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From Panic to Prosperity

The South's Economy and the Federal Reserve

The opening of the Federal Reserve Bank of Atlanta on November 16, 1914, unlike the inauguration of most other banking ventures at that time, was attended by a great deal of publicity, both in Atlanta and throughout the region. This institution, representing an entirely new concept of banking in the United States, brought new hope to southern farmers, businessmen, and bankers who suffered from the frequent financial panics that had become characteristic of the American economy.

Recurring Panics Gripped the Nation

The success or failure of a bank in rural Alabama in the opening years of the twentieth century might very well have depended upon what the citizens of New York thought of a copper mine in Montana. Such a relationship may seem a bit far-fetched in the present era in which few banks fail and usually those that do are the victims of poor management or drastic changes in local economic conditions. Back in the 1800's and in the early years of this century, however, large numbers of banks might suspend operations at one time, often as the result of events hundreds of miles away and completely beyond local control.

The nature of the American financial system as it had evolved under the National Banking Act of 1864 was largely responsible for these conditions. The Act required all Federally chartered country banks to maintain a 15-percent cash reserve against deposits, but it permitted them to keep up to three-fifths of this amount at banks in certain designated reserve cities. Banks located in the forty-seven reserve cities had to keep a 25-percent cash reserve, half of which could be deposited in banks in the three central reserve cities. Most state banking laws also permitted state chartered banks to keep some portion of their reserves in large city banks. As financial resources became more and more concentrated, the proportion of business transactions that took place in these cities increased substantially. Accordingly, banks throughout the country found it necessary to keep more of their deposits as reserves in the large city banks to accommodate the needs of their customers who dealt with businesses in these cities. By 1907, half the reserves of national banks were deposited in reserve city banks, and almost one-third of this amount was held by New York City banks alone. This arrangement was profitable for the country banks, for it allowed them to discharge a large portion of their check clearing obligations without frequent, costly currency shipments; at the same time, it satisfied part of their reserve requirements. The reserve city banks also gained, for they were provided with additional funds with which to make loans and investments.

Such a system was also a source of trouble. The southern banks, for example, had widely fluctuating currency needs, depending largely upon the time of year in which crops were planted, harvested, and marketed. Thus, each fall they would draw down their balances at the northern reserve city banks to help finance the cotton crop, forcing

Then . . .

The Federal Reserve Bank of Atlanta was the smallest of the twelve regional reserve banks opened in the fall of 1914. On December 31 of that year, it held the following proportions of the Federal Reserve System's assets and liabilities:

1.4% of the gold.

2.1% of total cash assets.

2.4% of the reserves of member banks.

11.5% of the Federal Reserve notes issued.

2.7% of total resources.

At the same time, the national banks in the six states served by the Atlanta Reserve Bank accounted for:

4.1% of the loans and

3.3% of the deposits of all national banks.

The Federal Reserve Bank of Atlanta opened in offices on the second floor of this building, the largest in the South in 1914.

those banks to liquidate some of their earning assets. In addition to these seasonal drains, any event that affected the confidence of a number of people could cause a run on banks in various parts of the country, which would quickly lead to withdrawals from the central reserve city banks. The latter then might be forced to suspend currency payments to maintain their own cash reserves. The resulting withdrawal of currency from circulation could bring a halt to trade and a general economic breakdown. Recurring crises or panics of this nature became a characteristic feature of the American scene. Especially sharp contractions occurred in 1873, 1884, 1893, and 1907.

The 1907 panic is particularly interesting because it occurred in the midst of a period of relative prosperity, thus illustrating the vulnerability of the banking system and the entire economy to what would today appear to be a very minor disturbance. The New York banks held cash reserves well above the minimum required by law, although somewhat below the level proved to be necessary in times of crisis. At the same time, however, they had become reserve depositories for many state banks and trust companies, both of which maintained cash reserves below what was considered a prudent level. Thus, the cash needs of the reserve city banks were substantially greater than they had been in the past.

The events leading to the crisis were certainly insignificant enough. A brother of two men involved in speculation in Montana copper properties became president of a small New York bank. Many depositors withdrew their funds from the bank, forcing it to reorganize under new management. Meanwhile, the activities of one of the bank's directors, who also had interests in a number of other banks, came under suspicion. The banks in his chain suffered heavy deposit withdrawals, as did a large trust company whose president was an associate of the man in question. The New York Clearing House failed to come to the aid of any of the state chartered associations involved, and the crisis quickly spread throughout the country as depositors became frightened and country bankers no longer felt that their funds were safe in the New York banks. Currency payments were halted at most major clearing houses, and bank holidays were declared in several states. In Atlanta, for example, the clearing house issued loan certificates in lieu of cash from October 31, 1907, to January 16, 1908, and the banks limited cash withdrawals of customers to $100 a week.

Factors other than the concentration of bank reserves contributed to this crisis, as well as others, of course. The majority of the banks were too small to provide the sole source of income for management, and officers and directors usually had other interests. At times, these activities interfered with the normal operations of some of the banks and, occasionally, these banks would be called on to finance questionable ventures of their owners. Recurring failures brought on by injudicious management and currency crises resulted in a general lack of public confidence in the banking system.

The crisis of 1907, which probably could have been averted with a little cooperation among bankers, intensified an already vocal demand for reform. Congress launched a five-year study of the entire banking system

that culminated in the passage of the Federal Reserve Act in late 1913. Among other things, this legislation provided for a regional pooling of bank reserves at designated Federal Reserve cities, as well as inter-regional flows of such reserves. Under the then existing system, the cash resources of the reserve city banks had proved inadequate in times of crisis since they had to provide for their own liquidity. One of the purposes of the new Reserve System, therefore, was to provide a last resort source of funds for individual banks in times of special need. At the same time, the Act permitted the nation's currency to fluctuate with the normal seasonal needs of business throughout the country. Removing the need to depend upon the great financial centers, it was hoped, would lead to a more balanced development of the entire United States.

Several southern cities competed vigorously for the regional bank, and the Federal Reserve Organizational Committee held meetings and hearings in a number of them. Atlanta was finally chosen as the site of the Federal Reserve Bank for the deep South because of its central location, superior transportation facilities, and its position as regional headquarters for many national concerns. Atlantans, of course, were pleased to obtain the Bank, but the entire region expected to profit from the facilities provided by the institution. The six states that were located entirely or partly in the newly created Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—constituted one of the most economically backward areas of the United States. An arrangement that promised to provide an elastic currency and, at the same time, free funds for investment was bound to be of tremendous benefit.

The South Was Underdeveloped

What was this part of the South like fifty years ago? First and foremost, a major part of the population lived on farms and in small towns. Despite a 50-percent increase during the previous decade in the number of those living in towns with over 2,500 people, only 20 percent of the population was classified as urban in 1910, compared with a 50-percent ratio for the rest of the nation. New Orleans, with a third of a million people, was by far the largest city in the six-state area. Atlanta, Memphis, and Birmingham all had less than half as many people as New Orleans, and Nashville, the only other large city, was about a third as big. Key West was the only city with over 6,000 people south of Tampa.

The population, then, was widely scattered. Social and economic activity was centered in the 495 county seats, each of which contained an average population of a little over twenty thousand. Although the area was served by a good network of railroads, communication between these towns was limited. There were thirty-four telephones for each thousand inhabitants—about one-third the national average—and these were installed only in the larger towns. Residents of the six states had fifty-two thousand registered motor vehicles, but most of them had no place to go. Improved roads were a thing of the future, and total state expenditures for roads in the region were less than $400,000 in 1914. Lack of good communications

. . . Now

By 1964, the Federal Reserve Bank of Atlanta was the sixth largest in the System. On June 30, its holdings of the Federal Reserve System's assets and liabilities had changed to the following proportions:

5.6% of the gold certificates.

5.4% of U. S. Government securities.

5.4% of member bank reserve accounts.

5.7% of the outstanding Federal Reserve notes.

5.9% of total resources.

At the same time, member banks in the six District states accounted for:

5.9% of the loans and

6.5% of the deposits of all member banks.

In 1964, the Bank moved into its new quarters, which occupy almost an entire block in downtown Atlanta.

Then . . .

When the Federal Reserve Bank of Atlanta opened in 1914, the six-state region it served contained the following proportions of the economic assets and liabilities of the United States:

12.1% of total population.
5.3% of the city dwellers.
14.1% of school-age population, but only
11.9% of those attending school, and
30.5% of the nation's illiterates.
31.6% of the persons employed on farms, who worked on
19.6% of the farms, which accounted for only
5.9% of the value of farm lands and equipment,
13.7% of the value of crops produced,
3.7% of the receipts from sales of animals, and
3.2% of the value of livestock products.
7.5% of the nation's manufacturing establishments.
6.6% of the factory workers, who earned
4.8% of wages and created
4.7% of the value added by manufacture.

Courtesy of Atlanta Historical Society.

The South was predominantly rural, and most of the cities looked more like overgrown towns than future metropolitan centers.

facilities, both a cause and effect of low incomes, precluded cooperative effort to hasten economic development. It also prevented the quick and accurate transmission of information necessary for the smooth functioning of the economy.

The location of the population was reflected in the occupational structure of the six-state area. Out of a work force of almost five million people, over 60 percent were engaged directly in farming and forestry, while less than 13 percent worked in factories. This contrasted sharply with the remainder of the nation, where each of these categories employed about 30 percent of the labor force.

The region's farms, which provided the major source of income in each of the six states, were, on an average, much poorer than those in the rest of the country. The typical farm property, including land, buildings, machinery, and livestock, was worth less than $2,000 in 1909, or about one-fourth that of the rest of the nation and one-third of the value achieved in this area in 1860. The receipts from the sale of animals and livestock products plus the value of all crops produced averaged $670 per farm, compared with $1,370 in the remaining states. Such sharp differences resulted from a number of factors: The farms in this area were about 60 percent as large as those in the rest of the nation; a smaller proportion of the land on each farm was improved; less of the improved land was planted in crops; and the income from sales of animals and livestock products was only a small portion of the total, while it amounted to half the value of crops in the rest of the country.

The plight of the factory worker in the deep South was probably no better than that of his agrarian cousins. Most production workers averaged close to sixty hours a week on the job, or five to ten hours longer than workers in the North and West. Despite more time spent at work, however, the typical southern wage earner made only $380 per year, compared with $530 elsewhere in the nation. The value of the products he turned out was less than two-thirds that of the remainder of the country. Children constituted a larger part of the work force and women a smaller proportion than in other parts of the United States.

This part of the South, then, found itself in a sort of vicious circle of underdevelopment. Incomes were low; consequently, savings were low. The highly seasonal nature of production meant that funds needed for investment had to remain idle to accommodate currency needs in the fall and spring, while the low market potential and the lack of an educated labor force in the region discouraged the inflow of funds from other areas.

Such were the broad economic characteristics of the states to be served by the new Federal Reserve Bank of Atlanta. During the summer of 1914, some of the more undesirable aspects of these qualities were brought to the fore. Over six and a half million bales of cotton had been produced in the six-state region, a substantial increase over 1913's yield, which was a near record. At the same time, war had broken out in Europe, the cotton industry's principal market, and naval blockades halted shipments to many countries. The fiber began to pile up,

and the price dropped steadily from around thirteen cents to a little over five cents a pound. Farmers were unable to repay their bank loans, bankers were unable to obtain funds to finance other business, and trade in general was paralyzed.

Federal Reserve Promised Relief

The cotton crisis was one of the reasons the Federal Reserve Board decided to open the regional banks in late 1914, rather than at a later date as was originally intended. The Board was instrumental in the creation and successful implementation of the cotton loan fund, whereby banks in New York and other clearing house cities outside the cotton-producing areas pledged $100 million for long-term loans on cotton. This action, coupled with the opening of the Federal Reserve Banks, which released millions of dollars worth of reserves to back up new short-term loans, went a long way toward restoring confidence and averting a more serious crisis.

The apparent need for a Federal Reserve Bank in the South was illustrated quite vividly during the Bank's first year of operation. In the thirteen and one-half months ending on December 31, 1915, the Federal Reserve Bank of Atlanta, which held less than 3 percent of the resources of the entire System, discounted over $35 million worth of commercial paper for member banks, or almost 20 percent of the total for all Federal Reserve Banks. As many as half the member banks were accommodated at one time. And, as early as October 1915, the Atlanta Bank was able to report in the *Federal Reserve Bulletin* that:

> The bright outlook in the cotton market, marked by the rapid and continued advance in the price of cotton, is the most important factor in the business situation in the Sixth District. The knowledge that the Federal Reserve System is now thoroughly organized and in position to render efficient aid to the agricultural, commercial and industrial life of this section has had a marked effect in restoring confidence.

The Federal Reserve System, the Federal Reserve Bank of Atlanta, and the region that it serves have undergone important changes during the past fifty years. The original assumption underlying the rediscount mechanism, that credit flows would be automatically regulated by prices and international gold movements, was abandoned in the light of experience. The Reserve System thus moved from a position of passively rediscounting commercial paper to one of actively striving through open market operations and other techniques to influence the volume of available credit. In addition to its original goal of providing an elastic currency, the System has also sought to provide a financial climate conducive to prosperity and high employment of the nation's resources. At the same time, its original function as a lender of last resort in times of great need remains intact, although it is seldom called upon for this purpose.

As the functions of the Reserve System changed and its duties expanded, the Federal Reserve Bank of Atlanta increased its range of responsibility. Branches were established in New Orleans in 1915, in Jacksonville and Birmingham in 1918, and in Nashville in 1919. From a

. . . Now

Fifty years later, the states in this region had increased their share of almost all the important economic variables:

11.8% of total population.
9.9% of the urban population.
12.7% of the school-age population.
12.3% of those attending school.
16.2% of the nation's farm employment.
17.2% of the farms, which accounted for
8.7% of the value of land and buildings.
10.2% of the value of farm products.
8.7% of the manufacturing establishments.
8.6% of the production workers, who earned
6.8% of factory wages and created
7.0% of the value added by manufacture.

Courtesy of Atlanta Chamber of Commerce.

Skyscrapers dot the southern landscape in 1964, as an increasingly greater part of the population is drawn to the economic opportunities provided by the urban centers.

single office employing fourteen persons primarily concerned with rediscounting the commercial paper of member banks, the Atlanta Bank has grown to a five-office operation with over 1,350 employees engaged in check clearing, maintaining U. S. Treasury accounts, issuing and redeeming U. S. Government securities, bank supervision and examination, economic research, supplying currency and coin, and many other tasks that contribute to the smooth functioning of the region's economy. The operations of this and the eleven other Federal Reserve Banks and the safeguards inherent in the decentralized process of monetary policy formulation have justified the controversial concept of a regional central reserve banking system.

The six-state area served by the Federal Reserve Bank of Atlanta has not yet achieved a level of income equal to the average of the rest of the nation. In 1914, the gap was widening, and the prospects for future growth appeared to be quite dim. In 1964, however, the differences were narrowing, and the region was recognized as one of the major growth areas in the United States. Many factors have been responsible for these changes, but it is doubtful that they would have occurred in the absence of the monetary stability provided by the Federal Reserve System.

ROBERT M. YOUNG

Bank Announcements

On October 8, the FIRST STATE BANK OF STOCKBRIDGE, *Stockbridge, Georgia, a newly organized nonmember bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are J. T. Mays, President; Virlyn Slaton, Chairman of the Board; and Paul B. Christenbury, Executive Vice President and Cashier. Capital is $100,000, and surplus and undivided profits, $100,000.*

The BALDWIN NATIONAL BANK OF ROBERTSDALE, *Robertsdale, Alabama, a conversion of the Central Baldwin Bank, a nonmember State bank, opened for business on October 13 as a national bank. Officers include M. W. Baldwin, President; Robert I. Gulledge, Executive Vice President; James W. Cooper, Vice President and Cashier; and T. W. Mitchell, Vice President. Capital is $100,000, and surplus and undivided profits, $297,916, as reported by the Comptroller of Currency at the time of the conversion.*

On October 26, the UNITED NATIONAL BANK, *Miami, Florida, a newly organized member bank, opened for business and began to remit at par. Officers are Frank Smathers, Jr., President; Frank E. Peuser, Senior Vice President; Robert Van Westerborg, Vice President and Cashier; Herbert H. Hellmann, Vice President; and Dennis P. Clum, Vice President and Trust Officer. Capital is $2,000,000, and surplus and other capital funds, $1,000,000, as reported by the Comptroller of Currency at the time the charter was granted.*

The PEOPLES NATIONAL BANK OF BAY HARBOR ISLANDS, *Bay Harbor Islands, Florida, a newly organized member bank, opened for business on October 28 and began to remit at par. Officers include Leonard Usina, Chairman of the Board; Frank H. Willer, Vice Chairman; Morris N. Broad, President; Carl E. Bowdre, Executive Vice President; and Roland M. Stafford, Vice President and Cashier. Capital is $260,000, and surplus and other capital funds, $160,000, as reported by the Comptroller of Currency at the time the charter was granted.*

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	Sept. 1964	Aug. 1964	Sept. 1963	Percent Change: Sept. 1964 from Aug. 1964	Sept. 1963	Year-to-date 9 Months 1964 from 1963
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,171,211	1,156,865	1,009,280	+1	+16	+11
Gadsden	57,460	58,615	52,032	—2	+10	+10
Huntsville	150,966	140,020	128,221	+8	+18	+20
Mobile	395,025	382,801	365,002	+3	+8	+8
Montgomery	256,148	257,416	226,733	—1	+13	+6
Tuscaloosa	76,359	70,256	66,051	+9	+16	+9
Ft. Lauderdale-Hollywood	372,235	344,432	326,393	+8	+14	+12
Jacksonville	1,091,668	1,110,151	995,542	—2	+10	+14
Miami	1,561,667	1,412,151	1,383,282	+11	+13	+7
Orlando	395,235	404,379	380,747	—2	+4	+10
Pensacola	162,893	152,815	129,015	+7	+26	+14
Tampa-St. Petersburg	966,134	919,406	860,206	+5	+12	+9
W. Palm Beach	265,979	250,866	241,391	+6	+10	+10
Albany	80,230	64,478	66,512	+24	+21	+11
Atlanta	3,499,002	3,271,513	3,209,169	+7	+9	+6
Augusta*	155,258	163,019	139,571	—5	+11	+9
Columbus	191,284	182,961	155,202	+5	+23	+19
Macon	181,296	170,180r	163,532	+7	+11	+9
Savannah	204,922	200,493	191,402	+2	+7	+10
Baton Rouge	371,512	349,877	342,097	+6	+9	+6
Lafayette	82,898	84,050	72,557	—1	+14	+9
Lake Charles	97,143	89,370	93,689	+9	+4	+3
New Orleans	1,873,596	1,754,823	1,587,034	+7	+18	+11
Jackson	448,330	426,483	398,105	+5	+13	+12
Chattanooga	425,798	408,006	388,560	+4	+10	+9
Knoxville	362,027	356,719	345,950	+2	+5	+7
Nashville	1,085,339	1,060,660	1,028,540	+2	+6	+12
OTHER CENTERS						
Anniston	53,606	49,799	49,099	+8	+9	+6
Dothan	52,255	43,888	48,698	+19	+7	+7
Selma	37,096	31,946	34,551	+16	+7	+12
Bartow	25,183	20,993	20,554	+20	+23	+13
Bradenton	40,650	40,398	39,962	+1	+2	+4
Brevard County	148,519	152,193	133,391	—2	+11	+26
Daytona Beach	63,232	65,952	67,149	—4	—6	+6
Ft. Myers-N. Ft. Myers	52,116	48,999	48,599	+6	+7	+7
Gainesville	65,130	59,958	56,710	+9	+15	+14
Key West	18,042	17,829	16,601	+1	+9	+10
Lakeland	90,724	81,340	78,628	+12	+15	+5
Ocala	42,905	41,433	39,904	+4	+8	+5
St. Augustine	14,750	15,590	14,360	—5	+3	+4
St. Petersburg	233,460	222,870	210.068	+5	+11	+8
Sarasota	73,477	69,046	72,883	+6	+1	+4
Tallahassee	87,977	88,466	76,136	—1	+16	+12
Tampa	506,533	489,604	452,402	+3	+12	+9
Winter Haven	44,164	43,556	41,534	+1	+6	+14
Athens	53,776	51,234	46,122	+5	+17	+11
Brunswick	37,183	36,908	32,918	+1	+13	+9
Dalton	79,472	71,323	71,629	+11	+11	+20
Elberton	11,934	10,567	9,613	+13	+24	+12
Gainesville	61,617	60,761	56,577	+1	+9	+7
Griffin	26,727	25,112	23,437	+6	+14	+10
LaGrange	18,547	17,615	16,542	+5	+12	+12
Newnan	25,913	23,050	20,374	+12	+27	+10
Rome	57,555	55,079	55,560	+4	+4	+11
Valdosta	43,090	47,543	37,349	—9	+15	+12
Abbeville	10,779	7,560	9,110	+43	+18	+7
Alexandria	96,524	97,894	84,587	—1	+14	+11
Bunkie	5,273	4,535	5,287	+16	—0	+2
Hammond	28,128	25,314	22,590	+11	+25	+9
New Iberia	28,918	27,148	26,734	+7	+8	+17
Plaquemine	7,399	7,853	6,831	—6	+8	+15
Thibodaux	17,484	15,730	20,947	+11	—17	+9
Biloxi-Gulfport	70,707	70,593	70,402	+0	+0	+5
Hattiesburg	41,268	41,955	39,555	—2	+4	+6
Laurel	30,747	31,089	29,775	—1	+3	+8
Meridian	53,416	53,456	53,039	—0	+1	+3
Natchez	31,217	29,216	27,850	+7	+12	+11
Pascagoula-Moss Point	39,054	46,675	38,369	—16	+2	+10
Vicksburg	31,433	30,365	27,526	+4	+14	+13
Yazoo City	20,228	43,612	19,030	—54	+6	+12
Bristol	56,807	53,801	53,657	+6	+6	—1
Johnson City	59,681	56,195	51,033	+6	+17	+13
Kingsport	106,753	105,530	96,916	+1	+10	+13
SIXTH DISTRICT, Total	22,556,984	21,578,547r	20,482,015	+5	+10	+9
Alabama†	3.165.144	3,081,932	2,752,301	+3	+15	+11
Florida†	6,559,777	6,265,308	5,981,904	+5	+10	+9
Georgia†	5,788,547	5,440,364r	5 300 606	+6	+9	+7
Louisiana†**	3,193,732	3,007,281	2,772,594	+6	+15	+10
Mississippi†**	1,037,418	1,047,897	949,256	—1	+9	+10
Tennessee†**	2,812,366	2,735,765	2,725,354	+3	+3	+9
U.S., 344 Cities	340,900,000	319,400,000r	310,400,000	+7	+10	+11

*Richmond County only. **Includes only banks in the Sixth District portion of the state.
†Partially estimated. r Revised.

Sixth District Statistics

Seasonally Adjusted

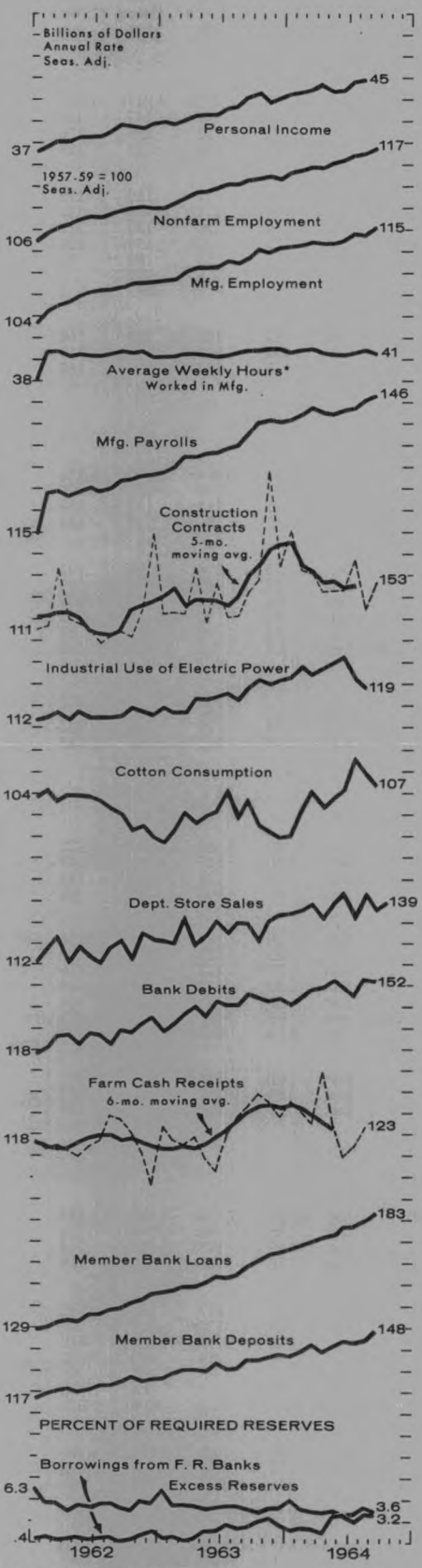
(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

	Latest Month (1964)		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	44,745	44,620r	43,537r	41,750
Manufacturing Payrolls	Sept.	146	146r	144	138
Farm Cash Receipts	Aug.	123	115	110	128
Crops	Aug.	141	99	101	144
Livestock	Aug.	115	121	113	117
Department Store Sales*/**	Oct.	139p	136	143	121
Instalment Credit at Banks, *(Mil. $)					
New Loans	Sept.	178	174	191	163
Repayments	Sept.	183	190	183	173
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	117	116	116	113
Manufacturing	Sept.	115	114	114	112
Apparel	Sept.	136	136	136	132
Chemicals	Sept.	112	111	112	109
Fabricated Metals	Sept.	123	120	120	115
Food	Sept.	108	107	106	106
Lbr., Wood Prod., Furn. & Fix.	Sept.	93	92	94	93
Paper	Sept.	111	109	110	108
Primary Metals	Sept.	105	103	103	102
Textiles	Sept.	95	95	96	94
Transportation Equipment	Sept.	131	121	126	121
Nonmanufacturing	Sept.	117	117	117	114
Construction	Sept.	107	107	107	101
Farm Employment	Sept.	75	78	85	85
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.8	2.9	2.9	3.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	40.6	41.1	40.7	41.1
Construction Contracts*	Sept.	153	129	174	145
Residential	Sept.	146	145	173	145
All Other	Sept.	160	116	174	144
Industrial Use of Electric Power	Aug.	119	121	126	116
Cotton Consumption**	Sept.	107	110	113	103
Petrol. Prod. in Coastal La. and Miss.**	Sept.	180	174	170r	163
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Sept.	183	180	177	158
Leading Cities	Oct.	170	170	166	154
Member Bank Deposits*					
All Banks	Sept.	148	144	143	135
Leading Cities	Oct.	136	140	136	125
Bank Debits*/**	Sept.	152	153r	145	146
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	6,050	6,090r	5,968r	5,747
Manufacturing Payrolls	Sept.	135	133r	129	126
Farm Cash Receipts	Aug.	120	132	119	133
Department Store Sales**	Sept.	109	118	111	103
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	109	109	109	107
Manufacturing	Sept.	105	104	105	102
Nonmanufacturing	Sept.	111	111	111	109
Construction	Sept.	101	102	102	100
Farm Employment	Sept.	74	69	83	82
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2 8	3.0	3.1	4.1
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	41.2	41.5	40.2	40.8
FINANCE AND BANKING					
Member Bank Loans	Sept.	180	176	173	157
Member Bank Deposits	Sept.	149	145	144	134
Bank Debits**	Sept.	150	158	141	138
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	13,196	13,104r	12,525r	12,080
Manufacturing Payrolls	Sept.	168	176	172	165
Farm Cash Receipts	Aug.	122	113	79	118
Department Store Sales**	Sept.	175	179	170	166
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	127	127	126	122
Manufacturing	Sept.	130	130	130	126
Nonmanufacturing	Sept.	127	126	125	121
Construction	Sept.	99	98	98	92
Farm Employment	Sept.	91	82	94	98
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.6	2.5	2.6	2.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	40.3	41.7	41.5	41.7
FINANCE AND BANKING					
Member Bank Loans	Sept.	189	183	183	157
Member Bank Deposits	Sept.	149	146	144	138
Bank Debits**	Sept.	148	149	143	143

	Latest Month (1964)		One Month Ago	Two Months Ago	One Year Ago
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	8,398	8,347r	8,217r	7,956
Manufacturing Payrolls	Sept.	147	142r	143	136
Farm Cash Receipts	Aug.	131	102	116	126
Department Store Sales**	Sept.	130	139	123	125
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	118	117	118	115
Manufacturing	Sept.	114	111	113	110
Nonmanufacturing	Sept.	120	120	120	117
Construction	Sept.	126	129r	130	121
Farm Employment	Sept.	75	83	88	96
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	2.4	2.6	2.2	3.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	40.1	40.8r	40.3	40.0
FINANCE AND BANKING					
Member Bank Loans	Sept.	183	183	182	164
Member Bank Deposits	Sept.	154	148	149	137
Bank Debits**	Sept.	165	163	159r	160
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	6,529	6,474r	6,375r	6,156
Manufacturing Payrolls	Sept.	133	129	127	125
Farm Cash Receipts	Aug.	131	113	110	158
Department Store Sales*/**	Sept.	115	125	118	112
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	105	104	104	103
Manufacturing	Sept.	102	101r	100	99
Nonmanufacturing	Sept.	106	105	105	104
Construction	Sept.	90	90	89	83
Farm Employment	Sept.	80	89	88	81
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	3.0	3.3	3.4	3.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	42.1	41.7	41.4	42.9
FINANCE AND BANKING					
Member Bank Loans*	Sept.	167	162	164	145
Member Bank Deposits*	Sept.	134	129	127	122
Bank Debits*/**	Sept.	139	141	133	127
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	3,346	3,369r	3,372r	3,122
Manufacturing Payrolls	Sept.	156	157	156	147
Farm Cash Receipts	Aug.	124	121	131	132
Department Store Sales*/**	Sept.	96	108	93	96
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	119	119	118	116
Manufacturing	Sept.	123	123	122	118
Nonmanufacturing	Sept.	117	117	117	116
Construction	Sept.	123	120	117	119
Farm Employment	Sept.	61	67	80	66
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	3.3	3.4	3.4	4.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	40.5	40.3r	40.8	40.8
FINANCE AND BANKING					
Member Bank Loans*	Sept.	202	198	190	177
Member Bank Deposits*	Sept.	159	156	157	147
Bank Debits*/**	Sept.	159	166	147	154
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Aug.	7,226	7,236r	7,080r	6,689
Manufacturing Payrolls	Sept.	146	146r	144	138
Farm Cash Receipts	Aug.	109	113	112	114
Department Store Sales*/**	Sept.	118	122	110	115
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Sept.	117	117	117	113
Manufacturing	Sept.	119	120r	119	116
Nonmanufacturing	Sept.	116	115r	116	111
Construction	Sept.	139	139	140	130
Farm Employment	Sept.	80	83	86	93
Insured Unemployment, (Percent of Cov. Emp.)	Sept.	3.2	3.3	3.4	4.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Sept.	40.5	40.7r	40.8	41.3
FINANCE AND BANKING					
Member Bank Loans*	Sept.	187	185	174	161
Member Bank Deposits*	Sept.	152	148	142	135
Bank Debits*/**	Sept.	156	152	145	160

*For Sixth District area only. Other totals for entire six states. **Daily average basis. r Revised. p Preliminary.
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; industrial use of elec. power, 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. figure; not an index.

The District economy is still breezing along. Although harvesting activity has been hindered in some areas by hurricanes, the agricultural sector is generally healthy. The number of nonfarm jobs continues to increase, and insured unemployment is at a low level. Member bank deposits and loans expanded further, and the consumer is repaying his bank instalment debts faster than he is acquiring new ones. The construction industry is continuing to benefit from the vigorous growth of population and industry.

Harvesting operations were hampered by hurricanes Hilda and Isbell and by the above-average rainfall and below-average temperatures that prevailed throughout the District. Although Hilda caused widespread damage to the Louisiana sugarcane crop, losses will not be as high as preliminary reports indicated. Damage from Isbell was largely confined to the Everglades vegetable-producing area of Florida. While cool, damp weather in many areas has delayed maturity and caused a deterioration in the quality of some crops, total production of most crops will remain near or above last year's level. However, prices received by farmers for crops and livestock remain well below those of a year ago.

Additional nonmanufacturing jobs continued to boost total nonagricultural employment in all District states in September. Losses in manufacturing curbed this gain in Florida and Tennessee, however. Manufacturing payrolls were also down in these states, as well as in Mississippi. The factory workweek was shorter in all states except Louisiana and Mississippi. Primary and fabricated metal activity has been strong, and transportation equipment employment rebounded strongly from the auto model changeover (the effect of the strike at assembly plants will show up in the October data). Insured unemployment reached its lowest level since January 1948.

Member banks registered substantial gains in both loans and deposits during September. Paced by an upturn in private demand deposits, total deposits rose at a greater rate than in any previous month during the present expansion. Lending activity was brisker than at any time since last spring, with security loans and loans to nonbank financial institutions especially strong. Investments rose slightly but fell short of the June record. Reports from banks in leading cities indicate that loans continued to increase through mid-October, while deposits and investments declined slightly.

Consumer instalment credit outstanding at commercial banks declined in September for the second straight month. New extensions recently have been running at about the average rate for the year to date, but repayments in July, August, and September were well above those earlier in the year. Consumers continued to add to their savings in September, although at a slower rate than in earlier months. Personal income rose slightly in August, the latest month for which data are available. Department store sales, usually erratic, were down sharply in September but appear to be regaining ground in October. Bank debits also slipped a bit in September from the record August level.

Total volume of construction contract awards in September recovered substantially from the low mark of August. Residential awards, the most stable component of the total, continued their gradual readjustment to more realistic rates of growth following the sharp bulge at the beginning of the year. While fourth-quarter gains comparable to last year's steep climb may be difficult to achieve, prospects appear good for continued high volume. Heavy backlogs of projects in the planning stage, an uptrend in nonresidential building awards, and a strong demand for mortgages in the national market underlie the good construction outlook for the District.

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