

# MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

# Our Greatest Economic Problem

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At this time of the year, a lot of us like to look back and measure what we have accomplished. I could spend my allotted time, therefore, in pointing out to you what you already know. This nation achieved a great deal during 1968, and in some respects the future looks very bright. The nation's banks shared in this growth, with deposits and earnings up sharply. You recognize these gains. Instead of enlarging on our gains, I am going to spend my time telling you what we have lost. I am going to point out some of the losses we have suffered because the American people failed to halt the acceleration of inflation during 1968.

What have we lost because of inflation? I shall point out three types of losses although, of course, they do not cover everything.

1. We ended 1968 with our dollars—as measured by consumer prices—worth almost 5 percent less than they were a year earlier.
2. Partly because of inflationary developments, the United States has lost the major part of its favorable position in world trade.
3. Our greatest loss, I believe, is a change in emphasis in making judgments on spending and investing. Some of us have substituted planning for inflation for planning for production. The general public loses out in the process.

Let me touch briefly on each of these in turn.

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## Rising Prices

Not all of you may agree we have lost because of rising prices. I am sure that some businessmen are rather happy about their ability to charge their customers higher prices. This makes their financial statements look better, and corporations point to increased earnings per share. They may be especially happy if the prices of the goods they sell rise more than the prices of the goods and services they buy.

The point is, however, such persons will continue to be happy only if the prices of the things they sell or the prices of their services continue to go up more than the prices of the things they buy. Not all have been in that fortunate position; and as costs catch up, it is likely that fewer and fewer can retain this particular type of lead. It is more and more likely that the fruits of inflation will be concentrated into fewer and fewer hands.

We do not have to look very far to find many persons who lost through inflation in 1968. Consumers as a group found that during 1968 the major part of the growth in income was a phantom gain. In 1967, per capita disposable income—that is, the average income per person after Federal taxes—was \$2,744. During 1968, the average increased by \$184 to reach a total of \$2,928 per capita. The increase, measured in current dollars—that is, without any allowance for deterioration in purchasing power—was thus about

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\*An address before the 39th annual convention of the Independent Bankers' Association of America, March 17-19, 1969.

7 percent. But as the year went on, consumers found that these dollars were buying less and less. They may not have been acquainted with the statistics, but they knew by hard experience that this was so. Now the statisticians tell us that, when this \$184 gain is deflated for the increase in prices, the per capita gain in personal disposable income in 1968 was only 3 percent.

I suggest that those who believe everyone gains from inflation ought to read an article that appeared in the *Wall Street Journal* on February 17 reviewing various case studies gathered from throughout the nation. The article concludes that "inflation is shattering many Americans' complacent belief that every year they are living a little better than before." Instead, many will find experiences such as: less bowling, more overtime; no cookies for the kids; eating less than three meals a day; and cutting out pork and veal and substituting salads.

The uneven impact of inflation extends beyond those with relatively low incomes. For example, I talked with a businessman the other day who was on the board of trustees of a preparatory school. He was complaining that the funds that had been painfully accumulated over the years to build a badly needed building this year fell far short of the present cost because of rising prices. A city official who was attending the same meeting did not listen very carefully since he was so upset about the rising costs of government and capital improvements because of inflationary conditions. As bankers, you have heard many such complaints. Under inflation, the economy gets out of joint.

Bankers well know that the price of money, like the prices of goods and services, has gone up sharply. Yields on long-term Government securities are the highest since the Civil War. You are getting higher rates on your loans and investments, and these higher rates are showing up in higher earnings on your statements. Inflated expenses cut net profits, however. Moreover, the dollars banks have earned from higher interest rates have bought less. What is more, every fixed income asset on the bankers' books has decreased in market value as interest rates have risen—something that always happens during inflation.

It isn't too long before members of the general public who find their money buying less and less begin to wonder if it is worthwhile to save. When too many people do this, we shall find ourselves losing one of the chief forces responsible for this nation's economic growth and high productivity. This is so because the savings of the American people, the savings of consumers as well as busi-

nessmen, provide the capital investment funds required for economic growth.

## U.S. Foreign Trade

Our second loss during 1968 because of inflation was a deterioration of our competitive position in world trade.

Our total balance of payments for 1968 looks very good on the surface. During 1968, this nation achieved a balance of payments surplus for the first time since 1957. Our balance of payments, of course, includes financial transactions and other nontrade factors. I shall not go into the details of how this surplus was achieved, except to suggest that many of the forces that created last year's surplus may not be as strong this year. It was achieved by a substantial increase of financial flows into this country—partly as the result of the stock market boom, partly because of repatriation of corporate funds, and partly because of the success in curtailing lending abroad by U.S. banks.

The total conceals the serious deterioration in the trade surplus of the United States. In prior years, we were able to count on selling substantially more goods and services abroad than we imported. This favorable balance of trade helped carry the load of government expenditures abroad and drains through financial transactions. The United States was competitive in world markets during the early sixties largely because it was able to keep the prices of the things it sold relatively stable, whereas many of our foreign friends suffered internal inflation. We have lost this advantage.

The export surplus on a balance of payments basis in 1968—that is, the excess of the value of our goods and services exported over those imported—was more than \$3 billion less than in either 1966 or 1967. Rising prices here have made our exports less attractive to foreigners and have attracted more imports. Most experts see little hope for improving this situation very much until we bring our rising prices under control.

## Emphasis on Inflation

The shifting of emphasis toward inflationary considerations when making decisions to spend or invest, it seems to me, may turn out to be the greatest loss we have experienced because of inflation during 1968.

Traditionally, the American businessman analyzed economic opportunities on the basis of how well the enterprise would provide the services or produce the goods that would meet the demands of the public. Success or failure have typically

depended upon the astuteness of the businessman in discovering these opportunities and his efficiency in producing the goods or providing the services the public wants. His profits reflect how efficiently he has produced and how well he has met the demands of the public.

In contrast, in many countries of the world we have witnessed the process whereby decisions to invest or to launch enterprises have been based almost entirely upon inflationary considerations. Under those conditions, you don't choose your investments because they are most productive in meeting the demands of the public. You decide on the basis of what will benefit most or suffer least from inflation. Your profits, instead of measuring your efficiency, may reflect only inflation. In the short run, rising prices may cover up your mistakes. In the long run, the result is misdirected resources. Giving rewards to the inflation-minded destroys the very basis for the operations of a free enterprise system.

In reviewing some economic history recently, one of the things suggested was that economists in 1834 said that the man on the street—the consumer, the investor—was motivated by a feeling of fear when things were going down or at the bottom. But when they were going up—as prices are now—people were motivated by a feeling of greed. This feeling of greed can become a substitute for rational judgment. I am afraid that you and I simply have to say that a part of the American public today is being motivated by exactly that feeling. For example, in the stock market it is not looking at the current price-earnings ratio; it is not looking at the intrinsic value of some of the investments it has been making.

Moreover, I must say some of our friends in the banking business have also been motivated by the same feeling. Some of us in the Federal Reserve would like to see some bankers begin to say “No” to some of their loan applicants. We should like to see a little more of the consuming public have less of this psychological fear of inflation and make fewer decisions on what they think prices are going to be tomorrow or next month or in two months. I think the banking community is very much guilty today of continuing to act as though the feeling of greed of others, if not their own, is going to bail them out.

We are calling what is developing now “inflationary psychology.” Maybe we ought to call it “inflationary greed,” because it can destroy us.

### Who Is to Blame?

It is generally popular to blame rising prices on someone else. Four good targets are: labor,

which is accused of pushing up wages faster than productivity; business, which is often charged with being over-eager to raise prices in order to maintain profits; Government spending, which we all think should be reduced—except for the things we are interested in; and the Federal Reserve, whose monetary policies—some claim—have not been tight enough.

A case has been made to support each one of these charges. Labor costs have risen. Employers complain of low productivity. Average hourly earnings of manufacturing workers rose over 6 percent between the end of 1967 and the end of 1968. Some workers experienced greater gains, and some less. We shall have to admit, however, that inflation itself was a major spur to the push toward high wages, and we can hardly blame the average worker for trying to maintain his income in the face of rising prices.

On the other hand, the workers can point to higher corporate profits in 1968 than in 1967. Even after substantially higher taxes, corporate profits rose from \$48.1 billion in 1967 to \$51 billion in 1968. But would not some businessmen respond that this was only the normal growth required to maintain incentives?

It is, of course, true that Government spending has been high. The Federal deficit for fiscal 1968 reached \$25.2 billion and in the last half of calendar 1968 was \$10.3 billion. To finance this, the U. S. Treasury had to borrow \$21.4 billion from the public in fiscal 1968 and \$10.4 billion in the last half of 1968. This borrowing, on top of heavy demands for funds by the private sector, had a great deal to do with the high interest rates. Since a large part of the deficit was financed by additional bank credit, inflationary pressures were increased.

In early 1967, economic and financial experts pointed out that the nation was going to get into trouble if it did not increase taxes or reduce expenditures. We can't complain of a lack of warning. Congress was slow in enacting legislation. Finally, with pressures having been built up for so long, the surtax program that was finally put into effect in mid-1968 has been slow to take effect. Ultimately, it may help.

Before we condemn our senators and representatives in Congress for dilatory actions, let's ask ourselves if it might not be true that they were reflecting pretty well the sentiments of their constituents. Was it not possible that we, the people, hoped that by some magic we could get the Federal Government to cut expenditures for everything but those things we were interested in so that we would not have to pay more

taxes? How many of us wrote letters to our congressmen approving the closing down of a Federal facility or establishment in our area? On the other hand, many of us applauded our congressmen during 1967 and early 1968 if they announced that they would have nothing to do with a tax increase.

Another popular whipping boy is the Federal Reserve System. Critics can point out that in the first half of 1968 bank credit rose at what they considered an excessively high seasonally adjusted annual rate of 6.5 percent. After mid-year, the annual rate of growth was even higher—about 19 percent in July and August and 14 percent in September. By the end of the year, the rate had slowed down a bit. With prices rising so rapidly, critics ask, “Why did the Federal Reserve supply the reserves to the banking system that made this growth in bank credit possible?”

You will find that I am on record as having suggested during 1968 that I believed the bank credit growth was excessive. At the same time, I must point out that the Federal Reserve was caught in a trap that prevented it from exerting the pressures required to completely offset the effects of deficit Treasury financing. By itself, the Federal Reserve could not have held back the inflationary pressures completely without creating serious side effects.

You will recall that, because of the failure to take timely action in respect to fiscal policy, the Treasury was forced to borrow heavily during 1968, especially during the second half. Corporations and state and local governments were strongly competing for funds. Interest rates were high. How much higher they would have gone had not the Federal Reserve supplied some additional credit to the banking system, I do not know. An even greater and sudden increase in rates, however, might have been well-nigh disastrous, possibly including a failure in Treasury financing. Perhaps the Federal Reserve can be criticized for its policy judgments, but those who do so should remember the problem that was faced, who and what created the problem, and what might have been the consequences of a more restrictive policy posture.

In a democracy such as ours, responsibility for keeping our economic and financial affairs in order cannot be shifted to the shoulders of any one group. Neither can a democracy expect any agency it may set up, including a central bank

such as the Federal Reserve System, to successfully do the job unless there is widespread public support.

### Can We Control Inflation?

Professor Jacques Rueff, the French financial expert, has stated, according to Sidney Homer, that no democratic society can be expected to run its financial affairs successfully. “Is he right?” Homer asks. I should think that American economic and financial history has shown that a society such as ours can manage its financial affairs when it wants to. We have made mistakes; sometimes we have refused to face reality, we have refused to accept discipline, and some special interests have at times forgotten the public interest. But the record of our American society is far better than that of most of the nations of the world. When we have lapsed, we have eventually realized the disastrous consequences that could result unless we changed direction. We have then accepted collective responsibility and stopped trying to shift responsibility to others. Our political leaders, businessmen, and labor have responded by taking or supporting the needed steps to restore financial order.

Who was responsible? Was it labor? Was it business? Was it the Government? Was it the Federal Reserve? A little of each perhaps. But I am inclined to think we can place the blame on our own collective complacency—the failure of you and me and other Americans to accept the responsibility and to act.

Therefore, I am confident we can bring inflation under control. For one thing, more and more persons realize that, if the same inflationary conditions prevail in 1969 as in 1968, our losses from inflation can be compounded. They realize that they do not need to be, however. This realization, tardily perhaps, is getting our fiscal affairs in a more manageable state. With our fiscal affairs under better control, monetary policy may have more room to maneuver. There are signs here and there that the frantic pace of the economy is abating. If we have patience and determination, you and I can win the battle.

We cannot win it, though, if we are tempted by inflationary greed. We cannot win it unless we recognize the need for discipline. We *can* win the battle if you and I and other Americans support those whose job it is to administer the discipline.

# Bank Deposit Growth and Income Changes in the Southeast

It is a well-known fact that bank deposits in some areas of the South have increased more than in others. But why? Many of us have believed that the growth in deposits is generally associated with income changes. Therefore, we have assumed that areas with more rapid economic growth, measured by personal income, tended to have relatively higher deposit growth than areas where incomes grew more slowly.

Now, a statistical study recently completed by this Bank has provided some evidence to support our earlier impression: That over a long time span, higher rates of change in deposit levels in some areas are associated with higher changes in income. Year-to-year changes in commercial bank deposits and personal income in the Sixth District states<sup>1</sup> during the last 20 years were studied. We found that roughly half of the year-to-year changes in total deposits of each state could be explained by personal income changes in the same year. Thus, at the state level, growth in deposits was correlated with expansion in income. It follows that since income

growth has been more rapid in some states than in others, deposit growth has also been more rapid.

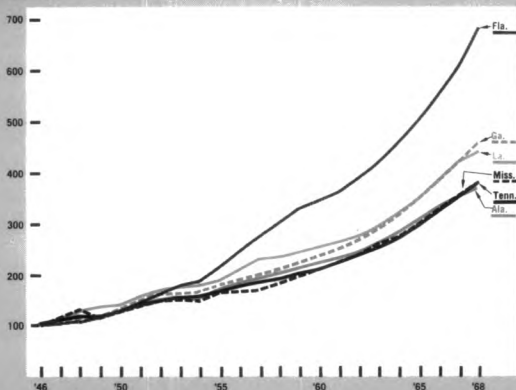
While we verified statistically, with respect to the Sixth District, that personal income changes have an impact on the growth in total bank deposits, it would be unwise to make too much of this relationship. We would not expect deposits and income in the nation to move uniformly up and down from year to year, since the level of deposits for the nation varies with the availability of bank reserves, the lending and investing activities of commercial banks, and the deposit mix between time and demand deposits—factors not always associated with income changes. Thus, an examination of the relationship between deposit and income changes for the nation shows that there have been several years when deposit changes varied considerably from what would be expected on the basis of the relationship between deposit and income changes for the entire 20-year period. That the years of marked divergence were, in many instances, the same in individual District states suggests that the same forces other than income influenced deposit changes there.

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<sup>1</sup>Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

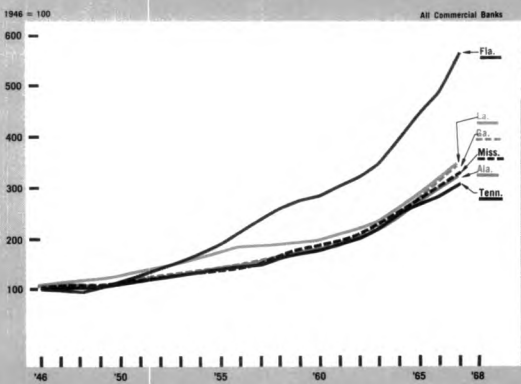
Among District states, Florida has led in rate of growth of total personal income since 1946; next and nip and tuck have been Georgia and Louisiana; while, again in tandem, Tennessee, Mississippi, and Alabama follow.

1946 = 100



Florida has also led in total bank deposit growth; Louisiana and Georgia were next in order, and were followed by Mississippi, Alabama, and Tennessee.

1946 = 100



Our evidence further suggests that, on the state level, there are factors relevant to deposit changes other than changes in personal income and the forces at work throughout the nation as a whole. Unfortunately, our statistical analysis does not tell us what these other influences are. Nonetheless, the structure and stability of each state's income base, its per capita income level, its degree of industrialization, and other economic forces determining its ability to retain and attract funds from other areas may well be of considerable importance. Under these circumstances, it is not surprising that for some states we observed that income changes have a relatively greater impact on deposits than they have in other states. Furthermore, we found that a dollar change in income, again at the state level, has had a relatively greater influence on time deposits than on demand deposits.

### Relationships Between States

**Florida** Not only has Florida ranked first in rate of personal income growth compared to other District states, but a dollar increase in income has had a greater dollar impact on total deposits than in any other District state.<sup>2</sup> Moreover, we found that a dollar change in income in Florida has had a relatively greater influence on time deposits than in the other states.

For years, Florida has had a reputation for

rapid growth. Her sunny beaches and warm weather, when much of the country is fighting blizzards and snowdrifts, have attracted ever-increasing numbers of money-spending vacationers and retirees. And, with the retired and funseekers flocking in, the opportunities for profitable investment by both local and national trade- and service-oriented businesses have abounded.

The installation of Government missile sites has given a different kind of boost to the state's economy. As well as creating new jobs, it has provided fertile grounds for the establishment of other defense-oriented industries, which in turn have led to the creation of more high-paying jobs. As the state's economy has expanded and income has grown, funds have flown in from outside the state, and bank deposits and other loanable funds to meet the growing credit demands have, of course, increased.

**Georgia** Atlanta, frequently called the financial center or hub of the South, has contributed a lot to the expansion of Georgia's economy—attracting people not only from other parts of the South but from all over the country. Substantial industrialization has taken place in Georgia.

Next to Florida, Georgia has moved forward more rapidly since World War II than any other District state, with the possible exception of Louisiana. And we have observed that a dollar increase in income has had a greater impact on deposits in Georgia than in any other state—except, of course, Florida.

<sup>2</sup>This is shown in the Notes on Regression at the end of this article.

Both states have been more successful than most in capitalizing on their available resources and in providing good economic opportunities which attract both financial and human resources. In addition, they have enjoyed a relatively more consistent pace of growth throughout the period. And expansion has not been centered in one sector, but has spread throughout their economies, creating a stabilizing effect on income.

**Louisiana** Louisiana has roughly matched Georgia in the percentage of total income gains since the end of World War II. However, the statistical relationship between income and deposit gains in Louisiana is different in at least one important respect: While movements in time deposits seemed related to personal income changes, the movements in demand deposits were not.

Louisiana's economy has a reputation for pursuing its own independent course and being somewhat prone to fluctuation. The crude oil industry generates a widespread impact on Louisiana's economy. Billions have been invested in offshore petroleum gathering and refining activities which are highly mechanized and require large amounts of capital. In addition, oil and gas have stimulated the development of a large petrochemical industry.

In comparison with Florida and Georgia, the expansion of Louisiana's economy has been less consistent and less stable, reflecting its dependence on the developments in relatively few key sectors. That changes in deposits and income in Louisiana should be less closely associated than in either Georgia or Florida seems consistent with the characteristics of Louisiana's past economic expansion.

**Alabama, Mississippi, and Tennessee** By no stretch of the imagination, can one characterize the economic expansion of Alabama, Mississippi, and Tennessee as having been slow. Yet compared to Florida, Georgia, and Louisiana, longer-run income gains in these three states have been somewhat less rapid. As shown in the charts, there is some similarity in the ranking of states in terms of total deposit growth and personal

income growth. Deposit gains in Tennessee and Alabama have been relatively less rapid than in Florida and Georgia. Further probing suggests that deposit growth in Alabama, Tennessee, and Mississippi has been less responsive to income changes than in Florida and Georgia (thus ranking more or less the same as income growth). Moreover, the influence of income changes on time deposits and demand deposits for banks in the former states is, for the most part, either weaker than in the latter or is nonexistent, at least statistically speaking.

## Conclusions

Bankers are interested in economic growth for what it will do to their community, and also because funds are attracted to a boom area from outside the state or community. And banks expect to share in the fruits of this expansion. Deposit growth, for the most part, can result from conditions over which banks have little control. For example, the Federal Reserve is an important determinant of the growth in deposits of commercial banks in the United States. But to what extent individual banks can share in this aggregate deposit expansion is another matter.

Based on measurable statistical relationships, the rapidity by which a particular Southeastern state grows enhances its chances that its deposit growth will also be fast. In a sense, this conclusion no more than verifies what many people have long believed.

Despite this relationship between income and deposits, however, income is not the only influence on deposits. There are other determinants of a state's deposit growth than merely income. Nor in all cases, as we have found, do income changes satisfactorily answer why either demand deposits or time deposits have expanded relatively more in some states than others. Therefore, while rapid income growth is still the easiest path to rapid growth in many states, it is not the whole story.

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DOROTHY F. ARP was responsible for the statistical work and much of the analysis on which the conclusions of this article are based.



## NOTES ON REGRESSION

The simple regression analysis used in this study measures the statistical relationship between two variables, Y and X. The economic relationship between the two variables—the influence of X on Y—is provided by the researcher; regression analysis provides a way of testing the researcher's hypothesis of influence and of quantifying that economic relationship. For our purposes, this relationship was assumed to be linear—represented by the straight line.

$$Y = a + b(X).$$

The regression problem consists of getting reliable estimates of (a) and (b) from data on Y and X. The resulting estimate of (b), which can be positive or negative, tells us that if X increases by one unit, we might expect Y to change by (b) units because of the increase in X. The estimate of (a) is simply a constant, which serves to adjust the straight line up or down according to the initial values of X and Y.

We employed this sort of regression analysis to compute the relationship between year-to-year deposit changes (Y) and year-to-year personal income changes (X) in each Sixth District state for the period 1946-67. The underlying economic hypothesis is that changes in personal income produce changes in deposits. We used three different definitions of deposits at all commercial banks: (1) changes in demand deposits, (2) changes in time deposits, and (3) changes in demand plus time deposits.

Our estimates of (b) suggest, in each case, that if personal income increases by one dollar, deposits will tend to change by (b) dollars. Since we used *changes* in deposits and income, rather than levels, our estimate of the constant (a) has a special interpretation. Each time we move from year to year, the time in years increases by one. Thus our estimate of (a) suggests that deposits will change by (a) dollars when we move from one year to the next, regardless of what happens to personal income. If income changes by one dollar between, say, 1964 and 1965, then we would expect deposits to change by (a) + (b). Economically speaking, (a) can be interpreted as representing the shift in the relationship between X and Y each year.

In the first case, these were our state-by-state regression results:

Case (1): Y = Annual change in demand deposits;  
X = Annual change in personal income

	a	b(X)	Coefficient of Deter- mination R <sup>2</sup>	Level at which (b) is Statistically Significant
Alabama:	-30.6	+0.31(X)	.54	.05
Florida:	-27.0	+0.32(X)	.50	.05
Georgia:	-34.4	+0.30(X)	.64	.05
Louisiana:	16.8	+0.22(X)	.21	.50
Mississippi:	-0.1	+0.26(X)	.56	.05
Tennessee:	-8.7	+0.28(X)	.42	.50
U. S.:	0.3	+0.19(X)	.24	.05

The coefficient of determination (R<sup>2</sup>), which measures the percentage of variation in Y explained by the corresponding variation in X, indicates, for example, that about half the variation in Florida demand deposit changes was explained by the contemporary variation in Florida personal income. In the Louisiana regression, less than a quarter of Y's variation was explained by X's variation.

The level at which (b) is statistically significant—the right-hand column—gives us some idea how much confidence we can place in our estimate of (b). Significance of .05 in the table above, for instance, tells us that there is only a 5-percent chance that the (b) is actually zero or, in other words, that the nonzero (b) we estimated merely resulted from random fluctuations in X and Y. This is a case of the lower the better; we should place a lot more confidence in the Georgia estimate of (b), which is significant at the 5-percent level, than in the Louisiana one, which is only significant at 50 percent in the above table.

We ran comparable regressions using the two other definitions of deposits mentioned earlier. Here are the results for these two cases:

Case (2): Y = Annual change in time deposits;  
X = Annual change in personal income

	a	b(X)	Coefficient of Deter- mination R <sup>2</sup>	Level at which (b) is Statistically Significant
Alabama:	0.33	+0.25(X)	.32	.05
Florida:	-76.7	+0.41(X)	.66	.50
Georgia:	-25.1	+0.31(X)	.60	.50
Louisiana:	-19.7	+0.33(X)	.57	.05
Mississippi:	13.6	+0.16(X)	.29	.05
Tennessee:	17.4	+0.27(X)	.38	.50
U. S.:	-1.3	+0.39(X)	.46	.05

Case (3): Y = Annual change in time plus demand  
deposits;  
X = Annual change in personal income

	a	b(X)	Coefficient of Deter- mination R <sup>2</sup>	Level at which (b) is Statistically Significant
Alabama:	-30.3	+0.56(X)	.61	.05
Florida:	-103.6	+0.73(X)	.75	.05
Georgia:	-59.5	+0.61(X)	.75	.05
Louisiana:	-3.3	+0.55(X)	.60	.05
Mississippi:	13.5	+0.41(X)	.58	.05
Tennessee:	8.8	+0.56(X)	.55	.05
U. S.:	-1.0	+0.58(X)	.48	.05

## Bank Announcements

On March 1, **Darby Banking Company**, Vidalia, Georgia, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank.

Another nonmember bank, **Bank of Lucedale**, Lucedale, Mississippi, began to remit at par on March 10.

**Mercantile City Bank**, Atlanta, Georgia, was admitted to membership in the Federal Reserve System on March 12. A. E. Garber is president; Carl M. Harris, executive vice president; and Mrs. Lala H. Oberdorfer,

vice president. Capital is \$237,500; surplus and other capital funds, \$266,500.

**Citizens and Southern International Bank**, Miami, Florida, an Edge Act Corporation, opened on March 24.

On March 25, **The Commercial Bank at Apopka**, Apopka, Florida, opened for business as a newly organized nonmember par-remitting bank. Officers are T. L. Mattox, president; Foley A. Hooper, vice president; and Jon F. Hiland, cashier. Capital is \$350,000; surplus and other capital funds, \$175,000.

# Sixth District Statistics

## Seasonally Adjusted

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

	Latest Month 1969	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1969	One Month Ago	Two Months Ago	One Year Ago
<b>SIXTH DISTRICT</b>					Manufacturing . . . . .	Feb. 169	168	168	166
<b>INCOME AND SPENDING</b>					Nonmanufacturing . . . . .	Feb. 163	163	162	156
Personal Income					Construction . . . . .	Feb. 124	122	117	103
(Mil. \$, Annual Rate) . . . . .	Jan. 67,476	66,211r	65,541r	60,857	Farm Employment . . . . .	Feb. 95	94	95	96
Manufacturing Payrolls . . . . .	Feb. 241	238	230	220	Unemployment Rate				
Farm Cash Receipts . . . . .	Jan. 164	139	145	158	(Percent of Work Force)† . . . . .	Feb. 2.6	2.6	2.6	2.9
Crops . . . . .	Jan. 167	126	134	167	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	Feb. 41.7	40.8	42.1	41.1
Livestock . . . . .	Jan. 169	171	164	156	<b>FINANCE AND BANKING</b>				
Installment Credit at Banks* (Mil. \$)					Member Bank Loans . . . . .	Feb. 338	324	325	279
New Loans . . . . .	Feb. 295.4	282.6r	320.2	307.9	Member Bank Deposits . . . . .	Feb. 251	250	257	215
Repayments . . . . .	Feb. 277.8	248.3	273.4	255.2	Bank Debits** . . . . .	Feb. 257	251	247	205
<b>PRODUCTION AND EMPLOYMENT</b>					<b>GEORGIA</b>				
Nonfarm Employment† . . . . .	Feb. 147	146	144	142	<b>INCOME</b>				
Manufacturing . . . . .	Feb. 147	146	144	141	Personal Income				
Apparel . . . . .	Feb. 175	174	176	172	(Mil. \$, Annual Rate) . . . . .	Jan. 13,119	12,915r	12,904r	11,784
Chemicals . . . . .	Feb. 139	139	139	132	Manufacturing Payrolls . . . . .	Feb. 248	242	239	216
Fabricated Metals . . . . .	Feb. 168	167	167	158	Farm Cash Receipts . . . . .	Jan. 171	147	123	159
Food . . . . .	Feb. 117	116	114	115	<b>PRODUCTION AND EMPLOYMENT</b>				
Lbr., Wood Prod., Furn. & Fix. . . . .	Feb. 109	108	107	106	Nonfarm Employment† . . . . .	Feb. 147	146	145	142
Paper . . . . .	Feb. 128	126	126	122	Manufacturing . . . . .	Feb. 140	140	140	134
Primary Metals . . . . .	Feb. 133	134	137	133	Nonmanufacturing . . . . .	Feb. 150	149	148	145
Textiles . . . . .	Feb. 112	112	112	111	Construction . . . . .	Feb. 158	154	147	155
Transportation Equipment . . . . .	Feb. 201	199	198	185	Farm Employment . . . . .	Feb. 54	64	59	58
Nonmanufacturing† . . . . .	Feb. 147	146	144	142	Unemployment Rate				
Construction . . . . .	Feb. 143	140	136	138	(Percent of Work Force)† . . . . .	Feb. 2.6	2.5	2.8	3.2
Farm Employment . . . . .	Feb. 63	63	62	67	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	Feb. 41.1	41.1	41.3	40.9
Unemployment Rate					<b>FINANCE AND BANKING</b>				
(Percent of Work Force)† . . . . .	Jan. 3.2	3.5	3.9	3.7	Member Bank Loans . . . . .	Feb. 328	324	321	279
Insured Unemployment					Member Bank Deposits . . . . .	Feb. 249	250	248	225
(Percent of Cov. Emp.) . . . . .	Feb. 1.9	1.9	2.0	2.1	Bank Debits** . . . . .	Feb. 287	264r	268	236
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	Feb. 40.9	40.9	41.5	41.2	<b>LOUISIANA</b>				
Construction Contracts* . . . . .	Feb. 249	290	209	173	<b>INCOME</b>				
Residential . . . . .	Feb. 278	268	270	186	Personal Income				
All Other . . . . .	Feb. 225	309	157	162	(Mil. \$, Annual Rate) . . . . .	Jan. 9,937	9,487r	9,405r	9,237
Electric Power Production** . . . . .	Jan. 154	153	153	152	Manufacturing Payrolls . . . . .	Feb. 185	181	187	173
Cotton Consumption** . . . . .	Jan. 102	101	100	109	Farm Cash Receipts . . . . .	Jan. 175	156	170	183
Petrol. Prod. in Coastal La. and Miss.** Feb.	207	206	213	222	<b>PRODUCTION AND EMPLOYMENT</b>				
<b>FINANCE AND BANKING</b>					Nonfarm Employment† . . . . .	Feb. 134	134	132	132
Loans*					Manufacturing . . . . .	Feb. 125	123	122	121
All Member Banks . . . . .	Feb. 309	301	299	267	Nonmanufacturing . . . . .	Feb. 136	136	134	135
Large Banks . . . . .	Feb. 267	265	263	238	Construction . . . . .	Feb. 152	150	147	156
Deposits*					Farm Employment . . . . .	Feb. 58	51	51	61
All Member Banks . . . . .	Feb. 224	224	227	204	Unemployment Rate				
Large Banks . . . . .	Feb. 191	189	193	181	(Percent of Work Force)† . . . . .	Feb. 4.8	4.7	5.1	4.4
Bank Debits**/** . . . . .	Feb. 255	243r	243	210	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	Feb. 41.5	41.3	40.9	43.8
<b>ALABAMA</b>					<b>FINANCE AND BANKING</b>				
<b>INCOME</b>					Member Bank Loans* . . . . .	Feb. 253	247	249	229
Personal Income					Member Bank Deposits* . . . . .	Feb. 177	178	181	169
(Mil. \$, Annual Rate) . . . . .	Jan. 8,431	8,245r	8,228r	7,819	Bank Debits**/** . . . . .	Feb. 188	190	189	176
Manufacturing Payrolls . . . . .	Feb. 200	197	192	185	<b>MISSISSIPPI</b>				
Farm Cash Receipts . . . . .	Jan. 150	123	125	156	<b>INCOME</b>				
<b>PRODUCTION AND EMPLOYMENT</b>					Personal Income				
Nonfarm Employment† . . . . .	Feb. 130	129	129	128	(Mil. \$, Annual Rate) . . . . .	Jan. 4,929	5,059r	4,788r	4,472
Manufacturing . . . . .	Feb. 132	131	131	129	Manufacturing Payrolls . . . . .	Feb. 263	260	254	239
Nonmanufacturing . . . . .	Feb. 129	128	128	128	Farm Cash Receipts . . . . .	Jan. 186	133	126	182
Construction . . . . .	Feb. 124	120	124	119	<b>PRODUCTION AND EMPLOYMENT</b>				
Farm Employment . . . . .	Feb. 64	61	67	68	Nonfarm Employment† . . . . .	Feb. 148	147	146	144
Unemployment Rate					Manufacturing . . . . .	Feb. 159	159	158	153
(Percent of Work Force)† . . . . .	Feb. 3.8	3.6	4.1	4.3	Nonmanufacturing . . . . .	Feb. 143	142	141	140
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	Feb. 41.4	41.2	42.0	41.3	Construction . . . . .	Feb. 160	159	150	160
<b>FINANCE AND BANKING</b>					Farm Employment . . . . .	Feb. 58	57	51	59
Member Bank Loans . . . . .	Feb. 276	272	270	251	Unemployment Rate				
Member Bank Deposits . . . . .	Feb. 213	211	213	195	(Percent of Work Force)† . . . . .	Feb. 3.7	3.6	3.7	4.5
Bank Debits** . . . . .	Feb. 233	223	227	199	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	Feb. 41.2	40.8	41.9	41.0
<b>FLORIDA</b>					<b>FINANCE AND BANKING</b>				
<b>INCOME</b>					Member Bank Loans* . . . . .	Feb. 375	359	359	340
Personal Income					Member Bank Deposits* . . . . .	Feb. 254	254	256	242
(Mil. \$, Annual Rate) . . . . .	Jan. 20,436	20,275r	20,038r	17,909	Bank Debits**/** . . . . .	Feb. 254	242	231	226
Manufacturing Payrolls . . . . .	Feb. 330	330	304	272					
Farm Cash Receipts . . . . .	Jan. 173	151	188	164					
<b>PRODUCTION AND EMPLOYMENT</b>									
Nonfarm Employment† . . . . .	Feb. 164	163	163	157					

	Latest Month 1969	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1969	One Month Ago	Two Months Ago	One Year Ago
<b>TENNESSEE</b>					Nonmanufacturing . . . . .	Feb. 144	143	141	140
					Construction . . . . .	Feb. 182	178	171	184
<b>INCOME</b>					Farm Employment . . . . .	Feb. 63	63	64	70
Personal Income					Unemployment Rate				
(Mil. \$, Annual Rate) . . . . .	Jan. 10,624	10,230r	10,178r	9,636	(Percent of Work Force)† . . . . .	Jan. 3.0	3.7	4.1	3.9
Manufacturing Payrolls . . . . .	Feb. 240	235	225	212	Average Weekly Hours in Mfg. (Hrs.) . . . . .	Feb. 39.7	40.6	40.9	40.6
Farm Cash Receipts . . . . .	Jan. 121	111	137	107					
<b>PRODUCTION AND EMPLOYMENT</b>					<b>FINANCE AND BANKING</b>				
Nonfarm Employment† . . . . .	Feb. 149	147	146	145	Member Bank Loans* . . . . .	Feb. 293	293	281	257
Manufacturing . . . . .	Feb. 157	156	156	154	Member Bank Deposits* . . . . .	Feb. 190	189	199	188
					Bank Debits*/** . . . . .	Feb. 295	275	274	223

\*For Sixth District area only. Other totals for entire six states. \*\*Daily average basis. †Preliminary data. 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; 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.

# Debits to Demand Deposit Accounts

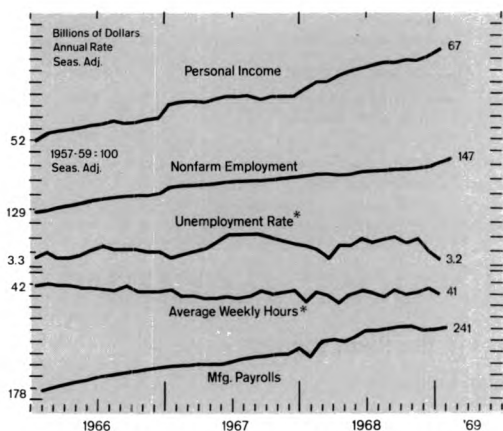
## Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

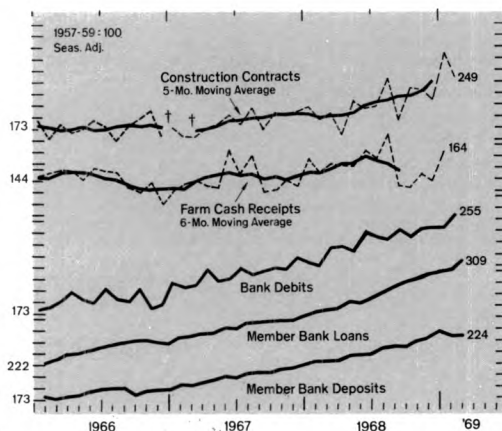
	Feb. 1969	Jan. 1969	Feb. 1968	Jan. 1969	Feb. 1968	Percent Change year-to-date 2 mos. Feb. '69 from 1969		Feb. 1969	Jan. 1969	Feb. 1968	Jan. 1969	Feb. 1968	Percent Change year-to-date 2 mos. Feb. '69 from 1969
<b>STANDARD METROPOLITAN STATISTICAL AREAS†</b>							<b>Gainesville</b>	98,161	102,692	88,398	- 4	+11	+ 7
Birmingham . . . . .	1,706,222	1,915,657	1,544,069	-11	+11	+ 9	Lakeland . . . . .	134,481	149,525	125,377	-10	+ 7	+ 2
Gadsden . . . . .	57,541	69,095	57,953	-17	- 0	+ 2	Monroe County . . . . .	38,875	47,497	35,181	-18	+10	+14
Huntsville . . . . .	168,182	210,806	173,989	-20	- 3	+ 3	Ocala . . . . .	73,776	81,615	63,590	-10	+16	+19
Mobile . . . . .	540,854	600,148	491,036	-10	+10	+ 7	St. Augustine . . . . .	23,632	29,977	18,597	-21	+27	+25
Montgomery . . . . .	361,645	367,563	300,810	- 2	+20	+17	St. Petersburg . . . . .	393,962	492,041	341,539	-20	+15	+16
Tuscaloosa . . . . .	112,129	130,152	98,966	-14	+13	+12	Sarasota . . . . .	148,272	176,762	120,732	-16	+23	+16
<b>Ft. Lauderdale—</b>							Tampa . . . . .	890,050	1,089,859	803,939	-18	+11	+16
Hollywood . . . . .	1,017,248	1,158,492	737,822	-12	+38	+30	Winter Haven . . . . .	82,573	86,031	67,367	- 4	+23	+13
Jacksonville . . . . .	1,644,496	1,997,372	1,447,095	-18	+14	+16	<b>Athens</b> . . . . .	84,872	104,144	77,751	-19	+ 9	+11
Miami . . . . .	3,097,063	3,593,128	2,490,100	-14	+24	+22	Brunswick . . . . .	45,107	55,133	40,863	-18	+10	+10
Orlando . . . . .	663,003	743,190	571,439	-11	+16	+ 7	Dalton . . . . .	104,311	125,948	87,379	-17	+19	+25
Pensacola . . . . .	206,330	240,740	202,015	-14	+ 2	+ 6	Elberton . . . . .	14,318	17,155	12,486	-17	+15	+16
Tallahassee . . . . .	179,875	169,043	147,886	+ 6	+22	+17	Gainesville . . . . .	66,686	78,393	62,228	-15	+ 7	+ 6
<b>Tampa—</b>							Griffin . . . . .	34,868	39,181	33,886	-11	+ 3	+ 4
St. Petersburg . . . . .	1,695,669	2,165,087	1,506,426	-22	+13	+18	LaGrange . . . . .	22,153	24,876	19,833	-11	+12	+12
W. Palm Beach . . . . .	595,887	668,973	487,148	-11	+22	+18	Newnan . . . . .	22,636	25,597	24,974	-12	- 9	- 9
<b>Albany</b> . . . . .	99,787	113,770	88,281	-12	+13	+ 8	Rome . . . . .	75,550	88,054	70,844	-14	+ 7	+11
Atlanta . . . . .	5,968,418	6,456,435	4,847,883	- 8	+23	+19	Valdosta . . . . .	58,974	61,332	51,369	- 4	+15	+ 5
Augusta . . . . .	270,440	309,357	282,774	-13	- 4	- 1	<b>Abbeville</b> . . . . .	11,570	17,817	12,094	-35	- 4	+12
Columbus . . . . .	257,613	272,884	218,235	- 6	+18	+15	Alexandria . . . . .	158,502	185,062	123,665	-14	+28	+24
Macon . . . . .	292,878	312,516	247,939	- 6	+18	+15	Bunkie . . . . .	6,792	8,825	6,145	-23	+11	+ 6
Savannah . . . . .	291,733	341,512	268,713	-15	+ 9	+10	Hammond . . . . .	39,003	43,277	35,602	-10	+10	+11
<b>Baton Rouge</b> . . . . .	645,205	665,322	558,917	- 3	+15	+ 9	New Iberia . . . . .	38,671	46,193	31,801	-16	+22	+20
Lafayette . . . . .	140,995	189,446	127,728	-26	+10	+20	Plaquemine . . . . .	13,674	15,983	11,995	-14	+14	+10
Lake Charles . . . . .	152,976	193,125	147,024	-21	+ 4	+ 6	Thibodaux . . . . .	21,741	36,398	21,181	-40	+ 3	+10
New Orleans . . . . .	2,357,991	2,820,470r	2,396,285	-16	- 2	+ 3	<b>Hattiesburg</b> . . . . .	65,256	71,718	54,545	- 9	+20	+17
<b>Biloxi-Gulfport</b> . . . . .	117,892	132,737	107,493	-11	+10	+14	Laurel . . . . .	42,658	40,305	37,016	+ 6	+15	+11
Jackson . . . . .	692,561	759,490	673,221	- 9	+ 3	+ 6	Meridian . . . . .	69,615	81,213	63,355	-14	+10	+11
<b>Chattanooga</b> . . . . .	662,186	766,233	578,437	-14	+14	+15	Natchez . . . . .	42,646	47,927	37,895	-11	+13	+15
Knoxville . . . . .	496,835	600,216	433,595	-17	+15	+15	<b>Pascagola—</b>						
Nashville . . . . .	2,296,192	2,443,931	1,593,531	- 6	+44	+40	Moss Point . . . . .	68,150	83,931	58,209	-19	+17	+18
<b>OTHER CENTERS</b>							Vicksburg . . . . .	38,901	48,694	43,764	-20	-11	- 0
Anniston . . . . .	71,355	77,813	65,930	- 8	+ 8	+12	Yazoo City . . . . .	31,787	34,670	27,232	- 8	+17	+13
Dothan . . . . .	71,291	79,751	59,725	-11	+19	+15	<b>Bristol</b> . . . . .	77,870	91,008	78,407	-14	- 1	+ 3
Selma . . . . .	50,332	51,467	45,956	- 2	+10	+11	Johnson City . . . . .	79,192	94,619	70,907	-16	+12	+11
<b>Bartow</b> . . . . .	37,465	50,921	30,634	-26	+22	+ 9	Kingsport . . . . .	173,592	186,410	145,247	- 7	+20	+17
Bradenton . . . . .	95,284	121,804	77,400	-22	+23	+21	<b>SIXTH DISTRICT Total</b>	35,864,276	40,802,215r	30,952,264r	-12	+16	+15
Brevard County . . . . .	218,094	286,893	215,415	-24	+ 1	+ 4	<b>Alabama†</b> . . . . .	4,376,244	4,899,474	3,931,013	-11	+11	+10
Daytona Beach . . . . .	88,082	106,974	87,400	-18	+ 1	+ 1	Florida† . . . . .	11,683,239	13,628,151	9,778,768	-14	+19	+18
Ft. Myers—							Georgia† . . . . .	9,068,961	10,017,696r	7,819,002	- 9	+16	+14
N. Ft. Myers . . . . .	128,788	145,207	106,650	-11	+21	+24	Louisiana†* . . . . .	4,174,360	4,913,879r	4,002,170r	-15	+ 4	+ 7
							Mississippi†* . . . . .	1,538,287	1,720,909	1,439,634	-11	+ 7	+ 9
							Tennessee†* . . . . .	5,023,185	5,622,106	3,981,677	-11	+26	+25

\*Includes only banks in the Sixth District portion of the state. †Partially estimated. ‡Estimated. r-Revised.

# District Business Conditions



\*Seas. adj. figure; not an index.



†New series.

Continuing rapid gains add more pressure to the District's ebullient and inflationary economy. Job gains continued strong in February and manufacturers increased their average workweek, while unemployment remained at a low level. Through mid-March, businessmen showed no sign of curbing their heavy borrowing from banks; consumer lending, however, has slowed considerably recently. Construction activity remains a strong expansionary element, even while mortgage interest rates are under upward pressure. District farmers are planning to add to their crop acreages this spring.

Nonfarm employment continued to expand at a rapid rate in February, with both the manufacturing and nonmanufacturing sectors making substantial gains. At the same time, average weekly hours in the manufacturing sector advanced.

Substantial lending by both large and small banks showed no sign of letting up in February and the first half of March. At the large banks, borrowing by business firms remained especially heavy. In response to these loan demands and further attrition in certificates of deposit, the larger banks further reduced security holdings and stepped up borrowings from other commercial banks and the Federal Reserve. The smaller banks continued to enjoy considerable deposit gains, with growth in loans being accompanied by increases in their security holdings.

Consumer borrowing from banks advanced only moderately in February. Recently, consumers have concentrated more on repaying their existing installment loans than taking on new debt. As a result, the advance in outstanding consumer credit at banks has slowed considerably from the trend of late 1968. Less demand for automobile loans has been largely responsible for this slower

pace. Bank credit card and check-credit activity still is expanding rapidly.

Construction volume in February was only slightly below January's swollen volume. Savings flows to District financial institutions during early 1969 continue much stronger than a year ago; increases in mortgage lending and commitments are also higher. Mortgage interest rates remain under pressure, although some relief is beginning to appear in a few market areas. One prominent Florida savings and loan association has announced a reduction in its interest rates on prime mortgage loans as a result of heavy inflows of savings in the first few months of this year.

District farmers will increase acreages in most major crops this year, according to a recent report of planting intentions. Tobacco acreages will be higher in Florida, Georgia, and Tennessee, and plantings of cotton and soybeans will be greater than last year in all states. Total acreages of peanuts will be up fractionally, while corn and rice plantings will decline.

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