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Also in this issue:

Federal Reserve Bank of Atlanta

The International Monetary System: As It Might Be

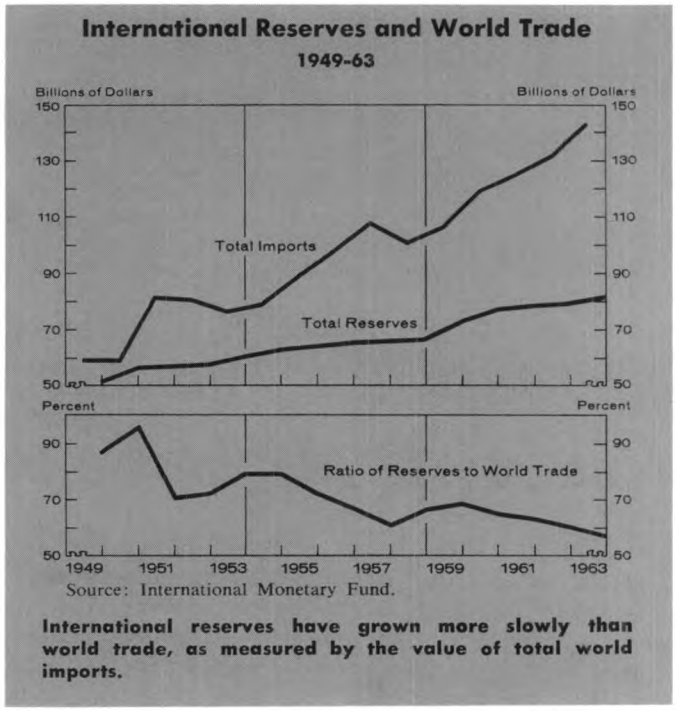
Few people would argue that the present international monetary system is perfect. At the moment, two official studies exploring methods of improving it are being conducted: one by the International Monetary Fund, the other by the deputy finance ministers of the ten countries participating in the agreement to supplement the resources of the Fund. To some extent, these two studies may have been prompted by the voluminous, and sometimes noisy, discussion of the subject in recent years by academicians, businessmen, bankers, and government officials.

There are many problems with which the international monetary system must somehow cope, but the one that has received by far the greatest attention is expressed by the question: Is there a present or prospective shortage of international liquidity? International liquidity may be defined as internationally acceptable means of payment. Governments, businesses, and individuals desire to hold or to have access to such internationally acceptable liquid assets to make future payments abroad and to provide for future contingencies. Will there be enough of these assets as time goes by? If not, what are the consequences?

There is no agreement on the answers to these questions. At one extreme, Sir Roy Harrod thinks that the amount of international liquidity should immediately be doubled. He believes that national governments have felt so constricted by a shortage of liquidity that they have held down the growth of production and income to unsatisfactory levels so as to keep from losing international reserves. At the other extreme, such central banking figures as the late Per Jacobsson of the International Monetary Fund, M. W. Holtrop of the Netherlands Bank, and Karl Blessing of the Deutsche Bundesbank have pointed to the price inflation that has occurred since World War II as proof that international liquidity has grown, not too little but too much. The basic position of this latter school of thought was succinctly expressed in the *Thirty-third Annual Report* of the Bank for International Settlements, which said, "The basic problem in international payments has not been liquidity, . . . but balance-of-payments disequilibrium."

Whether growth of liquidity has been too great or too small in the past, it still might be too small in the future. Professor Robert Triffin, who was one of the first to bring the question to wide public notice, has shown that the world total of liquid international reserves has grown more slowly than has the volume of world trade. Should this trend continue, he believes the growth of international trade will inevitably be stifled. Professor Fritz Machlup and Jacobsson, on the other hand, have denied that there is any necessity for reserves to grow proportionately with the volume of trade.

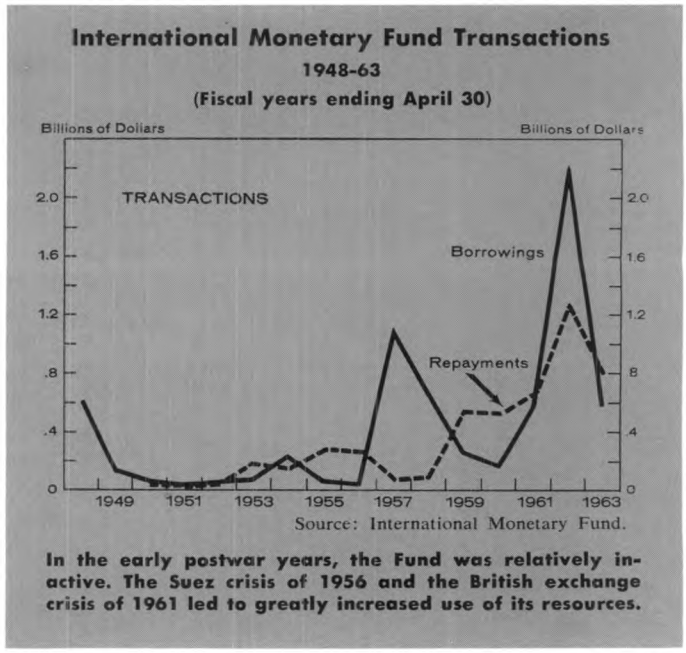
If the international trade argument fails to scare us, however, Professor Triffin can point to another, more subtle, lion in the path. To him and many others, there is an inherent dilemma in the operation of our international monetary system as it now exists. Very little of the postwar



increase in international reserves has consisted of gold (specifically, about one fifth); most of the new reserves have come from two sources: foreign official holdings of dollars and an increase in the resources of the International Monetary Fund. Lacking some fortuitous discoveries of rich new gold mines, the world's monetary stocks of gold are not likely to increase much faster in the future than they have in the past. The dollar holdings of foreign governments and central banks have been fed by United States balance of payments deficits. If U. S. deficits do not continue in the future, international reserves, under present arrangements, are bound to grow much more slowly or perhaps actually decrease. On the other hand, if our deficits do continue at anything like recent rates, dollars may quite possibly lose their acceptability abroad and, thus, their status as liquid reserves. Either way, international reserve growth is likely to come to a halt. This could have the most serious consequences, for then different nations might very well feel compelled to adopt measures harmful to other nations or to world trade to obtain or retain their share of this increasingly scarce stock.

According to this view, then, we are damned if we do and damned if we don't. The system cannot possibly survive for long. That this argument cannot be written off as a pure bogeyman is evident from the events of late 1960. The persistence of unusually large U. S. balance of payments deficits for three years led to some nervousness about the U. S. determination to maintain the dollar price of gold. That the rumors of an impending devaluation were totally without foundation was irrelevant. The important facts were that the U. S. was losing large amounts of gold and that some people decided to get their share of it, or to switch from dollar claims to foreign assets, before devaluation reduced the amount their dollar claims would buy. This, of course, in itself increased our deficit and added to the gold drain. No currency is absolutely immune to this sort of thing. Any nation whose liquid liabilities exceed its liquid assets, yet whose liabilities are essentially payable on demand, is in the same position as the typical bank, which never has enough immediately available money to pay off all its depositors at the same time. A bank must avoid at all costs the impression of being low on cash. As long as the depositors think they can get their money, they don't want to; but when they fear they can't, they do.

Many people deny that such a catastrophic breakdown as Triffin's analysis implies is just around the corner. They would say, with the Bank for International Settlements, that the solution to the problem posed by Triffin should be found in *national* policies to reduce the extent and duration of surpluses and deficits in international payments, rather than in measures to increase the means of financing them. Nevertheless, the dangers of destabilizing speculation have been recognized by even the highest authorities. The London "gold pool," designed to prevent wild gyrations of the gold price that would feed speculative fears, was established in 1961. The "Basel arrangements," by which certain European central banks informally agreed to provide short-term assistance to one another, also were initiated in 1961. The "Paris Club,"



consisting of ten European nations, agreed to lend additional amounts of their currencies to the International Monetary Fund in certain cases of need. This agreement came into effect in 1962. And the United States Treasury and Federal Reserve System began operations in foreign currencies in 1961 and 1962, respectively. Finally, the official studies of the future needs of the system, mentioned at the beginning of this article, began last year.

Proposed Solutions

A considerable number of people believe that the measures so far officially adopted do not go far enough. Some of them believe that these measures represent mere "tinkering" with an inherently unsatisfactory mechanism. The number of proposals that have been made for reform of

the international monetary system is now so large that we cannot possibly describe them all. Most of them can, however, be grouped into four general categories as follows:

A. Further improve the present system.
   1. By increasing cooperation and mutual assistance among central banks.
   2. By making other countries' currencies internationally acceptable to hold as reserves.

B. Further centralize reserves.
   1. By expanding the resources of the IMF, but still leaving it essentially passive.
   2. By giving the IMF some (or all) of the reserve-creating powers of an international central bank.

C. Return to a gold standard.

D. Allow exchange rates to fluctuate freely.
   1. With no official control, allowing the private forward exchange market to prevent wild movements.
   2. With national or international intervention to prevent disequilibrating movements.

A. Further improve the present system.

1. The "swap agreements" of the Federal Reserve System and the sale of foreign currency securities by the Treasury are now well-established devices. Nearly two years' experience with them has familiarized foreign monetary authorities with their use, and they provide a quickly available first line of defense in case of emergency, as the events immediately following President Kennedy's assassination showed. Arrangements of these kinds could be extended if it were believed desirable to do so. In fact, this is the approach that some responsible officials believe provides the best hope for the future—the development of cooperative efforts by the industrial nations' monetary authorities to deal with new problems as they arise, not in accordance with any grand design but on an *ad hoc* basis. In the August 1963 issue of the *Monthly Review* of the Federal Reserve Bank of New York the officers in charge of foreign operations at four central banks expressed their consensus as follows:

> We can visualize, therefore, in very rough outline, the consolidation of an international financial system which would provide four main sources of liquidity:
>
> (a) Official holdings of gold and foreign exchange.
>
> (b) Formal swap arrangements, or similar bilateral understandings on an informal basis.
>
> (c) Issue of special certificates and bonds denominated in the currency of the creditor country.
>
> (d) Access to the International Monetary Fund.
>
> Such a system could provide for each country an appropriate blend of economic discipline and international credit. Short-run credit facilities would be largely automatic, while longer term credit requirements would necessitate either bilateral negotiations between the debtor and creditor country or negotiation between the debtor country and the International Monetary Fund.

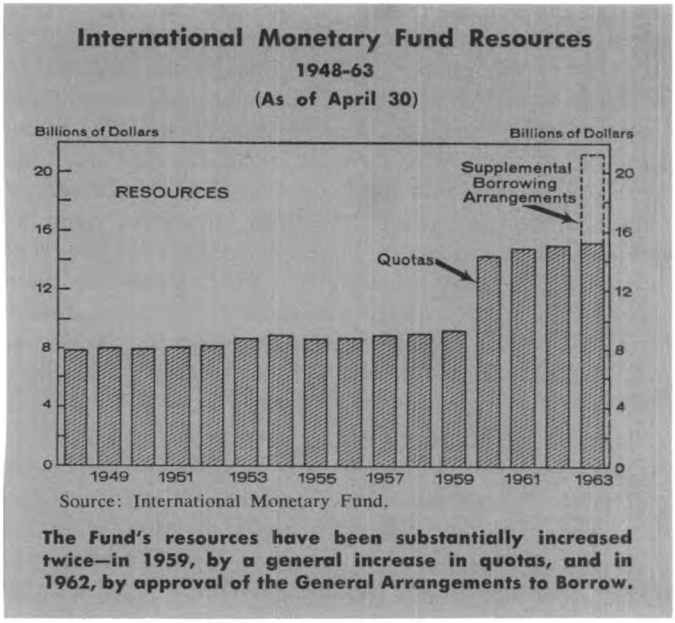
2. Inherent in our swap agreements with foreign authorities is the possibility that, when the U. S. does begin to run a surplus, we may acquire convertible foreign currencies. This would prevent the destruction of international reserves that otherwise would occur if we paid off our liabilities. Foreign countries would retain their dollars, but our foreign currency acquisitions would increase our stock of internationally acceptable liquid assets. Unlike Triffin's dilemma, a U. S. surplus would then *add* to the total world supply of international reserves, not decrease it. The essential element that creates this result is the introduction of convertible currencies other than the dollar and sterling into the body of international reserves. These currencies, such as the franc, the mark, and the guilder, are presently *acceptable* in payments between central banks, but they are ordinarily not *available* to them (unless they are borrowed from the IMF) because private concerns do not use them in making international payments and so do not ordinarily sell them to their central banks.

At least two eminent persons have proposed the use of other convertible currencies as a formal and customary part of the functioning of the international monetary system. The effect in each case would be similar to the reserve-creating feature of the swap arrangements. Professor Posthuma of the Netherlands Bank proposes that all the principal industrial countries agree to hold their international reserves in a set ratio of gold and the currencies of the participating countries. He suggests a relationship of 60 percent gold and 40 percent foreign exchange. Then all settlements of deficits (which might be carried out monthly at a central clearinghouse) would be in a mixture of gold and currencies that would maintain the agreed ratio. The U. S. would be treated differently at first because it holds very little foreign exchange. Any U. S. surplus would be settled entirely in a "bouquet" of foreign currencies. The composition of the "bouquet" would be determined by the relationship of each non-American participant's reserves to total non-American participants' reserves. When the U. S. achieved the 60:40 proportion, it would participate in the same way as the other countries.

Edward Bernstein, former director of research at the IMF, has proposed a different, though similar, idea. He would create a "reserve unit" that would be composed of dollars and ten other important currencies in a set proportion. If a central bank acquired another country's currency, it could demand payment, but only in the form of gold and reserve units in the agreed proportion. Reserve units would be created when each country deposited a certain amount of its own currency with the IMF, which, in turn, would create a credit on its books denominated in reserve units. The creation of the reserve units would augment the amount of international reserves without in itself increasing the amount of liquid dollar assets held by foreign monetary authorities.

B. Further centralize international reserves.

1. Edward Bernstein, Xenophon Zolotas, Governor of the Bank of Greece, and Per Jacobsson proposed some years ago that the International Monetary Fund's potential resources be increased by providing that the important industrial nations should stand ready to lend their currencies to the Fund whenever one or more of the members of the group were suffering large outflows of short-term capital. The Fund would then lend these currencies to the members in difficulties. Bernstein originally proposed a



"reserve settlement account" to be operated by the Fund separately from its regular business because Article III of the Fund Agreement says that the resources of the Fund cannot be used "to meet a large or sustained outflow of capital." As it actually turned out, ten countries have agreed to lend their currencies to the Fund itself when the Fund and they agree that its resources need to be supplemented "to forestall or cope with an impairment of the international monetary system" in the new conditions that permit "greater freedom for short-term capital movements." Thus, these supplementary resources are available only to meet special circumstances, only at the initiative of a member nation (not the Fund), and only if the prospective lenders agree with the Fund that the circumstances really warrant the borrowing.

This, then, is one reform plan in this general category that was adopted. Some other more ambitious ones have not been. Professor James Angell, for example, proposes that the IMF be empowered to create an international monetary unit, which members would agree to accept in settlement of balances due them. The IMF could not create these units on its own initiative, but only when member nations deposited gold or convertible currencies with it. Members would not have to hold any specific amount of their reserves in IMF units, but since members could obtain IMF units in exchange for their own currencies and since other members must agree to accept those IMF units. most members would be very likely to come to hold some part of their reserves in this form. Thus described, the scheme seems to be potentially quite inflationary, but it is not since the IMF would be required to limit very strictly the amount of IMF units any member could buy with its own or any other convertible currency. The purposes of the plan are two: (1) to make it easy to increase international reserves but only in case of necessity; and (2) to eliminate the use of gold in international settlement and thus prevent speculative flights from reserve currencies to gold.

2. In the plans just discussed, the IMF would remain passive and act, at most, as an intermediary or clearinghouse. A considerable group of people would go further, however, and enable the Fund to take the initiative, usually in order to increase total international reserves. Triffin, for example, would allow the Fund to buy and sell securities in the open market, much as the Federal Reserve System does in this country. If the Fund bought securities, it would pay for them with a check on itself, thus giving a central bank, most likely that of the country in which the purchase occurred, a deposit with the Fund. All members would have to accept these IMF deposits in settlement of their claims against other countries, but could sell all except a certain amount back to the Fund for gold if they wished. A minimum of 20 percent of a member's international reserves would have to be kept in the form of IMF deposits.

Sir Roy Harrod would also allow the IMF to create additional means of payment in the form of claims on itself. These claims might be in the form either of IMF units or drawing rights in terms of national currencies. He offers several possibilities for creating these claims. One is for the Fund, in connection with a rise in the price of gold, simply to increase its obligations to its members as a non-repayable grant. Another is to create them by having the Fund buy securities or, alternatively, to buy raw materials as part of a scheme for international commodity price support. In any case, the members would be required to accept these claims on the IMF in payment, and the claims would not be convertible into gold.

A variant of these two plans is proposed by Maxwell Stamp, who would have the IMF issue $3 billion worth of certificates to the underdeveloped countries. Those countries would use the certificates to buy goods from the industrialized nations, who would count them as part of their international reserves and use them to pay obligations to other member nations. The additional liquidity the Fund would create under the Stamp plan could not easily be undone if it proved excessive, whereas the Fund's open market operations under the Triffin plan could be reversed if necessary.

C. Return to a gold standard.

All of the plans thus far discussed, except possibly the Angell plan, propose to retain the gold exchange standard, that is, the system under which, as at present, two types of assets are held as international reserves, gold and one or more national currencies. Some of them add a third type of asset, claims on the IMF, that might in time take the place of holdings of national currencies and thus eliminate the possibility of panic flights from individual currencies to others or to gold. The proponents of a "return" to the gold standard, such as the French economist Jacques Rueff and the Swiss economist Michael Heilperin, propose to accomplish this same goal by reducing the types of assets used as international reserves to one (gold) instead of adding a third. Nearly always the proposal to establish a full international gold standard is coupled with a proposal to raise the price of gold sufficiently to allow the reserve currency countries, principally Britain and the U. S., to pay off their liquid liabilities to foreign official holders. Neither Britain nor the U. S. has enough gold, at the present price, to do so. Raising the price of gold would, however, discriminate

between those foreign governments that hold large amounts of dollars in their reserves and those that do not. If a country's reserves consisted entirely of gold, the dollar value of those reserves would rise exactly as much as the rise in the price of gold. A country whose reserves consisted entirely of dollars, however, would find the dollar value of its reserves unchanged. Despite this consideration, the supporters of gold believe that its exclusive use would force countries to take action sooner to correct disequilibrium in their balance of payments, that it would also prevent switching from one type of asset to another, and that the benefits of these two changes would outweigh the disadvantages of discrimination.

D. Allow exchange rates to fluctuate freely.

There is still another group of people who agree with the condemnations of the gold exchange standard expressed by Triffin, Angell, *et. al.*, but who believe that gold by itself offers no better hope of solving the longer-run problems. Even if a rise in the price of gold were to stimulate its production, as Rueff hopes, it would still remain true that the annual inflow of gold into the hands of the world's monetary authorities would bear no necessary relation to the world's need for international reserves. At times it might be too great, at other times too small; but many people fear that in the long run it would not be adequate.

The advocates of flexible exchange rates, however, place most of their emphasis on the mechanism by which balance of payments deficits and surpluses are to be eliminated. In the absence of direct government controls over imports or payments for them (and the ultimate purpose of all the plans we have discussed is a payments system that permits the elimination of such devices), there are only four ways in which countries can adjust to a persistent imbalance in their international payments. One possibility is for incomes and prices to fall in the deficit countries and rise in the surplus countries (or to rise less in the deficit countries). This was supposed to occur automatically when countries were on a gold standard, as the banking systems in the deficit countries would lose reserves and be forced to curtail loans. If prices and wages were not highly flexible in the deficit countries, however, this would tend to cause unemployment and perhaps a cumulative recession. But if prices and wages *are* flexible, it would tend to cause inflation, again perhaps cumulative, in the surplus countries.

Another possibility is that private capital movements may compensate for changes in the other components of the balance of payments. That is, if a country is importing more goods and services than it exports or if, on the other hand, it has an export surplus but its government is spending and giving away more abroad than the surplus, the private financial community of that country could balance the accounts by selling securities, *i. e.*, borrowing abroad. To a great extent, this is apparently what happens within a country when one of its regions has an unbalanced payments situation. But capital markets are much more closely integrated within a country than they are internationally. Various national restrictions on foreign securities and the simple lack of knowledge of foreign conditions prevent at the present time equilibrating flows of private capital internationally to the same extent as they occur interregionally. Thus, U. S. private capital has been for some years flowing abroad in much larger amounts than the surplus we have been earning on goods and services and government transactions.

A third possibility is for governments, by various indirect measures such as taxation or moral suasion, to persuade their citizens to behave in such a way as to balance the accounts. For example, imports might be discouraged or exports encouraged by exhortation or by tax policy. Alternatively, the tax burden might be shifted to bear less heavily on capital investment, thereby encouraging modernization of plants and making local industries better able to compete. Taxes or other impediments to foreign investment are also part of the arsenal of government weapons. Some people feel strongly, however, that even when these devices work, they constitute more interference with the workings of the private economy than they wish to see.

There remains one possibility. If our primary goal is to maintain domestic economic stability, we can concentrate our attention on that and allow exchange rates with the rest of the world to fluctuate as necessary to maintain balance in our international accounts. For if a country runs a deficit, its currency's value in terms of other currencies will decline, discouraging imports and encouraging exports and, thus, eliminating automatically the deficit. Thus, the problems of a plethora or scarcity of international liquidity would be solved by eliminating international reserves altogether.

The principal argument used against this scheme is that exchange rate fluctuations would introduce a new element of uncertainty into the calculations of international traders and might, in addition, make international financial relations much more unstable than they are now. If exchange rates are free to fluctuate, speculators may bet on the probability of their doing so and perhaps make the fluctuations much more violent than they otherwise would be.

1. Some advocates of flexible exchange rates, such as Professors Milton Friedman and Harry Johnson, deny that this destabilizing speculation would occur. International traders can protect themselves against rate movements (at a price), as they do now, by buying or selling foreign currencies forward. An American exporter expecting to receive, say, German marks three months from now can contract to sell those marks at that time at a price agreed upon now. As to the possibility of speculation that would aggravate exchange rate movements, these people say that there is no reason to expect this to occur, provided all nations are following a policy of stabilizing their domestic economies. Grossly irresponsible behavior might cause the system to break down, but so would it cause any international monetary system to break down.

2. Another group, perhaps best represented by Professor James Meade, agrees with these advocates in principle but would allow their opponents some hostages. Meade, for example, proposes that a reformed IMF be given responsibility for moderating, but not entirely preventing, exchange rate changes among national currencies. The purpose would be to prevent the aggravating

effects of speculation unwarranted by the facts. The IMF would also create an international currency, which it would exchange for individual countries' present holdings of gold and foreign exchange. It would then attempt to keep the value of this international currency constant, "not in terms of any single currency . . . but in terms of national currencies in general." This international money would also be extremely useful to international traders and lenders, who could express their contracts in terms of it and who would then not have to worry about exchange rate fluctuations even as much as they do now.

Perhaps the most striking impression these plans convey is their almost infinite variety. It is perhaps understandable that responsible officials do not rush to grasp the nettle when their non-official advisers cannot agree upon which end has the thorns. Yet changes have been made, and the international monetary system has evolved during the postwar period, even if its critics believe the evolutionary pace is maddeningly slow. We can be reasonably sure that twenty years from now the system will be different from its present constitution, but it would be a rash prognosticator who would attempt to describe it.

LAWRENCE F. MANSFIELD

This is the second and final article in a two-part series on the international monetary system. Copies of part one, which appeared in the January 1964 MONTHLY REVIEW, *may be obtained on request to the Research Department of this Bank.*

Bank Announcements

On January 1, the Bank of Quitman, Quitman, Georgia, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers include Jesse Jones, President; F. T. Benson, Chairman of the Board; and A. C. Lowe, Cashier.

The Florida Bank at Starke, Starke, Florida, a nonmember bank, began to remit at par on January 1. Officers are W. B. Sewell, Chairman of the Board; S. L. Peek, Jr., President; Ernest J. Snead, Vice President; and C. E. Hernwall, Vice President and Cashier.

On January 11, The First National Bank of Maitland, Maitland, Florida, a newly organized member bank, opened for business and began to remit at par. Officers include Carl Dauksch, Chairman of the Board; James A. Brockman, President; Byron J. Villwock, Vice President; and George W. Foster, Cashier. Capital is $300,000, and surplus and other capital funds, $300,000, as reported by the Comptroller of Currency at the time the charter was granted.

The First Bank of Plantation, Plantation, Florida, a newly organized nonmember bank, opened for business on January 17 and began to remit at par. Officers are Theodore A. King, Chairman of the Board; George F. Theobald, President; W. A. Nevin, Jr., Executive Vice President; Frank V. Mocarsky, Vice President; and Edward G. Knight, Cashier. Capital is $500,000, and surplus and undivided profits, $150,000.

Debits to Individual Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Dec. 1963	Nov. 1963	Dec. 1962	Percent Change Dec. 1963 from Nov. 1963	Dec. 1962	Year-to-date 12 months 1963 from 1962
ALABAMA, Total†	2,954,360	2,746,547	2,621,879	+8	+13	+11
Anniston	50,532	48,132	47,186	+5	+7	+5
Birmingham	1,061,445	968,968	950,756	+10	+12	+10
Dothan	44,600	45,539	45,102	—2	—1	+7
Gadsden	49,532	42,043	40,075	+18	+24	+12
Huntsville*	134,016	129,980	95,094	+3	+41	+31
Mobile	367,747	341,782	335,932	+8	+9	+10
Montgomery	226,050	219,929	202,758	+3	+11	+14
Selma*	32,606	34,261	30,023	—5	+9	+9
Tuscaloosa*	73,233	65,424	63,370	+12	+16	+6
FLORIDA, Total†	7,475,404	6,236,640r	6,557,256	+20	+14	+10
Bartow*	27,948	24,142	24,908	+16	+12	n.a.
Bradenton*	55,305	43,978	50,675	+26	+9	n.a.
Brevard County*	161,802	137,540	113,043	+18	+43	n.a.
Clearwater*	95,177	64,291	85,926	+48	+11	n.a.
Daytona Beach*	74,189	62,562	59,744	+19	+24	+13
Delray Beach*	26,579	20,567	20,977	+29	+27	n.a.
Ft. Lauderdale*	273,186	222,929	234,865	+23	+16	+5
Ft. Myers-North Ft. Myers*	62,470	53,876	58,195	+16	+7	n.a.
Gainesville*	66,303	51,978	54,966	+28	+21	+12
Jacksonville	1,048,146	895,284	904,428	+17	+16	+5
Key West*	21,834	16,617	18,960	+31	+15	+4
Lakeland*	98,170	78,876	92,968	+24	+6	+5
Miami	1,192,636	998,681r	1,094,653	+19	+9	+4
Greater Miami*	1,736,614	1,436,661r	1,555,051	+21	+12	+6
Ocala*	44,677	43,396	45,510	+3	—2	n.a.
Orlando	350,918	300,452	304,898	+17	+15	+11
Pensacola	113,170	98,331	95,414	+15	+19	+10
St. Augustine*	13,267	10,322	17,263	+29	—23	n.a.
St. Petersburg	257,697	216,987	227,658	+19	+13	+2
Sarasota*	97,352	79,400	92,636	+23	+5	+10
Tallahassee*	88,936	82,722	75,824	+8	+17	+9
Tampa	583,737	482,073	518,145	+21	+13	+8
W. Palm-Palm Bch.*	185,896	155,824	161,070	+19	+15	0
Winter Haven*	53,268	40,566	44,486	+31	+20	n.a.
GEORGIA, Total†	5,446,640	4,869,952	4,879,666	+12	+12	+13
Albany	76,757	63,377	62,780	+21	+22	+7
Athens*	53,071	47,166	46,404	+13	+14	+5
Atlanta	2,978,627	2,682,633	2,716,551	+11	+10	+20
Augusta	156,594	142,815	131,994	+10	+19	+13
Brunswick	42,535	31,388	35,532	+36	+20	+6
Columbus	156,758	133,408	125,995	+18	+24	+8
Dalton*	76,243	65,276	61,449	+17	+24	n.a.
Elberton	11,662	10,416	9,615	+12	+21	+7
Gainesville*	56,358	54,581	53,714	+3	+5	+6
Griffin*	26,569	22,346	25,205	+19	+5	+4
LaGrange*	19,221	16,274	17,160	+18	+12	—1
Macon	166,120	141,950	145,367	+17	+14	+8
Marietta*	50,851	45,389	42,527	+12	+20	+18
Newnan	28,026	18,767	25,051	+49	+12	—2
Rome*	62,416	56,762	53,376	+10	+17	+7
Savannah	217,864	206,478	192,171	+6	+13	+8
Valdosta	39,908	34,789	36,053	+15	+11	+3
LOUISIANA, Total†**	3,139,914	2,916,342	2,792,196	+8	+12	+10
Abbeville*	12,608	8,016	8,757	+57	+44	n.a.
Alexandria*	93,885	86,709	82,186	+8	+14	+9
Baton Rouge	330,943	349,174	313,626	—5	+6	+11
Bunkie*	5,288	6,774	4,567	—22	+16	n.a.
Hammond*	26,355	23,968	24,423	+10	+8	n.a.
Lafayette*	81,675	79,377	75,237	+3	+9	+12
Lake Charles	93,856	83,845	87,680	+12	+7	+2
New Iberia*	30,521	28,292	27,537	+8	+11	n.a.
New Orleans	1,704,925	1,544,954	1,490,239	+10	+14	+7
Plaquemine*	7,583	7,021	7,212	+8	+5	n.a.
Thibodaux*	20,361	19,597	20,582	+4	—1	n.a.
MISSISSIPPI, Total†**	1,027,118	996,496	883,344	+3	+16	+9
Biloxi-Gulfport*	70,468	64,558	61,132	+9	+15	+12
Hattiesburg	39,839	39,591	39,365	+1	+1	—1
Jackson	438,865	433,335	365,729	+1	+20	+10
Laurel*	32,871	30,360	27,871	+8	+18	+5
Meridian	54,072	54,326	47,786	—0	+13	+9
Natchez*	28,563	28,993	26,532	—1	+8	+11
Pascagoula-Moss Point*	39,214	34,752	35,939	+13	+9	n.a.
Vicksburg	28,560	26,345	25,082	+8	+14	+10
Yazoo City*	19,639	22,453	17,414	—13	+13	n.a.
TENNESSEE, Total†**	2,879,745	2,647,684	2,435,386	+9	+18	+10
Bristol*	58,536	50,199	56,609	+17	+3	+4
Chattanooga	444,598	368,185	363,311	+21	+22	+8
Johnson City*	61,727	51,450	51,194	+20	+21	+11
Kingsport*	107,116	92,472	89,513	+16	+20	+5
Knoxville	327,504	274,219	288,210	+19	+14	+7
Nashville	1,028,748	1,027,305	866,290	+0	+19	+13
SIXTH DISTRICT, Total	22,923,181	20,413,661r	20,169,727	+12	+14	+11
Total, 32 Cities	13,712,971	12,325,501	12,135,432	+11	+13	+10
UNITED STATES 344 Cities	356,900,000	296,600,000	320,900,000	+20	+11	+9

*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Partly estimated. n.a. Not available.
**Includes only banks in the Sixth District portion of the state. r Revised.

Sixth District Statistics

Seasonally Adjusted

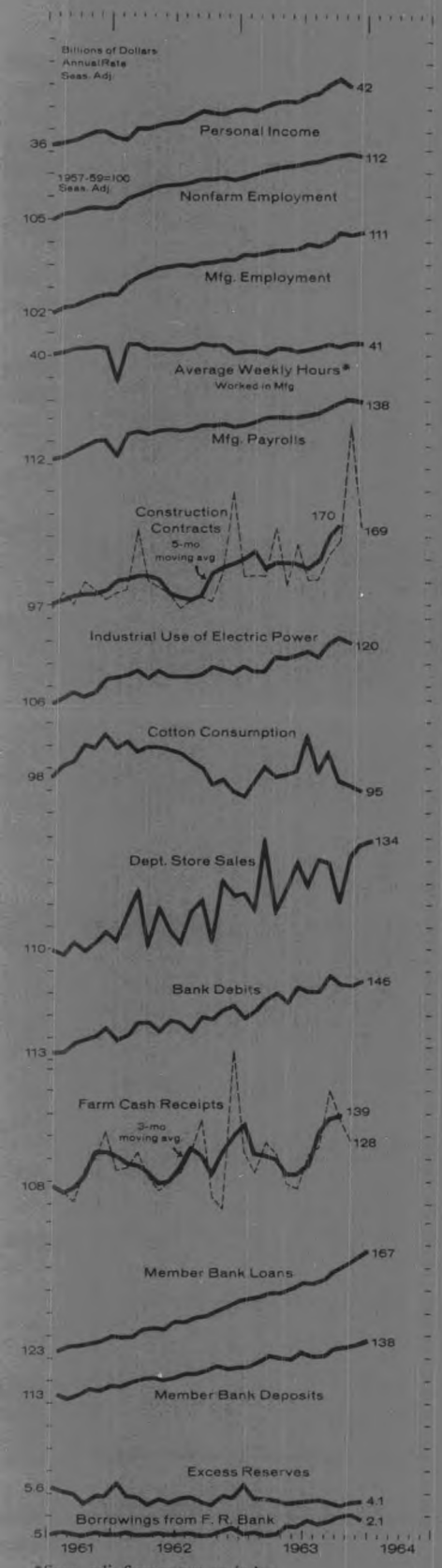
(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Nov.	42,427	43,165r	42,798r	39,252
Manufacturing Payrolls	Dec.	138	138	137	126
Farm Cash Receipts	Nov.	128	138	150	98
Crops	Nov.	132	148	178	90
Livestock	Nov.	120	119	114	120
Department Store Sales*/**	Jan.	134p	134	131	123
Department Store Stocks*	Dec.	133	130	129	129
Instalment Credit at Banks,* (Mil. $)					
New Loans	Dec.	189	163	157	179r
Repayments	Dec.	168	162	150	152r
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Dec.	112	112	112	109
Manufacturing	Dec.	111	111	111	108
Apparel	Dec.	131	130	130	128
Chemicals	Dec.	106	107	107	103
Fabricated Metals	Dec.	117	117	117	108
Food	Dec.	106	105	108	103
Lbr., Wood Prod., Furn. & Fix.	Dec.	94	94	93	92
Paper	Dec.	108	107	106	108
Primary Metals	Dec.	98	99	99	94
Textiles	Dec.	94	94r	94	95
Transportation Equipment	Dec.	119	117	117	111
Nonmanufacturing	Dec.	112	113	112	110
Construction	Dec.	99	99	99	96
Farm Employment	Dec.	80	80	81	84
Insured Unemployment, (Percent of Cov. Emp.)	Dec.	3.5	3.4	3.6	4.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec.	41.3	41.3	41.0	40.3
Construction Contracts*	Dec.	169	256	156	199
Residential	Dec.	165	149	165	116
All Other	Dec.	172	347	149	270
Industrial Use of Electric Power	Nov.	120	121	119	114
Cotton Consumption**	Dec.	95	96	97	95
Petrol. Prod. in Coastal La. and Miss.**	Dec.	164	161r	160	156
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Dec.	167	164	161	145
Leading Cities	Jan.	155	153	155	141
Member Bank Deposits*					
All Banks	Dec.	138	136	135	126
Leading Cities	Jan.	128	129	127	120
Bank Debits*/**	Dec.	146	144	144	135
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Nov.	5,813	5,969r	5,925r	5,320
Manufacturing Payrolls	Dec.	125	126	123	115
Farm Cash Receipts	Nov.	120	124	149	100
Department Store Sales**	Dec.	112p	115	97	111
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Dec.	107	107	107	105
Manufacturing	Dec.	103	102	103	101
Nonmanufacturing	Dec.	109	109	109	107
Construction	Dec.	94	95	95	91
Farm Employment	Dec.	79	73	82	81
Insured Unemployment, (Percent of Cov. Emp.)	Dec.	4.0	4.0	4.2	5.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec.	41.0	41.4	40.5	40.0
FINANCE AND BANKING					
Member Bank Loans	Dec.	162	162	159	146
Member Bank Deposits	Dec.	136	133	134	126
Bank Debits**	Dec.	141	139	141	131
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Nov.	12,446	12,567r	12,353r	11,718
Manufacturing Payrolls	Dec.	165	168r	168	152
Farm Cash Receipts	Nov.	128	143	142	108
Department Store Sales**	Dec.	169	166	155	147
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Dec.	118	119	119	115
Manufacturing	Dec.	124	125	126	119
Nonmanufacturing	Dec.	116	118	118	114
Construction	Dec.	88	88r	91	88
Farm Employment	Dec.	94	97	91	95
Insured Unemployment, (Percent of Cov. Emp.)	Dec.	2.8	3.3	2.9	3.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec.	41.0	41.4	41.1	40.7
FINANCE AND BANKING					
Member Bank Loans	Dec.	165	165	161	140
Member Bank Deposits	Dec.	141	139	138	125
Bank Debits**	Dec.	152	143r	146	140

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Nov.	8,009	8,023r	8,055r	7,470
Manufacturing Payrolls	Dec.	140	140	137	125
Farm Cash Receipts	Nov.	148	117	135	129
Department Store Sales**	Dec.	126	121	115	114
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Dec.	114	114	114	111
Manufacturing	Dec.	110	109r	109	107
Nonmanufacturing	Dec.	117	116	116	113
Construction	Dec.	113	111	110	110
Farm Employment	Dec.	74	72	76	78
Insured Unemployment, (Percent of Cov. Emp.)	Dec.	3.0	2.6	2.8	3.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec.	41.1	41.2	40.7	39.7
FINANCE AND BANKING					
Member Bank Loans	Dec.	172	169	168	152
Member Bank Deposits	Dec.	144	142	138	132
Bank Debits**	Dec.	149	148	151	140
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Nov.	6,264	6,287r	6,293r	5,726
Manufacturing Payrolls	Dec.	129	127r	128	119
Farm Cash Receipts	Nov.	141	163	156	96
Department Store Sales*/**	Dec.	116	111	99	107
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Dec.	103	103	103	102
Manufacturing	Dec.	102	100	101	98
Nonmanufacturing	Dec.	104	104	103	103
Construction	Dec.	98	96	93	90
Farm Employment	Dec.	81	93	88	91
Insured Unemployment, (Percent of Cov. Emp.)	Dec.	3.7	3.5	3.6	4.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec.	43.1	42.3	41.9	42.6
FINANCE AND BANKING					
Member Bank Loans*	Dec.	148	151	146	135
Member Bank Deposits*	Dec.	126	126	123	117
Bank Debits*/**	Dec.	128	134	128	120
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Nov.	3,200	3,346r	3,368r	2,751
Manufacturing Payrolls	Dec.	141	140	140	130
Farm Cash Receipts	Nov.	140	146	190	85
Department Store Sales*/**	Dec.	99	102	88	99
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Dec.	114	114	114	113
Manufacturing	Dec.	118	118	118	116
Nonmanufacturing	Dec.	113	113	112	112
Construction	Dec.	100	108	105	108
Farm Employment	Dec.	79	70	72	77
Insured Unemployment, (Percent of Cov. Emp.)	Dec.	4.8	4.4	4.6	4.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec.	40.6	40.2	40.2	39.8
FINANCE AND BANKING					
Member Bank Loans*	Dec.	187	186	181	162
Member Bank Deposits*	Dec.	148	146	150	138
Bank Debits*/**	Dec.	149	156	158	135
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Nov.	6,695	6,973r	6,804r	6,267
Manufacturing Payrolls	Dec.	134	134	135	124
Farm Cash Receipts	Nov.	91	144	139	89
Department Store Sales*/**	Dec.	115	114	105	111
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Dec.	112	112	112	109
Manufacturing	Dec.	113	113	112	110
Nonmanufacturing	Dec.	111	112	111	109
Construction	Dec.	124	122	125	119
Farm Employment	Dec.	81	84	83	87
Insured Unemployment, (Percent of Cov. Emp.)	Dec.	4.4	3.8	3.9	5.6
Avg. Weekly Hrs. in Mfg., (Hrs.)	Dec.	41.6	41.3r	41.7	40.2
FINANCE AND BANKING					
Member Bank Loans*	Dec.	186	164	163	149
Member Bank Deposits*	Dec.	135	134	135	127
Bank Debits*/**	Dec.	152	145	145	135

*For Sixth District area only. Other totals for entire six states. **Daily average basis. p Preliminary. r Revised.
Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U. S. Dept. of Labor and cooperating state agencies; 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.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

DISTRICT BUSINESS CONDITIONS



*Seas. adj. figures; not an index.

The District's economy is entering its fourth year of economic expansion with most indicators at high levels. Consumer markets were particularly strong, with more intensive use of instalment credit supplementing income gains. Activity at loan and deposit windows of commercial banks, after hitting peak volume at year-end, slackened in early 1964. The construction sector continued to be ebullient, but total nonfarm employment changed little. In spite of freezing temperatures and snow, the farm sector showed sustained strength. The volume of state and local government securities issues in 1963 was well above the year-ago total.

Following the significant advance registered in December, department store sales remained virtually unchanged in early January. The final tally for December indicates sales broke all previous records and lifted fourth quarter volume out of the doldrums that had characterized the early fall period. Bank debits, a measure of checkbook spending, also rose slightly during December after two months of virtual stability. Total consumer instalment credit outstanding at commercial banks in December was the largest addition to outstanding debt since June.

Banking activity reached peak levels at year-end but has slackened somewhat recently. Sparked by gains in Georgia and Tennessee, total loans outstanding at District banks advanced in December for the fourth consecutive month. Deposit increases were registered by member banks in all District states in December. Credit at banks in leading cities contracted somewhat in January, reflecting decreases in both loans and investments. Accompanying the credit contraction were reductions in both member bank reserves and total deposits. Although some contraction in bank credit is not unusual for January, this change seems to be slightly more pronounced than those of other recovery years.

Total nonfarm employment, although edging down slightly during December, remained at a high level. Nonagricultural employment fell slightly; Florida experienced the largest drop, while only small changes occurred in other District states. Manufacturing employment edged up, as sizable gains concentrated in transportation equipment, paper, and food processing outweighed losses in primary metals and chemicals. Manufacturing payrolls were down somewhat even though average weekly hours remained steady. Gains in construction employment in Georgia, Louisiana, and Tennessee more than compensated for a large decline in Mississippi, thus causing the District to show an overall gain in this category. Insured unemployment, although inching up in December, remained at a low level.

Farm operations were disrupted by unusually cold weather. Winter penetrated deeply into this region in January, with cold and snows slowing general farm activity and hampering livestock and poultry farm operations. Overall, cash receipts from farm marketings are receding only moderately.

The market for securities issued by state and local governments remained active. Although the volume of these securities issued during 1963 declined from the third to fourth quarters, the total volume rose about 10 percent in 1963 over the year-ago total. The greatest increases occurred in Louisiana and Tennessee. Among other developments in 1963 were a considerable gain in refunding issues and a noticeable drop in bonds sold for the purpose of encouraging industrial development.

NOTE: Data on which statements are based have been adjusted whenever possible to eliminate seasonal influences.