MONTHLY REVIEW

IN THIS ISSUE:

- Questions People Ask Me
- Mississippi Nonfarm Jobs In the Sixties: A Sneak Preview
- District Business Conditions

SIXTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF ATLANTA

NOVEMBER 1969

An Address Before the
Rotary Club of Atlanta
Atlanta, Georgia
October 20, 1969

Questions People Ask Me

BY MONROE KIMBREL
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Immediately when someone learns that I am associated with the Federal Reserve System, he feels impelled to ask me, "Why are you always talking about inflation?" I must admit that generally, any public remarks I make inevitably touch upon our current inflationary problems. As I shall discuss later, I believe that I have good reasons for doing so.

But, if people do not ask me why I am concerned about inflation, they will almost always ask me, "When are we going to get some relief from high interest rates?" For example, the other day I made an appointment with my doctor and was looking forward to listing my major and minor aches and pains in answer to his expected, "How do you feel today?" What happened was that instead of asking me how I was feeling he started with, "Why are interest rates so high?" I felt as if I should be charging him a fee when the appointment was over.

Before I left I explained, in the clearest language possible, the reasons for present high interest rates. He then asked me, "When will rates go down?"

Lately another question has become very popular. Generally, the individual starts the questioning saying, "Isn't it true that you have been exercising monetary and fiscal restraint for some time now, and prices are still going up? Isn't it true," he will continue, "that rising costs are the true source of inflation? Isn't it true you ought to admit defeat and should adopt some kind of direct wage and price controls?"

More specifically, these are the questions people ask me:

1. Why are you always talking about inflation?
2. Why don't you give us some relief from high interest rates?
3. When will interest rates go down?
4. Why don't you substitute wage and price controls for monetary and fiscal restraint?

I shall touch on each of these in turn.

Why the Talk About Inflation?

There was a time, not so long ago, when you would not always find me talking about inflation. The nation was enjoying a period of relative price stability. Wholesale prices, on average, had changed little for several years prior to 1965, and consumer prices had been rising at an annual rate of only one percent. The dollar was retaining its purchasing power.

But, beginning with 1965, stability in price trends gave way to steady increases, and these increases have continued almost without interruption since then. Wholesale prices have risen about 13 percent since 1964. Today, the dollar, as measured in terms of wholesale prices, is worth only 88 cents compared with what it would buy in 1964. In addition, the consumer has experienced significant losses in purchasing power. From 1964 to date, the rise in consumer prices, as measured by the consumer price index, has been more than 19 percent. The consumer dollar today is worth only 84 cents if compared with what it was worth before the accelerated rise in consumer prices began in 1965.

Now the function of the Federal Reserve System is "to foster a flow of credit and money that will facilitate orderly economic growth, a stable dollar, and a long-run balance in our international payments." Price increases in the past four years, therefore, cannot help but be of primary concern to any official in the Federal Reserve System who has even a modest part in policy determination. Such price rises in the long run are not only inherently harmful, but history has shown that inflation prevents orderly economic growth and the achievement of a balance in our international payments. Do you wonder why I am always talking about inflation?

Despite the claims of both our friends and critics, the Federal Reserve System does not pretend that its policies are the sole or even the principal force influencing the direction of the economy. Its powers are largely limited to influencing the availability of credit through its control over the amount of reserves it makes available to the banking system. Nevertheless, the Federal Reserve System has an obligation to use whatever powers it has in creating conditions that will produce greater price stability.

I have no doubt that there are many persons, perhaps in this group, who are not impressed by the figures I have just cited concerning the dollar's loss in purchasing power. I can imagine that some of them will be saying, "So what? What is so wrong about inflation?" Some of them might say we need inflation to provide for economic growth. Inflation, they say, causes more demand, more jobs, and general prosperity. I am afraid that many persons believe this. Otherwise, we could expect more enthusiastic support in efforts to curb inflation.

To some extent this attitude of tolerating, if not supporting, inflation results from inflation being such a great deceiver. We Americans like to show progress, and we generally measure this progress in terms of dollars. Corporate executives, for example, like to show that their earnings per share are greater year after year. Labor union officials like to be able to show their members how much the union's bargaining ability has improved the average wages of its members. And there are many others who desperately want to show larger dollar figures at the end of any period. Although in the back of our minds we may realize that the dollar is not a consistent unit of measurement so long as prices are rising, we very frequently forget this. Inflation means bigger and bigger dollar figures. These inflated dollar figures thus create a feeling of euphoria. To this extent, we really enjoy inflation.

My friends, as pleasant as this feeling may be, it cannot continue forever. Past experience, not only in our own country but in other countries throughout the world, demonstrates that the public cannot be deceived by inflation forever. Eventually, continued inflation is recognized as the great deceiver that it is. Eventually, the public realizes that it destroys the value of our savings, that it distorts the pattern of investment, that it upsets the international value of our money, and that it imposes injustices upon a large part of our population. Indeed, as we have seen lately, inflation may topple seemingly strong governments.

There are, of course, some persons who manage to come out on top in an inflationary period. These may be astute speculators, or they may be persons who always seem to profit from the misfortunes of others. But for the vast majority, continued inflation is a great misfortune. This applies especially to the poor, although it may apply to the rich as well.

In mid-1969, the average welfare payment in Georgia to families with dependent children was $24.55 per month. This figure is indeed low, but ostensibly it was some improvement over the $22.09 figure for 1964 before prices began to rise sharply. Let us see what happened, however, to the purchasing power of that $2.46 increase. In 1969, $24.55 buys only what $20.62 bought in 1964. The recipient has lost $1.33 in purchasing power, rather than gained $2.46.

Let me give another example. Most of us are happy that it has been possible to raise the social security benefits for retired workers. In 1964, I am told, the average monthly payment was $77.57. Today it is $99.47. Here again inflation has been a great deceiver. Today's payment buys what $83.55 bought in 1964. Thus, the increase was only $5.98 in 1964 consumer dollars instead of $21.90.

Inflation has robbed the manufacturing worker of a major part of his higher earnings. Average weekly earnings in manufacturing for the United States were about $130 in mid-1969 as compared with $103 in 1964. Thus, the average pay increased about $27. Measured in dollars of 1964 purchasing power, however, the increase is reduced to $6. Even more significant is that despite an increase of about $6 in average weekly earnings in manufacturing, the average weekly earnings in 1969 actually bought a little less than in 1968.

I assume there are at least some Rotarians here today who are enjoying incomes that put them in the high tax brackets and that part of the incomes come from investments in interest-bearing securities. Let us suppose you are in the 30-percent bracket. Let us suppose further that somehow or other you have found a place to invest funds to yield an interest rate of 10 percent. But inflation has robbed you, too. If the calculations published by the Machinery and Allied Products Institute are correct, your real return—after taking taxes and a 5-percent inflation into consideration—would be only 1.9 percent.

When am I going to stop talking about inflation? Just as soon as the nation achieves price stability.

When Will Interest Rates Decline?

"What has all this to do with high interest rates," you may well ask. Furthermore, you quite often have asked me, "Why don't you give me some relief from high interest rates?"

Rising prices, as you know, are a symptom that effective demand is greater than the nation's productive resources at constant prices can satisfy. It is elementary that a further increase in this demand will push up prices further. Under conditions of nearly full employment anything that adds to the purchasing power of the nation adds to the pressure on prices.

Now interest rates, of course, like prices of commodities and services, are determined by both supply and demand. The price of money—interest rates—is determined by the supply of and demand for funds. The Federal Reserve System's influence on interest rates comes from its ability to change the availability of member bank reserves. As reserves made available to banks shrink, the banks find it difficult to supply credit to individuals, businesses, and governments. With a strong demand for credit, rates rise.

The Federal Reserve System could try to prevent rates from going up by supplying more reserves. But when you increase reserves to the banking system and indirectly increase the availability of credit, you also increase the purchasing power in the hands of individuals, businesses, and governments. Under the conditions of inflationary pressures that prevail today, the addition of purchasing power would result, of course, in even more rapidly rising prices.

That more credit does not automatically create more goods when you have conditions of full employment is dramatically illustrated by what has happened to the nation's gross national product, measured in terms of both current and constant dollars. Total spending, as measured by the GNP in current inflated dollars, rose at about a 7-percent annual rate in the second quarter of this year. But most of this increase was explained by rising prices. Measured in dollars of constant purchasing power, it increased at only a 2-percent annual rate.

You have a choice. Would you rather have lower interest rates and continued inflation, or would you rather have, for a time, high prices for the money you borrow with some hope of getting inflation under control? We believe the Federal Reserve System has the responsibility for choosing the latter course.

I should be guilty of gross misrepresentation if I were to attempt to set any specific timetable as to when interest rates will come down. I can, however, point out the kinds of conditions and circumstances under which a decline in interest rates seems likely to occur. First of all, interest rates will come down when you fellows stop borrowing so much money, or in the words of the economist, when the demand for credit drops off. Contrary to what is sometimes supposed to be the case, tremendous amounts of funds have been borrowed in the credit markets. Corporate securities offerings in the third quarter of this year, although down a little from the second quarter, totaled about $2.1 billion—up $400 million from the corresponding quarter in 1968. State and local governments borrowed heavily in the second quarter of this year, for a total of $1.6 billion, although there was a sharp reduction to $1 billion in the third quarter. The demand for mortgage funds has apparently exceeded the funds available, but so far this year, in support of the residential mortgage market, the Federal Home Loan Bank System has raised about $2.4 billion in the money and capital markets. Because of a relatively favorable budget position, the Federal Government as a whole has not been a net borrower so far this year. Direct borrowing by Federal agencies has increased sharply, however. Loans made by commercial banks continued to increase in response to heavy credit demands, with business loans up in the third quarter of 1969 at an annual rate of about 4 percent.

Thus, any softening in the demand for funds would reduce the pressures on interest rates. For example, funds for business plant and equipment expenditures have been one of the chief causes of increased credit demands. Interest rates will decline, therefore, when these expenditures slacken. The demands of the Treasury for funds will, of course, depend upon the U. S. budgetary position. A budgetary surplus, therefore, could do much to lower the total demand for funds.

But some of the demand for funds has come from individuals and businesses who borrow because they expect that inflation will continue forever. Let me be quite frank on this point and say that I speak solely for myself. If the Federal Reserve System is going to convince the general public that inflation will not last forever, it will need to hold fast to a firm policy, not only until some of the pressures begin to ease but until we have clear evidence that the job has been accomplished. Removing restrictions too soon can be as bad as holding onto them too long. Interest rates will eventually decline when credit demands soften and inflationary expectations subside. Winning the fight against inflation, therefore, is a key to lowering interest rates.

Are Wage and Price Controls the Answer?

But there are some people who feel that we should be making more progress toward getting inflation under control. They expect and want an instant solution. Now, of course, it can be said that inflation has taken some time to develop and that we should expect it to take some time to diminish. We have the lessons of history which show us that it takes several months for a restrictive monetary policy to effectively halt rising prices. But we also need to remember one additional thing. How soon rising price trends will end depends upon both the type and severity of the restrictions that are imposed. The Federal Reserve has applied the brakes gradually in its efforts to contribute toward a more orderly and sustainable rate of economic growth. Policy is not designed to bring about a recession. Although a deep recession might bring rising prices to a halt, it would also create a multitude of other problems.

Contrary to what some persons imply, evidence is developing that restrictive monetary and fiscal policies are gradually taking effect.

Monetary restraint is most clearly evident at the commercial banks and especially at the larger banks. Total bank credit at all commerical banks has changed little during the past four months. Since their loanable funds have been limited, banks have been forced to become more selective in extending loans. Total bank loans increased at an annual rate of about 2 percent during the June-September period, whereas they increased at an annual rate of about 11 percent during the first five months of this year.

These and other financial developments have had an impact on spending and plans for spending by individuals and businesses. Retail sales, as you know, have been relatively stable lately, and there was some curtailment in expansion plans for new plant and equipment as suggested by recent surveys of intentions. Other definite signs of economic cooling are cropping up. Thus, although we have no assurance that the process of cooling off has progressed to the point where we can relax restrictions, we can be sure that these restrictions are beginning to take effect.

As for prices, wholesale prices in September rose at an annual rate of only one percent after having risen substantially more during the early part of the year. During the first half of 1969, wholesale prices rose at an annual rate of over 4 percent. Part of the slowdown results from a softening in farm and food prices. In September, industrial wholesale prices rose at an annual rate of 4 percent, a rate still excessively high but somewhat lower than earlier this year. Consumer prices are still rising more rapidly than we should like. The August rise at an annual rate of about 5 percent, however, is somewhat lower than the preceding several months.

Recent economic and financial developments suggest to me that the gradually imposed monetary policies have gradually begun to take hold, but inflationary pressures are still strong. Consequently, it would, in my opinion, be extremely unwise to abandon a policy that is beginning to work for a policy of direct wage and price controls that from all past experience seems unlikely to work.

I am sure that many businessmen who have suggested direct wage and price controls as a substitute for general credit policies have not thought through all the implications of such a program. This is so because I do not believe businessmen generally would welcome a harness of controls that would extend from the top to the bottom of their businesses and that would substitute the decisions of administrators for their own judgment.

Because this solution is being suggested today with less frequency than it was a few months ago indicates perhaps that more businessmen are realizing what might be the consequences of direct wage and price controls.

As for myself, I am opposed to a system of direct wage and price controls because it runs contrary to my general philosophy and because I believe such a system would inevitably result in failure. Philosophically, I am opposed to direct controls because they would eliminate economic freedom. I am convinced that, despite its imperfections, our present market-oriented economic system has a greater chance of satisfying the legitimate wants of our citizens and of promoting economic growth than any system conceived by a group of administrators. Furthermore, I have not yet been shown where a system of direct controls has been an outstanding success. If you are looking for an example of the difficulties and distortions involved in direct controls, you have only to study experiences in this country during and after World War II. Those were relatively favorable times when public support on patriotic grounds could be relied upon. Today, I believe, we could not count on that kind of support.

Another misconception is that direct controls would be a complete substitute for general monetary and fiscal controls. Somehow or other, some people seem to believe that if there were direct wage and price controls there would not be any restrictions on credit. Some persons suppose that they would be able to get all the money they wanted at low interest rates. On the fiscal side, they seem to think, there would be no need to balance the Federal budget. As a matter of fact, the only chance that direct controls might have of achieving even mediocre success would be as a supplement and not as a substitute for general controls. General controls would still be used to limit excess demand which is the basic cause of inflationary pressures. We would, therefore, likely find ourselves with direct controls on top of general monetary and fiscal controls.

Perhaps persons advocating direct controls naively believe that these controls will be selective and will pick on someone else instead of on them. Perhaps businessmen hope that controls will be imposed on wages and on prices of things they buy but will not be imposed on their profits and the things they sell. But you and I know that, once started, there will be no limit to the facets of our economy which would eventually be placed under restrictions and controls.

Someone has said that this nation gets the kind of economic and monetary policies it deserves. I presume this means that, without a fairly general support from the public, no monetary or economic policy, as good as it may be theoretically, stands any chance of working. To work, any policy must have general public support. Responsible for a major part of our troubles today are both the unwillingness of the American people to accept the kind of economic discipline that is needed and to accept the conflicting pulls of special interests. I find it difficult, therefore, to believe that a nation becoming restive under restrictive monetary and credit policies, which allow almost complete economic and financial freedom in spending available financial resources, would submit to a program that would transfer decisions to government officials.

Why am I always talking about inflation? I am because it is not only the Federal Reserve's function to contribute to maintaining price stability, but because continued inflation places the burdens on the less fortunate members of our society and in the long run is an obstacle to economic progress.

Why don't we give you some relief from high interest rates? It is because doing so under present conditions would only add to inflationary pressures.

When can we expect interest rates to come down? We can expect interest rates to come down when inflationary pressures have been brought under control and when credit demands have been more nearly satisfied by the financial savings of the nation.

Why don't I advocate adopting direct wage and price controls? It is because I believe they are unworkable and incompatible with a free economy.

Bank Announcements

On October 1, the **Milledgeville Banking Company,** Milledgeville, Georgia, a nonmember bank, began to remit at par for checks drawn on them when received from the Federal Reserve Bank.

Also on October 1, the former **Bank of Blountville,** Prentiss, Mississippi, changed its name to **Bank of Prentiss** and began to remit at par.

The **Citizens Bank of Douglasville,** Douglasville, Georgia, a nonmember bank, began on October 10 to remit at par.

The newly organized **United National Bank of Dadeland,** Miami, Florida, opened for business on October 15 as a member of the Federal Reserve System. Officers are George E. Stock, chairman; Frank Smathers, Jr., vice chairman; William J. Klug, Jr., president; Arthur R. Roy, Jr., senior vice president; Dennis P. Clum, vice president and trust officer; William D. Duncan, Theodore J. Hoepner, Paul J. Kane, and Robert J. Schumann, vice presidents; William R. Slover, cashier; Arthur Lewis, assistant cashier; and Kenneth F. Everly, auditor. Capital is $400,000; surplus and other capital funds, $350,000.

On October 22, **Palm Beach Mall Bank,** West Palm Beach, Florida, a newly organized nonmember bank, opened for business on a par-remitting basis. Officers are William K. DeVeer, president; Richard L. Adams and J. E. Spooner Jr., vice presidents; Paul L. E. Helliwell, cashier; Mrs. Dalphine B. Ormandy, assistant cashier. Capital is $500,000; surplus and other capital funds, $263,106.00.

First State Bank of Winter Garden, Winter Garden, Florida, opened for business on October 23 as a newly organized nonmember bank and began to remit at par. Officers are Ray Clements, president; E. L. Johnson, Jr., vice president; Donald C. Doughley, vice president (inactive); Gerald Hussey, cashier. Capital is $500,000; surplus and other capital funds, $150,000.

On October 24, **Cordele Banking Company,** Cordele, Georgia, a nonmember bank, began to remit at par.

Mississippi Nonfarm Jobs in the Sixties: A Sneak Preview

The end of a decade customarily encourages a reassessment of the economic events of the past ten years. The advent of 1970, therefore, will no doubt bring a host of commentary about Mississippi's economic progress during the Sixties. This article jumps the gun a bit by taking a look now at the period from 1960 through 1968 in much the same way that a sports writer prepares his story while the ninth inning is still being played.

The focus here is on one of Mississippi's biggest problems: providing additional nonfarm jobs. This is a particularly important problem for Mississippi (as suggested before in the *Monthly Review*[1]) because when compared to the national average, the state has a higher proportion of her workforce in farming. Agricultural mechanization and the expanding population have combined to make Mississippi's problem particularly acute, since workers pushed off the farm have had to compete with nonfarm workers for the nonfarm jobs in the area. The alternative for many of these persons is out-migration. Because of the importance of this problem, the state's BAWI (Balance Agriculture With Industry) program has concentrated on bringing new industry and new nonfarm jobs into Mississippi.

[1]"Mississippi: Industrialization Brings Interdependence," *Monthly Review*, May 1968. Copies available on request.

A Qualified Success

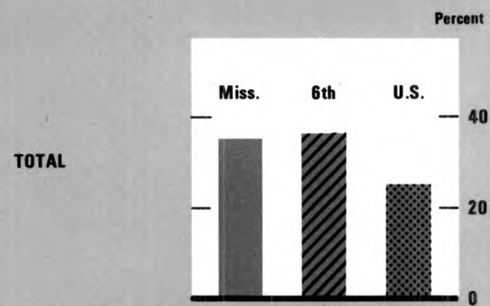
Mississippi's efforts to expand nonfarm employment in the Sixties can be labeled a qualified success. From 1960 to 1968, her nonfarm employment increased 36 percent, an increase equivalent to four percent per year. This expansion far outstripped the 25-percent increase for the nation. Nonfarm employment in the six states comprising the Sixth District grew 37 percent in the same period[2], making Mississippi's employment growth average for the Southeast. Another reason for qualifying Mississippi's success is the lack of time for a breathing spell. If the standard of living in Mississippi is to continue upward, the Magnolia State must keep outpacing the nation in the growth rate of nonfarm jobs.

When we look behind these aggregate percentages and compare Mississippi's employment

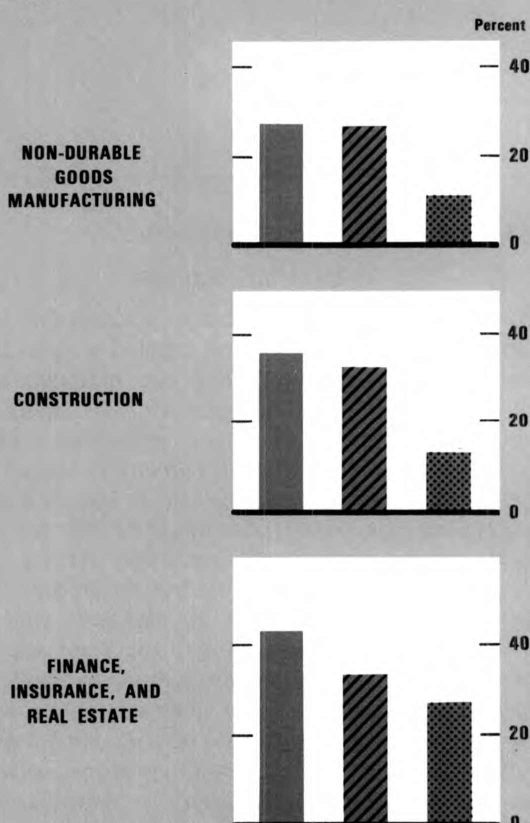
[2]The southern half of Mississippi is included in the Sixth Federal Reserve District; the remainder includes all of Alabama, Georgia and Florida and parts of Louisiana and Tennessee. The figures cited for the Sixth District cover each of the six states in their entirety. In the 1960 to 1968 period, nonfarm employment growth in Florida (46.5 percent), Tennessee (37.3 percent), and Georgia (36.6 percent) was higher than Mississippi's 35.9-percent expansion; whereas growth in Alabama (23.8 percent) and Louisiana (31.3 percent) fell below Mississippi's 35.9-percent expansion.

NONFARM EMPLOYMENT GROWTH: 1960–1968

PART I



Mississippi's nonfarm employment grew 36 percent during the period, far outstripping the national increase and approximately equaling growth in the six states of the Sixth Federal Reserve District.



In these three major employment categories—non-durable goods manufacturing, construction, and finance-insurance-real estate—Mississippi's employment growth outpaced both the nation and the District.

growth with both the District and the nation on an industry-by-industry basis, a number of interesting results appear. Of the nine broad categories of nonfarm employment differentiated by the U. S. Department of Commerce, Mississippi's 1960-68 employment growth outpaced both the District and the nation in three of these categories—nondurable manufacturing, construction, and finance-insurance-real estate. Mississippi topped the nation in six of the nine categories and the District in four.

Much of Mississippi's effort to expand nonfarm employment has been concentrated in the durable and nondurable manufacturing sectors which therefore deserve our special attention. On the non-durable goods side of manufacturing, Mississippi's 28-percent expansion was not much different than the District's 27 percent, but significantly higher than the nation's 11-percent employment expansion in the 1960-68 period. In the state's nondurable goods industries, employment expansion was boosted by strong gains in the important apparel industry, which in 1968 accounted for almost 45 percent of Mississippi's nondurable manufacturing employment.

In the durable goods manufacturing sector, Mississippi's employment growth—70 percent—topped the District's 54 percent, but fell far short of the phenomenal national increase of 134 percent. There were some bright spots in individual durable goods industries: From 1960 to 1968, employment doubled in the state's furniture, electrical machinery and transportation equipment industries. In each case it increased faster than in the District, which in turn grew much faster than the nation as a whole. In the lumber and wood industry neither the nation nor the District showed any employment increase in the 1960-68 period; Mississippi's increase was a meager but still positive 8 percent.

On the negative side of the ledger, Mississippi ranked at the bottom of the three-way comparison in two categories of nonfarm employment: (1) trade and (2) services. This is not surprising when the nature of these two sectors is considered, however. Higher levels of per capita income are usually associated with a higher proportion of spending for services (this association helps explain the strong national expansion of service industries in the Sixties). And in the wholesale and retail trade sectors, higher volumes tend to be concentrated in urban centers. Mississippi is not an urban state, nor can it boast of high per capita income relative to the District or the nation, which makes the relative weakness of the trade and services sectors understandable.

The Ninth Inning: 1969

But the ball game of the Sixties is not yet over; the score for 1969 has not been posted. What will it be? We can get a pretty good idea by inspecting Mississippi's economic performance in the first seven months of 1969, comparing this performance against the first seven months of 1968, and making allowances for the disruption caused by the September visit of Hurricane Camille.

Nationally, 1969 has been a year of impressive economic expansion—probably too impressive when one considers the inflation that has accompanied the expansion. Mississippi's performance has followed a similar pattern. From 1968 to 1969, personal income, one of the most reliable overall indicators, rose 10.7 percent. Farm cash receipts, bolstered by soaring livestock prices, jumped an amazing 21 percent. Manufacturing payrolls increased 10 percent, and the average worker in manufacturing worked 12 more minutes each week in the first seven months of 1969 than he did in the same period in 1968.

At first glance, the 2.1-percent overall expansion in nonfarm employment looks weak—much weaker than the 4-percent average recorded in the 1960-68 period. The weakness was not evident in manufacturing, where employment increased 3.3 percent, but was apparent in the construction industry, which reported an actual decline of 0.7 percent. This inter-industry pattern has reversed itself in the wake of Hurricane Camille. Rebuilding efforts will compensate somewhat for a reduced pace in manufacturing by providing employment for many construction workers. Farm employment is continuing to decline in 1969: An 8.9 percent decrease in farm employment was recorded in the 1968-69 comparison of the first seven months.

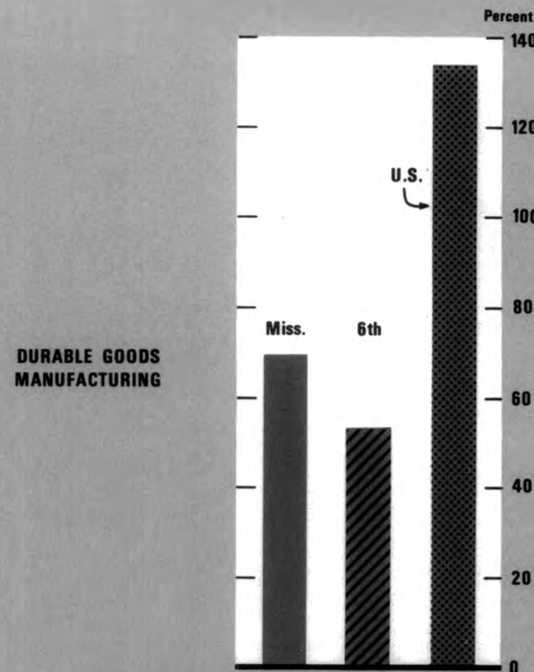
Before the hurricane, financial activity was booming, and its pace can be expected to pick up again as hurricane repairs proceed. For the southern part of Mississippi (Sixth District portion), member bank loan activity jumped 7 percent; deposits at member banks rose 8 percent; and debits to deposit accounts, thought by some analysts to be a good index of overall commercial activity, were 15 percent higher in the first seven months of 1969.

When we look back over the 1960-to-68 period, adding what we know of 1969, it seems likely that next year's decennial reassessments of Mississippi's economic progress will read something like this: in the Sixties, substantial economic progress; in the Seventies, the need for continuing that progress in the face of the challenge to raise the standard of living for all Mississippians.

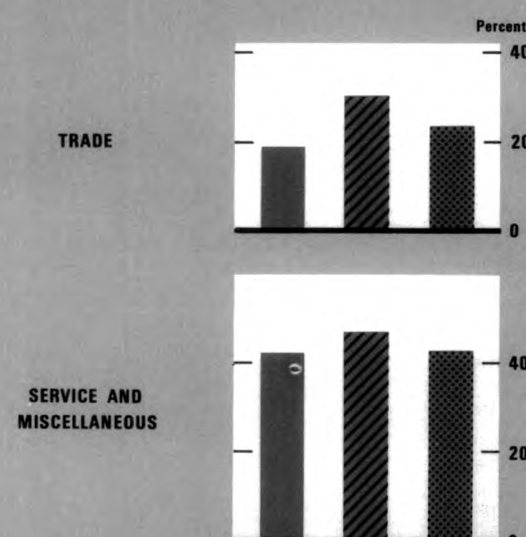
William N. Cox

NONFARM EMPLOYMENT GROWTH: 1960–1968

PART II



In durable goods manufacturing, Mississippi again outran the District in employment growth. Neither the state nor District matched the national expansion, however.



In these two employment categories—trade, service and miscellaneous—Mississippi ranked last in the three-way comparison. These industries tend to be associated with a pattern not yet characterizing Mississippi.

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
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income (Mil. $, Annual Rate)	Aug.	71,792	71,717	70,956	65,236
Manufacturing Payrolls	Sept.	248	248	244	233
Farm Cash Receipts	July	196	184	173	159
Crops	July	154	203	188	143
Livestock	July	201	173	172	159
Instalment Credit at Banks* (Mil. $)					
New Loans	Sept.	326.2	303.9	315.8	342.5
Repayments	Sept.	287.4	300.6	307.3	310.1
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Sept.	148	148	148	144
Manufacturing	Sept.	146	147	146	142
Apparel	Sept.	176	175	175	177
Chemicals	Sept.	141	141	140	135
Fabricated Metals	Sept.	169	169	168	157
Food	Sept.	112	114	115	113
Lbr., Wood Prod., Furn. & Fix.	Sept.	106	106	106	106
Paper	Sept.	128	129	129	125
Primary Metals	Sept.	140	139	136	130
Textiles	Sept.	113	113	113	111
Transportation Equipment	Sept.	202	217	204	191
Nonmanufacturing†	Sept.	149	149	148	142
Construction	Sept.	139	137	137	133
Farm Employment	Sept.	49	58	62	51
Unemployment Rate (Percent of Work Force)†	Sept.	3.7	3.5	3.5	4.0
Insured Unemployment (Percent of Cov. Emp.)	Sept.	1.9	1.9	1.9	2.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	41.1	40.8	40.9	41.4
Construction Contracts*	Sept.	196	310	240	172
Residential	Sept.	217	275	265	198
All Other	Sept.	178	340	219	150
Electric Power Production**	Aug.	160	164	162	146
Cotton Consumption**	Sept.	103	99	102	104
Petrol. Prod. in Coastal La. and Miss.**	Sept.	243	248	238	217
FINANCE AND BANKING					
Loans*					
All Member Banks	Sept.	331	330	327	291
Large Banks	Sept.	276	272	273	254
Deposits*					
All Member Banks	Sept.	226	229	229	215
Large Banks	Sept.	189	191	191	187
Bank Debits*/**	Sept.	271	269	270	241
ALABAMA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Aug.	8,874	8,960	8,754	8,109
Manufacturing Payrolls	Sept.	210	210	211	192
Farm Cash Receipts	July	189	173	162	161
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Sept.	131	130	131	128
Manufacturing	Sept.	132	131	131	128
Nonmanufacturing	Sept.	130	130	130	128
Construction	Sept.	127	126	126	125
Farm Employment	Sept.	51	64	69	52
Unemployment Rate (Percent of Work Force)†	Sept.	4.2	4.1	3.8	4.9
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	40.9	40.7	41.4	41.3
FINANCE AND BANKING					
Member Bank Loans	Sept.	294	304	294	265
Member Bank Deposits	Sept.	212	214	214	205
Bank Debits**	Sept.	225	241	236	221
FLORIDA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Aug.	22,303	22,261	22,002	19,982
Manufacturing Payrolls	Sept.	332	337	327	300
Farm Cash Receipts	July	180	218	204	182
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Sept.	170	170	170	163

	Latest Month 1969		One Month Ago	Two Months Ago	One Year Ago
Manufacturing	Sept.	170	171	171	170
Nonmanufacturing	Sept.	170	169	169	162
Construction	Sept.	133	132	131	115
Farm Employment	Sept.	78	81	84	79
Unemployment Rate (Percent of Work Force)†	Sept.	2.6	2.7	2.6	2.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	41.7	41.8	41.1	42.1
FINANCE AND BANKING					
Member Bank Loans	Sept.	374	374	370	315
Member Bank Deposits	Sept.	258	260	261	235
Bank Debits**	Sept.	282	277r	282	245
GEORGIA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Aug.	14,117	14,015	13,762	12,796
Manufacturing Payrolls	Sept.	258	274	260	234
Farm Cash Receipts	July	136	157	163	170
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Sept.	149	149	149	144
Manufacturing	Sept.	141	144	141	137
Nonmanufacturing	Sept.	152	152	152	147
Construction	Sept.	147	147	150	147
Farm Employment	Sept.	45	58	55	48
Unemployment Rate (Percent of Work Force)†	Sept.	3.4	2.9	3.0	3.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	41.2	40.9	41.0	41.5
FINANCE AND BANKING					
Member Bank Loans	Sept.	341	338	332	308
Member Bank Deposits	Sept.	236	242	242	237
Bank Debits**	Sept.	318	308	306	268
LOUISIANA					
INCOME					
Personal Income (Mil. $, Annual Rate)	Aug.	10,125	10,082	10,177	9,419
Manufacturing Payrolls	Sept.	188	188	191	181
Farm Cash Receipts	July	247	191	165	170
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Sept.	134	134	133	132
Manufacturing	Sept.	123	122	122	122
Nonmanufacturing	Sept.	137	137	136	135
Construction	Sept.	135	132	133	138
Farm Employment	Sept.	45	50	54	51
Unemployment Rate (Percent of Work Force)†	Sept.	5.0	4.9	4.9	5.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	41.6	41.3	42.3	41.8
FINANCE AND BANKING					
Member Bank Loans*	Sept.	275	268	268	242
Member Bank Deposits*	Sept.	178	179	182	172
Bank Debits*/**	Sept.	203	208	205	190
MISSISSIPPI					
INCOME					
Personal Income (Mil. $, Annual Rate)	Aug.	5,304	5,296	5,231	4,803
Manufacturing Payrolls	Sept.	267	263	265	254
Farm Cash Receipts	July	263	204	195	175
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Sept.	147	147	147	144
Manufacturing	Sept.	156	156	156	155
Nonmanufacturing	Sept.	143	143	143	140
Construction	Sept.	159	148	143	145
Farm Employment	Sept.	34	50	62	38
Unemployment Rate (Percent of Work Force)†	Sept.	4.7	4.6	4.3	5.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept.	40.8	40.1	40.4	40.9
FINANCE AND BANKING					
Member Bank Loans*	Sept.	396	388	389	347
Member Bank Deposits*	Sept.	272	270	266	249
Bank Debits*/**	Sept.	301	259	256	251

	Latest Month 1969		One Month Ago	Two Months Ago	One Year Ago
TENNESSEE					
INCOME					
Personal Income (Mil. $, Annual Rate)	Aug.	11,069	11,103	11,030	10,127
Manufacturing Payrolls	Sept.	239	240	241	216
Farm Cash Receipts	July	198	157	132	134
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment†	Sept.	146	145	145	144
Manufacturing	Sept.	155	155	156	153
Nonmanufacturing	Sept.	141	140	140	139
Construction	Sept.	163	161	159	150
Farm Employment	Sept.	53	58	58	52
Unemployment Rate (Percent of Work Force)†	Sept.	3.7	3.6	3.7	4.0
Avg. Weekly Hours in Mfg. (Hrs.)	Sept.	40.7	40.1	40.1	40.8
FINANCE AND BANKING					
Member Bank Loans*	Sept.	312	304	313	277
Member Bank Deposits*	Sept.	203	205	204	192
Bank Debits*/**	Sept.	279	286	301	263

*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

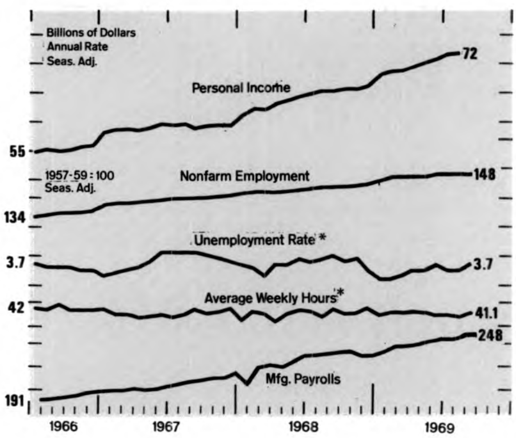
Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

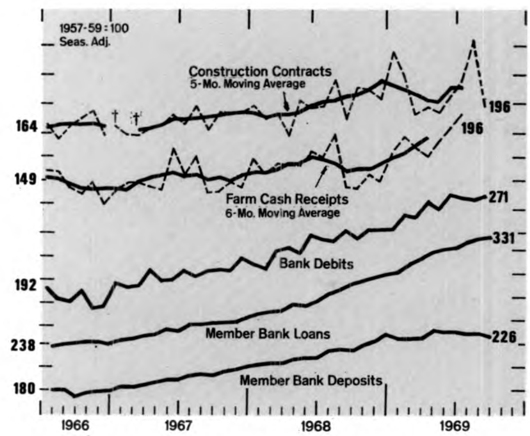
	September 1969	August 1969	September 1968	Percent Change: September 1969 From Aug. 1969	Percent Change: September 1969 From Sept. 1968	Percent Change: Year to date 9 mos. 1969 from 1968
STANDARD METROPOLITAN STATISTICAL AREAS†						
Birmingham	1,810,454	1,862,732	1,793,079	− 3	+ 1	+10
Gadsden	67,234	64,169	60,255	+ 5	+12	+ 5
Huntsville	208,930	192,894	181,898	+ 8	+15	+ 7
Mobile	608,416	615,397	501,169	− 1	+21	+14
Montgomery	364,291	344,794	325,725	+ 6	+12	+12
Tuscaloosa	123,132	124,711	133,411	− 1	+ 9	+14
Ft. Lauderdale—Hollywood	953,124	911,759	753,354	+ 5	+26	+30
Jacksonville	1,998,953	1,773,173	1,815,989	+13	+10	+16
Miami	3,298,022	3,106,575	2,713,647	+ 6	+22	+19
Orlando	694,344	642,999	612,609	+ 8	+13	+10
Pensacola	248,208	231,744	214,696	+ 7	+16	+11
Tallahassee	178,989	203,127	147,886	−12	+21	+17
Tampa-St. Pete.	1,892,153	1,738,016	1,468,059	+ 9	+29	+21
W. Palm Beach	566,036	542,564	464,141	+ 4	+22	+24
Albany	116,959	106,117	103,257	+10	+13	+11
Atlanta	7,448,622	6,863,448	5,799,193	+ 9	+28	+21
Augusta	309,786	300,911	304,541	+ 3	+ 2	− 4
Columbus	300,968	266,998	248,279	+13	+21	+15
Macon	340,567	328,954	263,671	+ 4	+29	+17
Savannah	346,828	317,733	305,941	+ 9	+13	+10
Baton Rouge	721,878	671,606	567,014	+ 7	+27	+ 5
Lafayette	165,817	152,425	136,895	+ 9	+21	+17
Lake Charles	165,843	165,671	159,858	+ 0	+ 4	+ 7
New Orleans	2,630,658	2,500,879	2,441,728	+ 5	+ 8	+ 4
Biloxi-Gulfport	156,573	109,330	116,084	+43	+35	+14
Jackson	904,548	741,418	686,932	+22	+32	+12
Chattanooga	805,826	770,555	621,296	+ 5	+30	+20
Knoxville	597,826	548,974	519,417	+ 9	+15	+10
Nashville	1,859,623	2,149,371	1,941,591	−13	− 4	+19
OTHER CENTERS						
Anniston	71,258	73,067	75,086	− 2	− 5	+ 6
Dothan	86,611	78,599	74,784	+10	+16	+14
Selma	52,024	47,219	46,935	+10	+11	+ 7
Bartow	34,119	32,275	29,810	+ 6	+14	+10
Bradenton	94,777	80,471	74,757	+18	+27	+17
Brevard County	209,522	196,197	222,737	+ 7	− 6	− 1
Daytona Beach	93,399	96,507	90,279	− 3	+ 3	+ 4
Ft. Myers—N. Ft. Myers	121,087	111,873	81,353	+ 8	+49	+32
Gainesville	108,904	110,054	99,818	− 1	+ 9	+10
Lakeland	139,013	131,924	116,583	+ 5	+19	+16
Monroe County	37,875	35,263	36,469	+ 7	+ 4	+ 5
Ocala	87,283	76,871r	62,783	+14	+39	+32
St. Augustine	27,095	23,817	24,494	+14	+11	+18
St. Petersburg	398,823	369,372	335,965	+ 8	+19	+21
Sarasota	171,262	151,545	118,444	+13	+45	+26
Tampa	1,043,683	951,250	782,157	+10	+33	+21
Winter Haven	69,587	65,314	61,847	+ 7	+13	+12
Athens	101,998	98,780	82,426	+ 3	+24	+14
Brunswick	52,827	52,365	45,637	+ 1	+16	+12
Dalton	133,005	121,592	116,375	+ 9	+14	+17
Elberton	18,119	16,797	16,580	+ 8	+ 9	+13
Gainesville	87,585	77,579	72,949	+13	+20	+10
Griffin	40,832	37,274	38,065	+10	+ 7	+ 4
LaGrange	23,488	25,650	24,479	− 8	− 4	+13
Newnan	27,104	23,317	25,329	+16	+ 7	− 2
Rome	93,946	83,540	82,148	+12	+14	+11
Valdosta	54,269	72,047	59,525	−25	− 9	+ 5
Abbeville	15,022	12,373	14,580	+21	+ 3	+ 9
Alexandria	157,637	162,093	136,625	− 3	+15	+19
Bunkie	7,562	7,720	6,800	− 2	+11	+17
Hammond	42,334	41,164	38,891	+ 3	+ 9	+11
New Iberia	40,229	37,395	35,841	+ 8	+12	+10
Plaquemine	14,275	13,689	13,134	+ 4	+ 9	+ 8
Thibodaux	26,948	22,961	21,744	+17	+24	+12
Hattiesburg	84,929	58,591	63,093	+45	+35	+17
Laurel	51,216	49,016	38,839	+ 4	+32	+18
Meridian	89,535	85,841	69,625	+ 4	+29	+24
Natchez	46,960	44,353	40,757	+ 6	+15	+13
Pascagoula—Moss Point	84,232	75,473	75,140	+12	+12	+23
Vicksburg	48,246	45,114	38,190	+ 7	+26	+ 5
Yazoo City	32,155	25,274	50,522	+27	−36	− 5
Bristol	98,634	86,553	82,433	+14	+20	+15
Johnson City	103,199	89,325	85,013	+16	+21	+16
Kingsport	176,735	163,107	166,558	+ 8	+ 6	+11
SIXTH DISTRICT TOTAL	40,012,756	37,880,696r	33,945,341	+ 6	+18	+15
Alabama‡	4,736,765	4,703,468	4,446,648	+ 1	+ 7	+ 9
Florida‡	12,474,207	11,676,367r	10,318,603	+ 7	+21	+19
Georgia‡	11,170,523	10,294,106	8,957,521	+ 9	+25	+16
Louisiana†*	4,643,637	4,428,921	4,151,924	+ 5	+12	+ 7
Mississippi†*	1,965,078	1,631,516	1,564,140	+20	+26	+13
Tennessee†*	5,022,546	5,146,318	4,506,505	− 2	+11	+19

*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.

Additional signs of reduced expansion in the District economy are becoming evident. Nonfarm employment remained unchanged in September, and the unemployment rate increased. Farm prices continued to edge lower. The downward trend in housing permits and the reduced flows to savings deposits suggest that the September spurt in housing starts does not point to a sustained upswing. Consumers have increased the total volume of instalment credit, extensions, but new loan extensions continue below year-ago levels. Bank credit declined throughout the first half of October, reversing the strong upswing during late September.

Total nonfarm employment held constant, but unemployment rose slightly in September. Workers, however, are putting in longer hours. Most persons in the Biloxi-Gulfport area displaced by Hurricane Camille have returned to their jobs or are employed in construction and clean-up operations. Announcements of plans for new and expanded plant investment tumbled further in the third quarter, extending the second quarter decline.

Prices received by farmers edged lower in September. Falling prices of corn, soybeans, cottonseed, and vegetables slightly overshadowed rising prices of cotton. Unfavorable weather has contributed to sharply lower yields of cotton, corn, and rice, particularly in Louisiana and Mississippi where the drought has been most severe. Bumper crops of citrus, pecans, and sweet potatoes are in prospect, with a large share of the national output of these crops coming from the Sixth District.

Dollar volume of construction contracts declined sharply from the unusually high August levels, but a high volume of construction seems assured for the rest of the year. Although the downward trend in housing permits continued through September, residential contract volume declined less than other construction. Mortgage rates continued upward in October, and savings flows to mortgage lending institutions continued to weaken.

In September, consumers utilized instalment credit more extensively than in previous months, but less than a year ago. Personal income gained less in August than in earlier months.

District member banks reported reduced gains in loans outstanding during October, after large increases in the final weeks of September. At large banks, where business loan expansion continued, liquidity declined further in September. Demand deposits, although rising at mid-month, were below a month ago. Time deposits were still declining, and the attrition of large certificates of deposit at large banks continued at a considerable rate.

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