maintained the ground it had gained earlier, but it has not yet recovered the level it reached prior to the recession.

There are tentative indications that consumers may at last be loosening their purse strings. Preliminary figures show a sharp rise in September department store sales, following a decline in August. Household appliance store sales also rose, contrary to usual seasonal behavior, in August. Sales tax collections through July indicated a rise in consumer spending. Furniture store sales, however, were slightly off in August after several months of improvement.

The farm economy is faring well, although setbacks have occurred in some local areas. Large harvests are in prospect for several major crops, notably corn, sugar cane, tobacco, soybeans, and pecans. In most places the open weather of recent weeks has enabled farmers to push ahead with their harvests and fall plowing and planting. Prices received by farmers for most of the important products increased in August, standing well above year-ago levels. Broiler prices were an exception; although they rose slightly in August, they were still well below last year's. A decline in the marketing of meat animals reduced farm production in August and, with it, cash receipts. Hurricane Carla damaged rice, sugar cane, and cotton in southern Louisiana. The rice harvest is expected to be down only 5 to 10 percent, though, and sugar cane production should be a good bit larger than last year's, reflecting both increased yield and acreage.

Consumers went a little more heavily into debt in August. This time they were borrowing more for home repair and modernization and various consumer goods, but less for automobiles. The introduction of the new car models may change that situation in September and October. Consumer savings in the form of member bank time deposits and savings and loan shares increased at about the usual pace for this time of year.

Loans at member banks stubbornly refuse to advance with the general business recovery. A slight seasonally adjusted rise in August was followed by a decline in September. Total deposits after seasonal adjustment declined in August. Even time deposits, which have been advancing almost constantly, rose more slowly than in previous months. Member banks' reserve positions remained relatively unchanged from those earlier in the year.