

# MONTHLY REVIEW

## IN THIS ISSUE:

- Federal Aid: A Boost to the Southeastern Economy
- Banking Notes
- District Business Conditions



FEDERAL RESERVE BANK OF ATLANTA

# Federal Aid: A Boost to the Southeastern Economy

Cooperation between various levels of government has long been an important element in the financial structure of our Federal system of government. Grants-in-aid from the Federal Government to state and local governments are a crucial element of this cooperation, although grants and shared revenues from state governments to their local governments are of even greater dollar volume. The focus of this article, however, is confined to Federal grants-in-aid to state governments, particularly those in the Sixth Federal Reserve District.

## Background

Federal grants-in-aid to subnational governments are not a recent development. They may be traced back to the origins of the nation. Indeed, they even predate the Constitution. In 1785, Congress

provided grants of Federal land for educational purposes in the Northwest Territory. Early in the nineteenth century, the Federal Government began various aid programs which resulted in our system of land grant colleges. Grants for forest fire protection, vocational education, and highways first appeared between 1910 and 1920. A new period of growth in Federal aid began with the Depression in the 1930's and continued through the Second World War. In the 1960's, another period of growth for Federal aid coincided with national concern over poverty and other social problems.

Federal aid has grown until there are now about 500 separate grant programs. Although Federal aid historically has been granted to state governments, part of the recent aid for social programs has gone directly to local governments. Nevertheless, even today most Federal aid goes directly to the state governments, with only about 12 percent granted directly to the local governments.

Traditionally, Federal aid has been restricted to specific uses. By limiting the use of funds to only particular purposes or projects, the Federal Government has exercised considerable influence

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over the uses of a large part of our economic resources. This is one of the primary purposes of aid programs. Indeed, there are good reasons to believe that had the various aid programs not been undertaken, many of the public services and facilities we enjoy today might never have been provided. Federal aid has stimulated the provision of mass public education; it has helped to develop a unified national highway network; it has made better medical facilities possible; and it has promoted the development of numerous other facilities.

Although Federal grants-in-aid are given primarily to the states, much of the aid emanating from the state governments to local governments is made possible by Federal aid to the states. Essentially, Federal aid frees other state revenues that may then be passed on to local governments. One may be sure that if Federal aid to the state governments were discontinued, the various state governments would either be forced to curtail their aid to local governments or to raise additional revenues by imposing higher taxes.

In addition to specifying usage, Federal grants-in-aid often contain other conditions. For example, suppose that a grant is made for a particular purpose. The Federal Government may impose the additional condition that the state or local government provide funds to match at least a portion of the grant. For example, out of a total of \$100,000, the Federal Government might provide one dollar for every dollar provided by the subnational government. Thus, if the state or local government provides \$50,000, the Federal Government would provide \$50,000. For a state with higher income, the Federal Government might require that the subnational government raise more matching funds, perhaps two dollars for every dollar the Federal Government provides.<sup>1</sup>

Differences between allocations and matching formulas among states are often deliberate and are usually intended to assist poorer states in achieving a minimum level of public services. Indeed, one important purpose of many aid programs is the redistribution of economic resources from wealthier areas of the nation to poorer areas. Differences in the abilities of various states

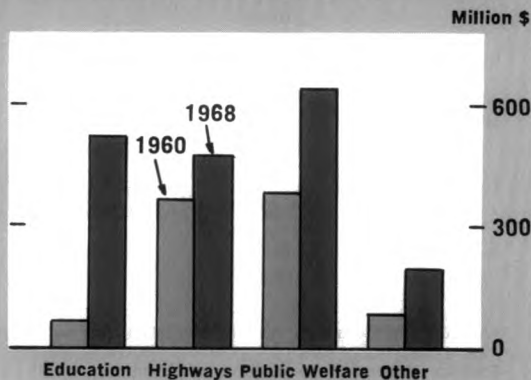
to tax equitably is taken into account so that at least a minimum program is possible in every state. A state with low per capita income might receive a larger allocation of funds or have a smaller matching ratio than another state with high per capita income. The method of achieving this equalization varies from one grant program to another.

### Federal Aid in the Sixth District

Federal grants-in-aid come in almost as many varieties as there are programs. Instead of describing in detail every type of grant, we may classify aid into six broad categories for highways, education, public assistance, health and hospitals, employment security, and other miscellaneous programs. Of these, public assistance, highways, and education are the most important and account for about 90 percent of all Federal aid to state governments.

Federal aid has been an especially important source of funds to the state governments in the Southeast, primarily because these states typically have lower incomes. In 1968, Federal aid accounted for 28.1 percent of the combined general revenues of state governments in the Sixth Federal Reserve District. For the nation as a whole, Federal aid accounted for only 22.3 percent of the general revenues of all state governments. The relatively greater dependence of Southeastern states on Federal aid has lessened, however. In 1960, Federal aid accounted for 27.2 percent of the general revenues of District states but made up only 19.4 percent of all state governments. Thus, whereas aid is becoming a larger

*Federal aid to District state governments grows during the 1960's.*



<sup>1</sup>There are several types of grants under various names. A grant might be referred to as a project grant, or a formula grant, or both, depending upon the conditions under which it is given. This article ignores technical nomenclature and refers to grants as either conditional, matching, or both. The reader should not attach any particular importance to these terms.

part of state revenues in the nation as a whole, it has remained a relatively constant part of state revenues in the District. This change, at least partly, reflects rapid income growth in District states and the increasing ability and willingness of District state governments to raise revenue

from their own sources. Federal aid, however, continues to be relatively more important to Southeastern states than to all state governments combined.

Among District states in 1960, Louisiana received the largest amount of total aid—\$200.4

**TABLE I**  
**FEDERAL AID TO DISTRICT STATES\***

**1960**

	Total	Education	Highways	Public Welfare	Health and Hospital	Employment Security Administration	Other
Alabama	141.8 (43.40)	11.8 (3.62)	50.7 (15.51)	64.7 (19.81)	4.6 (1.42)	4.5 (1.39)	5.5 (1.65)
Florida	171.4 (34.61)	15.9 (3.21)	80.4 (16.24)	61.8 (12.49)	4.3 (.88)	6.1 (.98)	2.9 (.81)
Georgia	153.2 (38.85)	12.8 (3.24)	57.0 (14.45)	67.2 (17.05)	7.0 (1.78)	4.8 (1.23)	4.4 (1.10)
Louisiana	200.4 (61.54)	8.6 (2.64)	73.4 (22.55)	105.7 (32.45)	5.1 (1.57)	3.9 (1.21)	3.7 (1.12)
Mississippi	98.8 (45.38)	9.3 (4.28)	37.7 (17.33)	39.0 (17.92)	3.8 (1.75)	3.6 (1.66)	5.4 (2.44)
Tennessee	140.3 (39.34)	11.4 (3.20)	66.8 (18.73)	43.1 (12.09)	6.8 (1.91)	4.4 (1.23)	7.8 (2.18)
District States	905.9 (42.80)	69.8 (3.30)	366.0 (17.29)	381.5 (18.03)	31.6 (1.49)	27.3 (1.29)	29.7 (1.40)

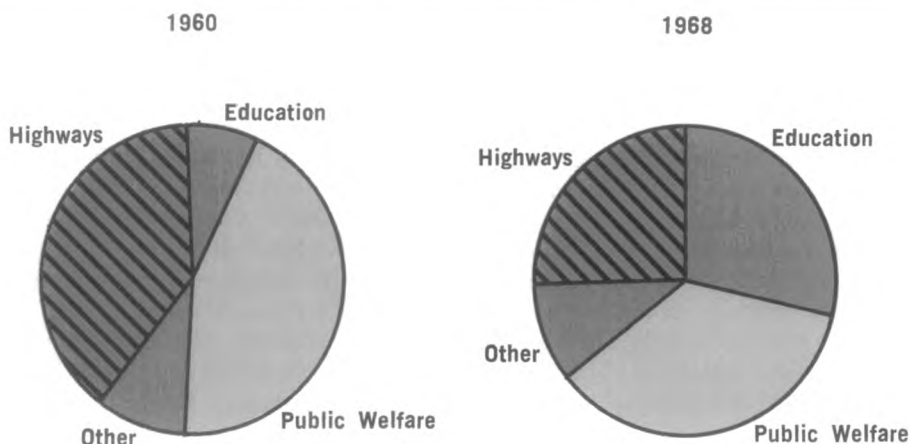
**1968**

Alabama	308.3 (86.47)	95.8 (26.86)	75.0 (21.03)	105.9 (29.69)	10.5 (2.94)	8.8 (2.46)	12.3 (3.49)
Florida	327.7 (53.20)	101.7 (16.51)	80.8 (13.12)	102.3 (16.61)	19.3 (3.13)	11.9 (1.93)	11.7 (1.90)
Georgia	360.9 (78.65)	100.0 (21.80)	98.9 (21.55)	125.2 (27.29)	15.7 (3.42)	10.0 (2.18)	11.1 (2.41)
Louisiana	346.5 (92.86)	67.0 (17.96)	85.2 (22.82)	168.6 (45.16)	10.5 (2.81)	8.6 (2.30)	6.6 (1.81)
Mississippi	203.2 (86.76)	71.4 (30.48)	42.6 (18.17)	60.9 (25.99)	8.8 (3.75)	6.8 (2.92)	12.7 (5.45)
Tennessee	289.0 (72.69)	86.1 (21.65)	88.5 (22.26)	80.1 (20.14)	10.1 (2.54)	8.4 (2.11)	15.8 (3.99)
District States	1,835.6 (75.33)	522.0 (21.42)	471.0 (19.33)	643.0 (26.39)	74.9 (3.07)	54.5 (2.24)	70.2 (2.88)

\*Amounts of aid are in millions of dollars. Per capita amounts, in parentheses, are in dollars.

Source: Federal Reserve Bank of Atlanta

## AID TO EDUCATION LEADS IN GROWTH



million (Table I). Florida ranked second, and Georgia, Alabama, Tennessee, and Mississippi followed respectively. If converted to per capita terms, the ranking differs. Louisiana still received the highest amount—\$61.54 per person. Mississippi, however, received the second-highest figure, while Alabama, Tennessee, and Georgia followed. Florida ranked lowest in per capita terms.

The growth of Federal aid is reflected by the 1968 total. In 1968, Georgia received the most aid—\$360.9 million. But in per capita terms, Georgia, with \$78.65, ranked fourth among District states. Louisiana received the second-highest total aid, but the highest amount per capita—\$92.86. Mississippi again received the lowest total aid, but still this was enough to place the state second in per capita terms.

In the 1960's, not only the level but also the composition of aid to District states changed markedly. At the beginning of the decade, Federal aid for highways and public assistance accounted for over 80 percent of all aid received by the six state governments. These categories accounted for between 78 percent of all aid to Mississippi and 89 percent of all aid to Louisiana. Highway aid was largely concentrated on the interstate highway system. Public assistance aid was directed primarily to the aged, disabled, blind, families with dependent children, or to programs such as

low-rent housing.

By 1968, the picture had changed. Aid for highways and for public assistance declined in relative importance, so that it made up only about 60 percent of all aid to District state governments. Much of this shift in emphasis can be explained by the approaching completion of the interstate highway system. Of all District states, only Georgia received more aid for highways in 1968 than it did in 1965. As a whole, the District received over \$50 million less for highway purposes in 1968 than in 1965. During this period, aid for public assistance, on the other hand, continued to grow but not enough to offset the decreased aid to highways.

With the reduced flow of aid to highways, resources have become available for other purposes, particularly education. The Eighty-eighth Congress initiated several educational programs and expanded others. Vocational education, construction of higher education facilities, and numerous other programs began to receive new or expanded Federal assistance in the mid-1960's. Aid to education jumped from about \$70 million in 1960 to \$522 million in 1968. In 1960, aid to education accounted for only about 9 percent of all Federal aid to Florida—the highest proportion of any District state. By 1968, over 19 percent of all aid to Louisiana was earmarked for education,

and this represented the smallest proportion of any District state. In Mississippi, the state representing the highest proportion in 1968, over one-third of Federal aid was directed to education.

The remaining aid categories have stayed fairly constant over the decade. Aid for health and hospitals includes grants for construction of tuberculosis, cancer, heart disease, and communicable diseases. These programs amounted to 3.5 percent of all aid to the District in 1960 and 4.0 percent in 1968. Administration of employment security programs represented 2.9 percent of all Federal aid to the District in 1960 and 2.8 percent in 1968. All other aid programs constituted 3.5 percent of aid in 1960 and grew to only 4.0 percent by 1968.

### Aid as an Important Source of Funds

Up to this point we have considered primarily the allocation of Federal aid. But how important is the aid as a source of funds to state governments? Does it finance a significant part of their expenditures in certain areas? To answer this, let us ask how much of a state government's expenditures are financed by Federal aid. It is helpful to make a distinction between types of state expenditures. Both direct and total expenditures must be considered. For example, *direct expenditures* for education represent only expenditures made directly for educational purposes by the state government but do not include expenditures that are merely transfers to local governments. *Total expenditures* for education include direct

**TABLE II**  
**FEDERAL AID AS A SOURCE OF FUNDS IN DISTRICT STATES**

Percentage of Direct Expenditures

	<u>1960</u>			<u>1968</u>		
	<u>Education</u>	<u>Highways</u>	<u>Public Welfare</u>	<u>Education</u>	<u>Highways</u>	<u>Public Welfare</u>
Alabama	20.3	44.9	79.7	41.1	45.2	74.9
Florida	22.9	39.3	78.5	44.4	32.1	76.2
Georgia	18.9	54.6	76.0	36.9	57.0	80.9
Louisiana	10.7	43.4	65.0	29.8	38.9	72.1
Mississippi	23.7	54.0	75.0	71.3	39.2	72.4
Tennessee	25.8	51.0	73.0	44.6	51.5	73.3
District States	19.4	46.0	73.1	43.2	43.5	74.5

Percentage of Total Expenditures

	<u>1960</u>			<u>1968</u>		
	<u>Education</u>	<u>Highways</u>	<u>Public Welfare</u>	<u>Education</u>	<u>Highways</u>	<u>Public Welfare</u>
Alabama	6.8	33.8	79.7	20.0	35.1	74.9
Florida	6.1	36.6	78.5	15.1	29.9	76.2
Georgia	6.3	43.4	72.7	16.6	44.0	75.3
Louisiana	3.6	39.8	65.0	12.2	35.0	72.1
Mississippi	7.5	40.5	75.0	27.1	30.1	72.4
Tennessee	7.6	41.0	73.0	20.5	40.1	73.2
District States	6.1	38.9	73.1	18.3	35.6	73.7

Source: Federal Reserve Bank of Atlanta

expenditures and any transfers from a state government to local governments that are restricted for educational purposes.

Even a cursory examination reveals that Federal aid constitutes a large portion of state expenditures in the three major categories—education, highways, and public welfare (Table II). For example, in 1968, Federal aid to education financed over two-thirds of all direct expenditures for education by the state government in Mississippi. This was the highest percentage for any District state. Louisiana was the lowest state, with about one-third of direct educational expenditures financed by Federal aid.<sup>2</sup>

When total educational expenditures are considered, Mississippi again relies most heavily on Federal aid, with over one-fourth of total state government expenditures financed by Federal aid. Louisiana is the least dependent of the District states. For the District as a whole, 43 percent of direct state expenditures and 18 percent of total expenditures were financed by Federal aid.

For highways, Federal aid accounted for about 44 percent of direct expenditures by District state governments and for about 36 percent of total expenditures. The relatively small difference in these percentages indicates that transfers from state to local governments make up a smaller part of total highway expenditures than they do for other categories. Federal highway aid was most important to Georgia, where Federal aid was 57.0 percent of direct expenditures. Highway aid was least important to Florida, where payments of \$81 million represented only one-third of direct expenditures. As a percentage of total highway expenditures, Georgia again was most dependent, and Florida was least dependent.

When considering aid for public assistance, the distinction between direct and total expenditures makes little or no difference. Only in Georgia are there any significant intergovernmental payments which are earmarked for public assistance. In the District as a whole, Federal aid accounted for 74.5 percent of direct state expenditures for public assistance and 73.7 percent of total expendi-

tures. Aid was most important in Georgia and Florida, where payments respectively represented 80.9 percent and 76.2 percent of direct expenditures for public assistance. In Georgia this represented only 75.3 percent of total public assistance expenditures. Although aid payments for public assistance to Louisiana were larger in total (\$168.6 million) than in any other District state, they accounted for the smallest percentage—72.1 percent—of expenditures for any District state. This reflects the strong welfare programs carried on by the Louisiana state government.

### Federal Aid as a Source of Income

Clearly these figures indicate Federal aid is an important source of *finances* for District states' expenditures in three major areas. But is it also a source of *income* to the District states? The share of expenditures financed by aid for any particular program is not a particularly good measure of the real impact of aid in a state. For example, if the Federal Government had never provided the aid, it is conceivable that state governments would have made the same expenditures themselves and financed them through higher state taxes. A much more accurate appraisal of the *real* initial impact of Federal aid would be to ascertain its direct effects on the levels of income in the various states. For every dollar of Federal aid granted, a dollar of Federal taxes must have been collected to finance the aid. The important question is whether the taxes collected in any state are the same as the aid which is given to that state. In the case of the District states, the answer is negative. Since District states are generally below the national average in income levels, they would more than likely receive more aid than they pay in taxes to finance the aid. What results is a geographical redistribution of income. This is in keeping with the objective of having at least a minimal program in every state. Presumably, poorer states would not be able to provide these programs without some outside assistance. Federal aid is the vehicle through which this is done.

There are two effects which tend to redistribute income through Federal aid programs. Even if aid were paid on a strictly per capita basis, there would be some redistribution, since the Federal tax bill is not paid on a strictly per capita basis. Poorer states tend to pay less per person because the tax system is progressive. In addition, many aid programs allocate proportionately more funds to poorer states. This augments the redistribution

<sup>2</sup>These computations are based on educational expenditures by the state governments only. If expenditures by local governments were also included, the importance of Federal aid to education would be reduced considerably. This observation does not alter the obvious implication of the data that Federal aid payments are a significant source of financing for educational expenditures by the state governments in the Southeast.

**TABLE III**  
**Net Per Capita Gains in 1968**  
**Resulting From Federal Aid to:**

State	District State Governments	District State and Local Governments Combined
Alabama	\$38.58	\$34.96
Florida	-15.04 *	-18.60 *
Georgia	22.27	17.22
Louisiana	38.24	33.61
Mississippi	48.82	44.65
Tennessee	18.22	16.47

\* Net Loss

Source: Federal Reserve Bank of Atlanta

effect resulting from the progressiveness of the tax system.

As indicated in Table III, Federal aid programs resulted in gains to every District state except Florida. Consider Tennessee as an example. The taxes required to finance the Federal Government's aid programs in 1968 averaged \$76.50 for every person in the nation. However, the average Tennessean paid \$54.47 in taxes in order to finance Federal aid.<sup>3</sup> The state government in Tennessee received \$72.69 per person in Federal grants. Thus, Tennessee's average gain would be \$18.22 per person because of the combination of the progressive Federal tax system and the Federal aid programs to state governments. If Federal aid to local governments in Tennessee is also included, the gain is reduced to \$16.47 per person. Of all the District states, Mississippi gains the most. Through either money income or through more or improved government services, an average Mississippian's gain is increased by \$44.65 as a result of Federal aid to state and local governments. This is the highest among District states. Florida is the only

District state that does not gain from the programs. The average Floridian paid \$18.60 more in taxes to finance the Federal aid programs than was returned to the state and local governments in aid payments.

Preliminary estimates for the fiscal 1971 Federal budget indicate that these patterns should continue. Table IV shows the estimated tax bills paid by District states in order to finance Federal aid programs and the total grants which these states will receive from Federal grants-in-aid. Also shown is the amount of taxes paid per dollar of aid received. For every dollar of the \$319 mil-

**TABLE IV**  
**Estimated Federal Aid and Tax Burdens**  
**In Fiscal Year 1971**

State	Tax Burden	Total Aid*	Tax Burden Per \$1 of Aid Received
	\$ million	\$ million	\$
Alabama	218	416	.52
Florida	562	427	1.32
Georgia	331	490	.68
Louisiana	267	471	.57
Mississippi	116	319	.36
Tennessee	278	385	.72

\* Includes aid to local governments

Source: Tax Foundation, Inc.

lion in aid to Mississippi, taxpayers in Mississippi would have paid only \$.36 in Federal taxes. On the other hand, Florida taxpayers would have paid \$1.32 for every dollar of the \$427 million in Federal grants to states and localities in Florida.

### Conclusions

As we have seen, Federal grants-in-aid to District states are primarily concentrated in three areas—highways, education, and public assistance. Recently, the trend has resulted in increased emphasis on education and reduced emphasis on highway aid. In all categories, Federal aid is an important source of revenue to District state governments. State government expenditures in these

<sup>3</sup> Computations are based on the per capita distribution of the Federal tax bill as computed by the Tax Foundation, Inc. For every dollar collected in Federal taxes, the average citizen of the nation obviously pays \$1. However, the average Tennessean pays only 71 cents in taxes. The lower payment by the Tennessean results primarily from his lower-than-average income. An average citizen in states with higher-than-average income would pay more than \$1 in Federal taxes.



areas depend substantially on this aid. Without Federal assistance, it is likely that both the quality and quantity of these vital public services would have been seriously reduced.

In addition, we have noted that Federal aid contributes to the incomes of all District states except Florida. Obviously, one cannot expect that every citizen would gain \$10 or \$15 in either higher money incomes or improved government services. Some persons may gain nothing at all. Others—for example, the aged—may gain a great deal. Some benefit through direct payments such as those to the blind. Still others gain indirectly through a better educated citizenry or various general improvements. In most cases, however, it is clear that the impact of the Federal aid pro-

grams has been to inject more into the District states' economies than is withdrawn in taxes to finance these programs.

Finally, let us comment on the future of Federal grants-in-aid. There are renewed efforts to improve present aid programs. Efforts are under way to consolidate and restructure existing programs. New approaches to the welfare programs, such as the Family Assistance Program, have been proposed. Another important step is the proposal for unrestricted sharing of Federal revenues with subnational governments. Hopefully, present efforts should enhance the value of these programs to our Federal system.

ROBERT H. FLOYD

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## New and Revised Publications

*A Review of Florida's Economy 1960-70*, revised July 1970

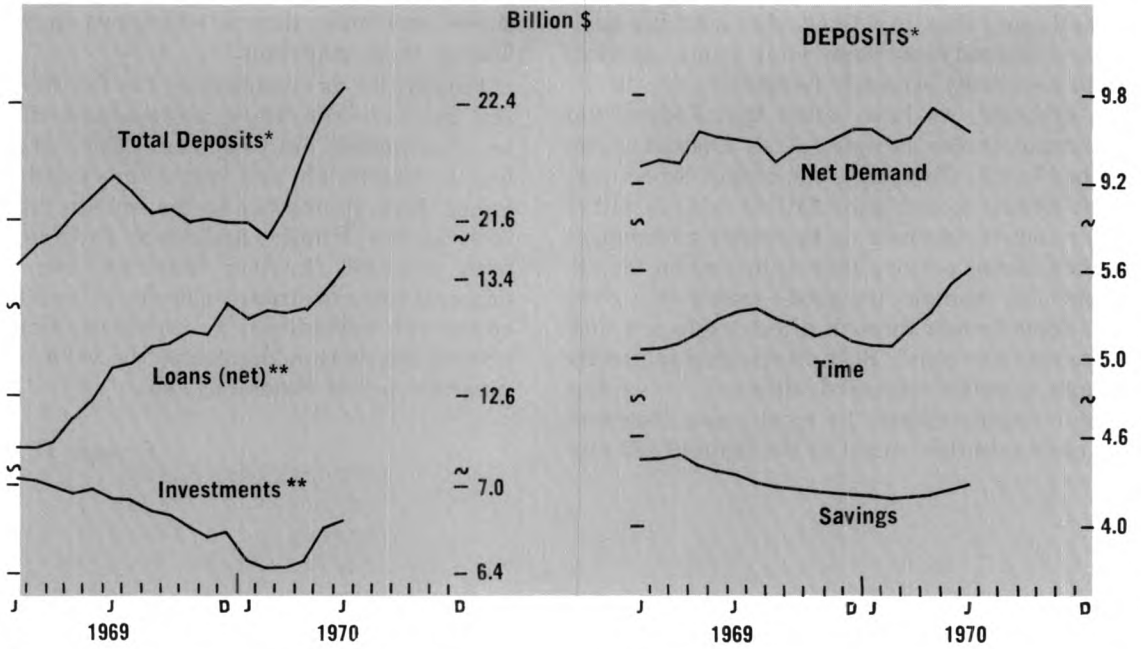
*A Review of Georgia's Economy 1960-70*, revised August 1970

*A Review of Louisiana's Economy 1960-70*, revised August 1970

*District Manufacturing Index: Technical Note and Statistical Supplement.* This supplement gives a detailed discussion of the methods used in computing the District's new production index. It also contains monthly production indexes for the District's individual industries.

Now available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

## BANKING STATISTICS



Last date plotted: June

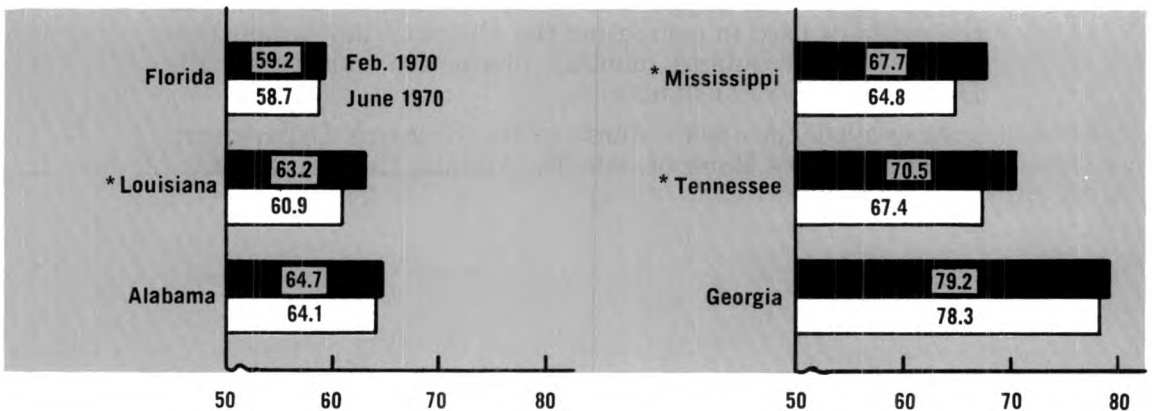
Note: All figures are seasonally adjusted and cover all Sixth District member banks.

\*Daily average figures. \*\*Figures are for the last Wednesday of each month.

## SIXTH DISTRICT

# BANKING NOTES

## LOAN-DEPOSIT RATIO



\*Sixth District portion only



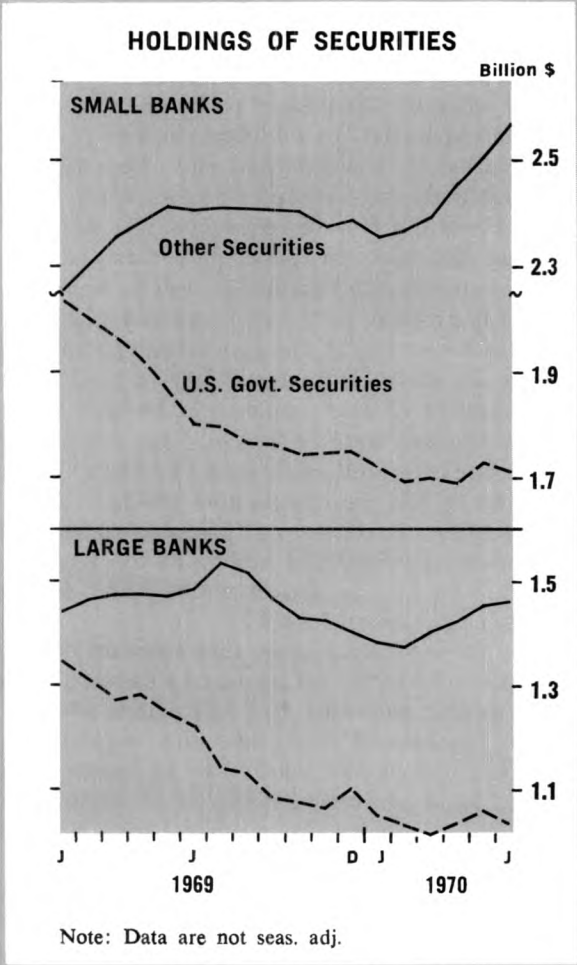
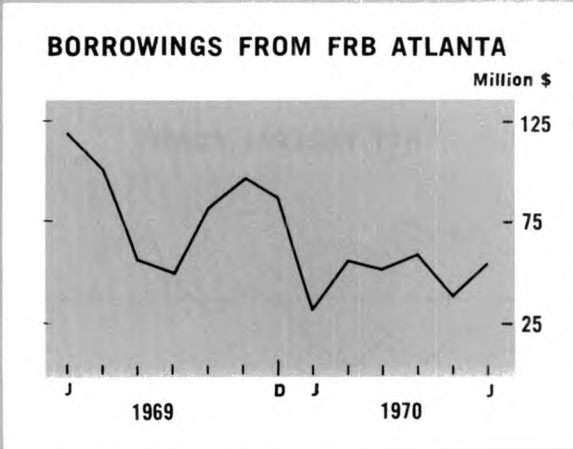
funds market. Unlike last fall, District banks are no longer in the position where their purchases of Federal funds exceed sales by \$200 million. At the time the larger banks were net purchasers in the amount of nearly \$400 million, the smaller banks were selling nearly \$200 million more than they were purchasing. During the second quarter of this year, sales for the District averaged over \$200 million more than purchases, since the larger banks' deficit dropped \$100 million and net sales by the smaller banks advanced over \$250 million.

Borrowing—via the indirect method of selling loans to bank subsidiaries, who in turn issue commercial paper—has also been falling off. Since mid-June, banks have been allowed to compete freely and directly for short-term funds through the sale of large-denomination certificates of deposit. As a result, banks can attract funds through more traditional banking sources. If this channel of acquiring funds is not made ineffective by the reinstatement of interest ceilings, we should expect to see further reductions in the use of nondeposit liabilities to support bank lending.

Thus far in 1970, the level of borrowing by member banks from the Federal Reserve discount window has consistently averaged under \$60 million. In the last quarter of 1969, advances from discounting averaged nearly \$90 million. The need of some of the large banks in Atlanta to ex-

pand their lending to finance companies during the latter part of June and the first part of July resulted in a large jump in borrowing, but even this has now subsided.

Although bank lending has not been expanding rapidly, banks have been adding to their other earning assets. District banks sold large amounts of securities from their investment portfolios last year to maintain lending in the face of deposit outflows. The larger banks—the ones that experienced the greatest runoff of deposits last year—accounted for nearly four-fifths of the \$550-million net decline in securities in the District. Now that there is easing, many banks are taking ad-



vantage of the slack to acquire securities with historically high yields.

As noted previously, the liquidity pressures eased more—and were, perhaps, less severe to begin with—at the smaller banks in the District than at the larger banks. Since February, it has been the smaller banks that have added the bulk of the \$300-million (not seasonally adjusted) expansion in investments to their portfolios. While there was some run-up in U. S. Government securities holdings around the May Treasury refunding, these issues have taken a back seat to the purchases of other securities. Municipal obligations have accounted for a large portion of the increases in investments. Should the current conditions underlying the rise in liquidity be reversed, investment holdings could be liquidated again.

Even now, after four months of deposit inflows, not all banks can report improvements in bank deposits from a year ago. However, the number in this category is declining. At the end of June, about 100 banks (approximately 20 percent of the member banks in the Sixth District) were reporting deposit totals below those of a year ago,

whereas over 125 banks were similarly situated at the end of January. During this same time, the average deposit decline of these banks has fallen from nearly 8 percent to 5 percent.

The banks in the District's larger cities were hit the hardest by deposit declines, with two-fifths reporting smaller deposit totals in January than a year ago. The number has decreased, although one-third are still showing deposit declines that average 6 percent. Most of these banks are located in Florida and Georgia, states that also posted only slight improvements in the loan-deposit ratios. Although many banks have not completely recovered to their former deposit levels, they are at least in an improved position now.

Reduced credit demands and renewed deposit inflows have left District banks in a more favorable position. Bankers have been able to reduce their dependence upon borrowed reserves and, at the same time, have built up a cushion of liquid assets in the form of increased investments in their portfolios.

JOHN M. GODFREY

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## Bank Announcements

On July 1, **Bank of Terrebonne & Trust Company**, Houma, Louisiana, a nonmember bank, began to remit at par for checks drawn on it when received from the Federal Reserve Bank.

**The Wiregrass Bank & Trust Company**, Headland, Alabama, opened for business as a newly organized nonmember bank on July 1 and began to remit at par. Officers are William J. Parker, president; Billy J. Whid-don, vice president; and H. David Knight, cashier. Capi-

tal is \$200,000; surplus and other capital funds, \$200,000.

On July 22, a newly organized member bank, **South-east National Bank of Orlando**, Orlando, Florida, opened for business. Officers are Melvin R. Ziegenfus, president; Henry C. Lowery, III, and Vernon D. Smith, assistant vice presidents; and Hubert A. Creech, cashier. Capital is \$1,000,000; surplus and other capital funds, \$1,000,000.

# Sixth District Statistics

## Seasonally Adjusted

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

	Latest Month 1970	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1970	One Month Ago	Two Months Ago	One Year Ago
<b>SIXTH DISTRICT</b>					<b>FLORIDA</b>				
<b>INCOME AND SPENDING</b>					<b>INCOME</b>				
Manufacturing Payrolls . . . . .	June 262	259	257	251	Manufacturing Payrolls . . . . .	June 370	366	356	338
Farm Cash Receipts . . . . .	May 205	172	180	173	Farm Cash Receipts . . . . .	May 176	164	125	204
Crops . . . . .	May 154	152	129	188	<b>EMPLOYMENT</b>				
Livestock . . . . .	May 230	302	201	172	Nonfarm Employment† . . . . .	June 180	179	178	174
Installment Credit at Banks* (Mil. \$)					Manufacturing . . . . .	June 178	176	177	182
New Loans . . . . .	June 348	324	359	344	Nonmanufacturing . . . . .	June 181	179	178	172
Repayments . . . . .	June 314	337	321	313	Construction . . . . .	June 135	137	140	131
<b>EMPLOYMENT AND PRODUCTION</b>					Farm Employment . . . . .	June 91	89	82	90
Nonfarm Employment† . . . . .	June 151	152	152	150	Unemployment Rate				
Manufacturing . . . . .	June 145	146	147	150	(Percent of Work Force)† . . . . .	June 3.3	3.3	3.2	2.6
Apparel . . . . .	June 173	173	174	175	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 41.4	41.7	41.4	41.6
Chemicals . . . . .	June 137	137r	136	142	<b>FINANCE AND BANKING</b>				
Fabricated Metals . . . . .	June 174	175r	176	175	Member Bank Loans . . . . .	June 395	398	391	366
Food . . . . .	June 119	119	121	116	Member Bank Deposits . . . . .	June 267	266	260	264
Lbr., Wood Prod., Furn. & Fix. . . . .	June 105	105r	107	111	Bank Debits** . . . . .	June 300	306	303	287
Paper . . . . .	June 127	128r	129	131	<b>GEORGIA</b>				
Primary Metals . . . . .	June 130	130r	128	133	<b>INCOME</b>				
Textiles . . . . .	June 112	112	114	117	Manufacturing Payrolls . . . . .	June 271	263	260	259
Transportation Equipment . . . . .	June 196	198	197	208	Farm Cash Receipts . . . . .	May 227	170	188	163
Nonmanufacturing† . . . . .	June 153	154	154	150	<b>EMPLOYMENT</b>				
Construction . . . . .	June 134	137r	140	138	Nonfarm Employment† . . . . .	June 152	152	153	151
Farm Employment . . . . .	June 57	56	54	53	Manufacturing . . . . .	June 139	140	141	143
Unemployment Rate					Nonmanufacturing . . . . .	June 158	158	158	155
(Percent of Work Force)† . . . . .	June 4.3	4.3	4.3	3.6	Construction . . . . .	June 141	143r	145	156
Insured Unemployment					Farm Employment . . . . .	June 51	50	50	48
(Percent of Cov. Emp.) . . . . .	June 2.8	2.7	2.6	1.7	Unemployment Rate				
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 40.4	40.4	40.6	41.0	(Percent of Work Force)† . . . . .	June 3.7	3.7	3.6	3.0
Construction Contracts* . . . . .	June 230	242	249	215	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 40.5	39.6	40.6	41.1
Residential . . . . .	June 247	228	262	253	<b>FINANCE AND BANKING</b>				
All Other . . . . .	June 214	255	238	183	Member Bank Loans . . . . .	June 351	344	345	330
Electric Power Production** . . . . .	May 167	165	162	159	Member Bank Deposits . . . . .	June 234	232	233	243
Cotton Consumption** . . . . .	May 99	100r	105	104	Bank Debits** . . . . .	June 339	336	328	315
Petrol. Prod. in Coastal La. and Miss.**	July 283	286	284	272	<b>LOUISIANA</b>				
Manufacturing Production . . . . .	May 242	238r	241	226	<b>INCOME</b>				
Nondurable Goods . . . . .	May 205	205r	206	196	Manufacturing Payrolls . . . . .	June 222	217	213	209
Food . . . . .	May 164	162r	162	153	Farm Cash Receipts . . . . .	May 162	187	193	165
Textiles . . . . .	May 237	231r	230	223	<b>EMPLOYMENT</b>				
Apparel . . . . .	May 255	254	258	244	Nonfarm Employment† . . . . .	June 131	132	133	132
Paper . . . . .	May 197	199	200	194	Manufacturing . . . . .	June 120	122	122	124
Printing and Publishing . . . . .	May 167	167r	169	164	Nonmanufacturing . . . . .	June 133	134	135	134
Chemicals . . . . .	May 253	251	257	256	Construction . . . . .	June 116	122	128	127
Durable Goods . . . . .	May 287	278	284	263	Farm Employment . . . . .	June 51	48	47	55
Lumber and Wood . . . . .	May 169	166r	171	164	Unemployment Rate				
Furniture and Fixtures . . . . .	May 182	185r	185	197	(Percent of Work Force)† . . . . .	June 6.2	6.3r	6.1	5.1
Stone, Clay and Glass . . . . .	May 166	168r	172	164	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 41.8	41.9r	41.6	42.5
Primary Metals . . . . .	May 198	194	200	189	<b>FINANCE AND BANKING</b>				
Fabricated Metals . . . . .	May 242	244	247	233	Member Bank Loans* . . . . .	June 286	290	287	261
Nonelectrical Machinery . . . . .	May 600	570	569	527	Member Bank Deposits* . . . . .	June 187	188	182	180
Electrical Machinery . . . . .	May 354	342	355	347	Bank Debits/** . . . . .	June 213	218	215	203
Transportation Equipment . . . . .	May 379	358r	369	332	<b>MISSISSIPPI</b>				
<b>FINANCE AND BANKING</b>					<b>INCOME</b>				
Loans* . . . . .					Manufacturing Payrolls . . . . .	June 286	286	282	277
All Member Banks . . . . .	June 350	350	348	322	Farm Cash Receipts . . . . .	May 168	189	231	195
Large Banks . . . . .	June 290	295	293	265	<b>EMPLOYMENT</b>				
Deposits* . . . . .					Nonfarm Employment† . . . . .	June 149	152	152	148
All Member Banks . . . . .	June 235	234	231	230	Manufacturing . . . . .	June 157	159	159	161
Large Banks . . . . .	June 190	194	194	190	Nonmanufacturing . . . . .	June 146	148r	149	143
Bank Debits/** . . . . .	June 286	288	288	271	Construction . . . . .	June 157	162r	166	151
<b>ALABAMA</b>					Farm Employment . . . . .	June 48	49	46	41
<b>INCOME</b>					Unemployment Rate				
Manufacturing Payrolls . . . . .	June 222	220	223	215	(Percent of Work Force)† . . . . .	June 4.8	5.0	5.3	4.2
Farm Cash Receipts . . . . .	May 163	180	215	162	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 40.0	40.2r	40.0	40.1
<b>EMPLOYMENT</b>					<b>FINANCE AND BANKING</b>				
Nonfarm Employment† . . . . .	June 133	133	133	133	Member Bank Loans* . . . . .	June 427	420	421	385
Manufacturing . . . . .	June 132	131	134	136	Member Bank Deposits* . . . . .	June 291	289	283	260
Nonmanufacturing . . . . .	June 133	134	133	132	Bank Debits/** . . . . .	June 285	294	282	264
Construction . . . . .	June 121	125r	121	127	<b>MONTHLY REVIEW</b>				
Farm Employment . . . . .	June 55	52	53	59					
Unemployment Rate									
(Percent of Work Force)† . . . . .	June 4.8	4.8	4.7	3.8					
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 39.6	40.3	40.3	40.7					
<b>FINANCE AND BANKING</b>									
Member Bank Loans . . . . .	June 317	314	315	288					
Member Bank Deposits . . . . .	June 219	219	218	215					
Bank Debits** . . . . .	June 239	247	255	239					

	Latest Month 1970	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1970	One Month Ago	Two Months Ago	One Year Ago
<b>TENNESSEE</b>					Nonmanufacturing . . . . .	June 145	146	146	143
<b>INCOME</b>					Construction . . . . .	June 146	156r	158	155
Manufacturing Payrolls . . . . .	June 237	238	240	234	Farm Employment . . . . .	June 58	58	55	47
Farm Cash Receipts . . . . .	May 220	150	147	132	Unemployment Rate (Percent of Work Force)† . . . . .	June 4.4	4.4r	4.6	3.5
<b>EMPLOYMENT</b>					Avg. Weekly Hours in Mfg. (Hrs.) . . . . .	June 39.7	39.9r	40.1	40.4
Nonfarm Employment† . . . . .	June 147	148	150	148	<b>FINANCE AND BANKING</b>				
Manufacturing . . . . .	June 151	153	155	157	Member Bank Loans* . . . . .	June 337	344	344	305
					Member Bank Deposits* . . . . .	June 220	219	219	203
					Bank Debits**/** . . . . .	June 293	286	307	276

\*For Sixth District area only; other totals for entire six states

\*\*Daily average basis

†Preliminary data

r-Revised

N.A. Not available

Sources: Manufacturing production 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 Div., McGraw-Hill Information Systems Co.; 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)

Percent Change							Percent Change												
			June 1970 From	Year to date 6 mos. 1970 from						June 1970 From	Year to date 6 mos. 1970 from								
	June 1970	May 1970	June 1969	May 1970	June 1969	June 1969		June 1970	May 1970	June 1969	May 1970	June 1969	June 1969						
STANDARD METROPOLITAN STATISTICAL AREAS†													Gainesville . . . . .	125,010	114,768	115,902	+ 9	+ 8	+ 11
Birmingham . . . . .	1,958,362	1,882,139	1,878,404	+ 4	+ 4	+ 6	Lakeland . . . . .	169,001	157,731	156,858	+ 7	+ 8	+ 13						
Gadsden . . . . .	71,769	66,924	69,278	+ 7	+ 4	+ 4	Monroe County . . . . .	44,766	41,496	39,112	+ 8	+ 14	+ 5						
Huntsville . . . . .	219,436	209,914	214,103	+ 5	+ 2	+ 10	Ocala . . . . .	100,191	90,428	83,056	+ 11	+ 21	+ 22						
Mobile . . . . .	707,021	820,821	600,646	- 14	+ 18	+ 23	St. Augustine . . . . .	27,087	22,482	26,515	+ 20	+ 2	- 8						
Montgomery . . . . .	404,444	397,672	396,908	+ 2	+ 2	+ 5	St. Petersburg . . . . .	480,328	494,335	419,134	- 3	+ 15	+ 12						
Tuscaloosa . . . . .	127,540	117,885	122,203	+ 8	+ 4	+ 4	Sarasota . . . . .	161,868	174,055	169,598	- 7	- 5	+ 19						
Ft. Lauderdale—							Tampa . . . . .	1,226,679	1,232,587	1,007,891	- 0	+ 22	+ 22						
Hollywood . . . . .	1,140,942	1,085,562	1,030,219	+ 5	+ 11	+ 10	Winter Haven . . . . .	90,020	86,281	77,785	+ 4	+ 16	+ 16						
Jacksonville . . . . .	2,113,882	1,921,990	2,042,540	+ 10	+ 3	+ 7	Athens . . . . .	139,026	121,665	106,621	+ 14	+ 30	+ 16						
Miami . . . . .	3,847,251	3,565,806	3,391,813	+ 8	+ 13	+ 12	Brunswick . . . . .	56,622	50,875r	52,723	+ 11	+ 7	+ 10						
Orlando . . . . .	834,660	793,493	743,030	+ 5	+ 12	+ 14	Dalton . . . . .	115,745	114,772	113,920	+ 1	+ 2	- 4						
Pensacola . . . . .	300,016	260,227	237,582	+ 15	+ 26	+ 14	Elberton . . . . .	19,154	19,123	17,258	+ 0	+ 11	+ 12						
Tallahassee . . . . .	225,559	189,415	192,314	+ 19	+ 17	+ 14	Gainesville . . . . .	100,871	85,127	78,898	+ 18	+ 28	+ 19						
Tampa—St. Pete . . . . .	2,230,375	2,233,668	1,904,333	- 0	+ 17	+ 17	Griffin . . . . .	45,307	43,491	39,737	+ 4	+ 14	+ 16						
W. Palm Beach . . . . .	657,775	666,541	623,293	- 1	+ 6	+ 13	LaGrange . . . . .	24,111	23,747	32,879	+ 2	- 27	- 10						
Albany . . . . .	136,974	123,262	110,471	+ 11	+ 24	+ 15	Newnan . . . . .	31,552	28,849	25,707	+ 9	+ 23	+ 23						
Atlanta . . . . .	7,864,694	7,489,337	6,897,234	+ 5	+ 14	+ 19	Rome . . . . .	99,261	90,941	92,596	+ 9	+ 7	+ 9						
Augusta . . . . .	316,017	309,356	314,720	+ 2	+ 0	+ 6	Valdosta . . . . .	67,875	62,254	60,123	+ 9	+ 13	+ 9						
Columbus . . . . .	298,865	279,671	278,084	+ 7	+ 7	+ 3	Abbeville . . . . .	13,143	11,939	14,149	+ 10	- 7	- 1						
Macon . . . . .	340,296	318,904	313,056	+ 7	+ 9	+ 3	Alexandria . . . . .	161,546	163,923	166,005	- 1	- 3	- 7						
Savannah . . . . .	328,448	332,271	350,228	- 1	- 6	+ 2	Bunkie . . . . .	7,466	6,525	7,981	+ 14	- 6	- 6						
Baton Rouge . . . . .	864,406	825,263	605,808	+ 5	+ 43	+ 33	Hammond . . . . .	46,232	46,649	42,547	- 1	+ 9	+ 6						
Lafayette . . . . .	168,939	160,737	157,876	+ 5	+ 7	+ 7	New Iberia . . . . .	39,313	40,769	37,898	- 4	+ 4	+ 6						
Lake Charles . . . . .	174,345	161,168	173,728	+ 8	+ 0	- 1	Plaquemine . . . . .	13,695	14,853	14,693	- 8	- 7	- 4						
New Orleans . . . . .	2,786,119	2,773,247	2,646,737	+ 0	+ 5	+ 5	Thibodaux . . . . .	27,240	27,719	26,774	- 2	+ 2	+ 1						
Biloxi—Gulfport . . . . .	158,389	152,238	136,652	+ 4	+ 16	+ 27	Hattiesburg . . . . .	62,655	58,964	68,004	+ 6	- 8	- 15						
Jackson . . . . .	867,070	837,085	781,532	+ 4	+ 11	+ 10	Laurel . . . . .	50,241	50,747	45,755	- 1	+ 10	+ 14						
Chattanooga . . . . .	885,047	786,057	783,906	+ 13	+ 13	+ 12	Meridian . . . . .	82,934	75,671	81,601	+ 10	+ 2	- 4						
Knoxville . . . . .	618,189	582,943	592,521	+ 6	+ 4	+ 4	Natchez . . . . .	42,922	42,252	43,218	+ 2	- 1	- 2						
Nashville . . . . .	2,113,293	1,904,189	1,842,679r	+ 11	+ 15	+ 9	Pascagoula—												
OTHER CENTERS													Moss Point . . . . .	89,168	84,138	81,000	+ 6	+ 10	+ 9
Anniston . . . . .	85,623	82,411	80,552	+ 4	+ 6	+ 2	Vicksburg . . . . .	49,972	43,666	42,679	+ 14	+ 17	+ 14						
Dothan . . . . .	90,589	89,151	81,418	+ 2	+ 11	+ 14	Yazoo City . . . . .	38,772	42,642	29,473	- 9	+ 32	- 4						
Selma . . . . .	51,744	48,015	50,099	+ 8	+ 3	+ 1	Bristol . . . . .	102,399	95,565	96,405	+ 7	+ 6	+ 7						
Bartow . . . . .	37,002	34,162	42,277	+ 8	- 12	- 7	Johnson City . . . . .	112,853	95,906	90,434	+ 18	+ 25	+ 12						
Bradenton . . . . .	97,509	98,256	93,396	- 1	+ 4	+ 6	Kingsport . . . . .	190,682	168,364	173,885	+ 13	+ 10	- 3						
Brevard County . . . . .	222,450	234,942	245,404	- 5	- 5	- 3	SIXTH DISTRICT Total . . . . .							43,574,334	41,439,647r	39,515,790r	+ 5	+ 10	+ 11
Daytona Beach . . . . .	107,847	96,944	101,948	+ 11	+ 6	+ 5	Alabama† . . . . .	5,068,139	5,030,761	4,835,717	+ 1	+ 5	+ 8						
Ft. Myers—							Florida† . . . . .	14,277,320	13,555,197	13,014,868	+ 5	+ 10	+ 12						
N. Ft. Myers . . . . .	143,593	126,475	130,160	+ 14	+ 10	+ 3	Georgia† . . . . .	11,772,065	11,091,201r	10,455,248	+ 6	+ 13	+ 15						
							Louisiana†* . . . . .	5,003,610	4,925,678	4,537,916	+ 2	+ 10	+ 8						
							Mississippi†* . . . . .	1,921,495	1,850,387	1,701,818	+ 4	+ 13	+ 10						
							Tennessee†* . . . . .	5,531,705	4,986,423	4,970,223r	+ 11	+ 12	+ 8						

\*Includes only banks in the Sixth District portion of the state

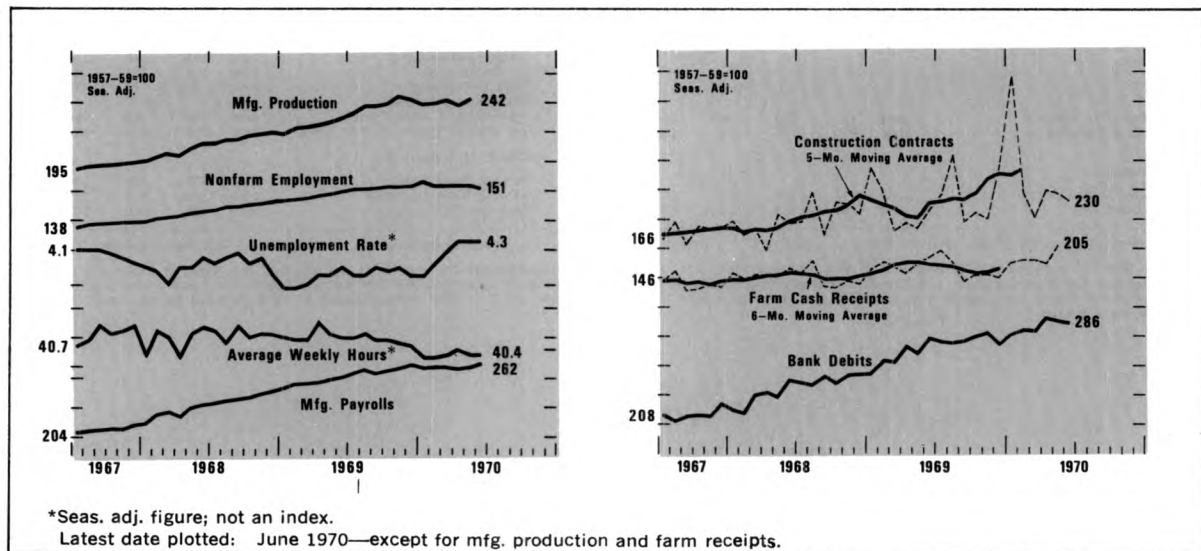
†Partially estimated

‡Estimated

r-Revised



# District Business Conditions



The Southeastern economy continues to vacillate while charting its future course. According to the latest available figures, employment weakened further but manufacturing production increased. Construction contract awards declined but are holding up better than nationally. Savings and loan associations experienced net saving inflows in April and May. At commercial banks, lending slackened and holdings of investments continued to rise. In June, consumers were not quite as cautious with their spending as they have been. Rainfall improved crop prospects, but overall prices eased downward.

Labor market conditions continued to weaken in June. Nonfarm employment declined. Average weekly hours in manufacturing were unchanged, but payrolls edged upward. For the third consecutive month, the unemployment rate held steady. Manufacturing production increased in May, and labor productivity rose.

Construction contract awards are holding up better than nationally. Large utility, industrial, and commercial projects, influential in the national index, helped push total dollar volume of awards in May considerably ahead of the comparable 1969 period. Large south Florida apartment projects were instrumental in gains over last year's level for residential contract awards. Savings and loan associations, as a whole, enjoyed sizable increases in net savings inflows in both April and May. These gains were largely centered in Florida and Georgia. Mississippi also experienced a net gain, but savings growth rates in Louisiana, Tennessee, and Alabama were well below that of 1969.

Since the large increase in lending to nonbank financial institutions in late June and early July, bank lending has shown little change. Many banks continued to add substantial amounts of municipal obligations to their portfolios. Highlighted by the steady gains in large-denomination certificates of deposit, deposit growth expanded in July.

Consumers appeared to behave less cautiously in June than in previous months. Auto sales nudged ahead of a year ago, the first such gain this year. Substantial increases in new loan volume for autos and other consumer durable goods were largely responsible for the moderate gain in total consumer credit outstanding at commercial banks. Sales at nonauto outlets, however, still appear sluggish.

Rainfall associated with the tropical storm Becky has improved the Southeast's crop prospects. June price increases for most crops did not offset price declines in the livestock sector. As a result, overall prices received by farmers resumed the downward trend that was interrupted in May.