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People and Places: A Decade of Southern Change

by William D. Toal

In everyday usage, the term "efficiency" implies "getting the most out of what you've got." More succinctly, to the economist the term suggests using resources—land, labor, and capital—in such a manner as to maximize possible output. Unfortunately, in the real world this goal is not always attainable. Nevertheless, resources will respond to economic change; a net improvement in resource efficiency is most often the result. The decade of the Sixties provides a case in point. The latest Census data reveal that changes in the Southeast's population—one of the region's richest natural resources—were related, in no small way, to economic forces.

This article examines the following questions concerning the Southeast's population change during the Sixties:

1. *How did the Southeast's population change?*
2. *To what extent did economic conditions influence population change?*
3. *Did migration influence regional economic conditions and promote greater efficiency?*
4. *What can the decade of the Sixties tell us about future population changes and their effects?*

An Overview

The 1970 Census of Population furnishes the raw material from which this study is drawn. In its series of releases, data are available covering the economic and demographic characteristics of the United States and its population. The latest Census indicates that for the second decade in a row, the Southeast's population growth (in percentage terms) outpaced the nation's.¹ As Table 1 indicates, however, population growth varied considerably among the Southeastern states. Only Florida and Georgia, the most populous of the six states, were able to maintain rates of population increase above the national rate.

In both the Southeast and nation, however, population growth declined from the rate experienced during the Fifties. Florida's sharp reduction in its rate of population increase, from an exceedingly high rate experienced in the Fifties, largely accounts for the reduction in growth for the region as a whole.

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¹The Southeast, as defined here, includes those states entirely or partially within the Sixth Federal Reserve District—Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

TABLE 1
SUMMARY STATISTICS

	Population (% change)	Natural Increase (% of population ¹)	Net Migration
Alabama			
1960-1970	5.4	12.6	- 7.1
1950-1960	6.7	18.7	-12.0
1940-1950	8.1	20.2	-12.1
Florida			
1960-1970	37.1	10.3	26.8
1950-1960	78.1	20.4	58.3
1940-1950	46.1	15.6	30.4
Georgia			
1960-1970	16.4	15.1	1.3
1950-1960	14.5	20.6	- 6.2
1940-1950	10.3	19.5	- 9.3
Louisiana			
1960-1970	11.9	15.8	- 4.0
1950-1960	21.4	23.2	- 1.8
1940-1950	13.5	19.7	- 6.2
Mississippi			
1960-1970	1.8	14.1	-12.3
1950-1960	0.0	19.8	-19.9
1940-1950	- 0.2	19.6	-19.8
Tennessee			
1960-1970	10.0	11.3	- 1.3
1950-1960	8.4	16.7	- 8.3
1940-1950	12.9	17.8	- 4.9
District States			
1960-1970	16.3	13.0	3.3
1950-1960	21.4	19.8	1.6
1940-1950	13.8	18.9	- 5.1
United States			
1960-1970	13.3	11.6	1.7
1950-1960	18.5	16.8	1.7
1940-1950	14.5	13.4	1.0

¹Based on population as of beginning of each decade
Source: U.S. Department of Commerce

Despite the overall decline, three of the six Southeastern states actually experienced gains in their rate of population growth. Mississippi, in particular, experienced a net population gain for the first time in the last three decades.

Besides the differences in population growth among the states, there were variations *within* individual states. Generally speaking, the metropolitan areas grew at the expense of the nonmetropolitan areas, as Table 2 indicates.² Also experiencing more rapid population growth were areas encompassing or bordering military bases and aerospace facilities, and, to a lesser extent, areas bordering colleges and universities.

Components of Population Change

Differences in population growth among regions occur for two separate reasons: (1) natural increase (i.e., the difference between the number of births and the number of deaths) and (2) migration of people into and out of a region. Natural increase, whose boundaries—birth and death—are quite definite can be easily measured; migration, however, whose boundaries depend upon the

²For a further look at population changes within states and their effects on housing demand, see Boyd F. King, "A Decade of Progress for Southeastern Housing," this Review, September 1971.

TABLE 2
METROPOLITAN AND NONMETROPOLITAN POPULATION CHANGES
1960 to 1970

	Population (% change)	Natural Increase (% of 1960 population)	Net Migration
Metropolitan Areas			
Alabama	6.5	12.8	- 6.3
Florida	37.2	10.1	27.1
Georgia	25.7	16.9	8.8
Louisiana	14.0	15.6	- 1.6
Mississippi	15.4	18.3	- 2.9
Tennessee	13.0	12.6	0.5
District States	22.1	13.2	8.8
Nonmetropolitan Areas			
Alabama	4.2	12.3	- 8.0
Florida	37.0	10.9	26.1
Georgia	8.5	13.6	- 5.1
Louisiana	9.2	16.1	- 6.9
Mississippi	- 0.8	13.3	-14.1
Tennessee	7.2	10.1	- 2.0
District States	10.3	11.8	- 2.2

size of the region under consideration, becomes a more difficult problem to measure. Likewise, natural increase and migration are not necessarily influenced by similar forces.

As expected, natural increase bolstered population growth during the Sixties. Nevertheless, the rate of natural increase (i.e., the difference in the number of births over deaths divided by the 1960 population) declined in each of the six Southeastern states, just as it did nationally, but remained slightly higher than the overall rate for the nation. Most probably, rising per capita personal income and "the pill" accounted for this slower growth.

Among the Southeastern states, considerable differences did exist, with Louisiana's rate of natural increase the highest and Florida's the lowest. Differences in age structure among the states help explain these variations. For example, Florida's percentage of the total population in the 65-and-over age category, which was already higher than for the rest of the Southeastern states, increased sharply with the inflow of retirees into the state (see Table 3). This not only helps to account for Florida's low rate of natural increase but also helps us to understand the sharp decline in this rate. To illustrate: Five counties that are retiree havens actually had an excess of deaths over births (i.e., a negative rate of natural increase) in the Sixties.

Since people in farming usually have larger families, it is widely held that the degree of urbanization has an influence on the rate of natural increase. But during the Sixties, this did not appear to hold true for the Southeast. Metropolitan areas actually had a higher rate of natural increase (13.2 percent) than nonmetropolitan areas (11.8 percent). As we shall see, there was a great deal of migration from nonmetropolitan to metropolitan areas during the Sixties. This metropolitan in-migration, since it is usually composed of younger people

(who, in the past, have been more mobile), could partially explain why the rate of natural increase was actually higher in metropolitan areas.

Even though regional variations in rates of natural increase have affected differences in population growth, migration has been, by far, the strongest influence. In both metropolitan and nonmetropolitan areas, population growth is more closely associated with net migration rates (i.e., gross in-migration minus gross out-migration divided by 1960 population) than with rates of natural increase.

The Sixties marked the second consecutive decade that the Southeast experienced net in-migration; in fact, the rate of inflow actually increased. But this migration was not evenly distributed among the region's states. Florida, riding the crest of a large inflow of retirees, continued to draw in the greatest number of people. Georgia showed a net inflow of people for the first time in the last three decades. The other four regional states, however, all lost population through migration. Much of this loss stemmed from a continuation of the sharp out-migration of blacks from the Southeast, partially brought about by continued mechanization in the region's farm sector. Moreover, the rate at which blacks moved out of the Southeast was actually slightly higher than during the Fifties. All six Southeastern states experienced net outflows of nonwhite population. Consequently, the nonwhite proportion of the Southeast's population declined during the last decade, whereas the proportion rose for the entire nation (see Table 3).

The continued mechanization of the Southeast's farm sector also set the pattern for migration differences between metropolitan and nonmetropolitan areas. Three of the six Southeastern states experienced net in-migration into

**TABLE 3
CHARACTERISTICS OF STATES**

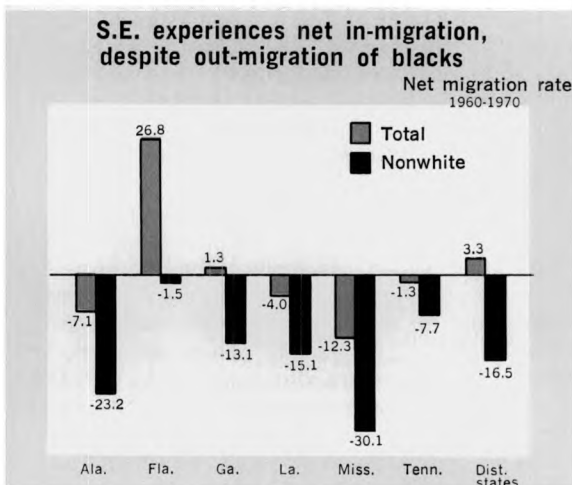
	Total Population		Composition (% of total)	
	1960	1970	1960	1970
Alabama	3,266,740	3,444,165		
Metropolitan			51.8	52.3
Nonwhite			30.1	26.6
65 and Over			8.0	9.5
Florida	4,951,560	6,789,443		
Metropolitan			68.6	68.6
Nonwhite			17.9	15.9
65 and Over			11.2	14.5
Georgia	3,943,116	4,589,575		
Metropolitan			46.0	49.7
Nonwhite			28.6	26.2
65 and Over			7.4	8.0
Louisiana	3,257,022	3,643,180		
Metropolitan			53.7	54.8
Nonwhite			32.1	30.2
65 and Over			7.4	8.4
Mississippi	2,178,141	2,216,912		
Metropolitan			15.6	17.7
Nonwhite			42.3	37.2
65 and Over			8.7	10.0
Tennessee	3,567,089	3,924,164		
Metropolitan			47.6	48.9
Nonwhite			16.5	16.3
65 and Over			8.7	9.8
District States	21,163,668	24,607,439		
Metropolitan			50.5	53.0
Nonwhite			26.2	23.4
65 and Over			8.7	10.6
United States	179,323,175	203,184,772		
Metropolitan			64.6	69.0
Nonwhite			11.4	12.6
65 and over			9.2	9.9

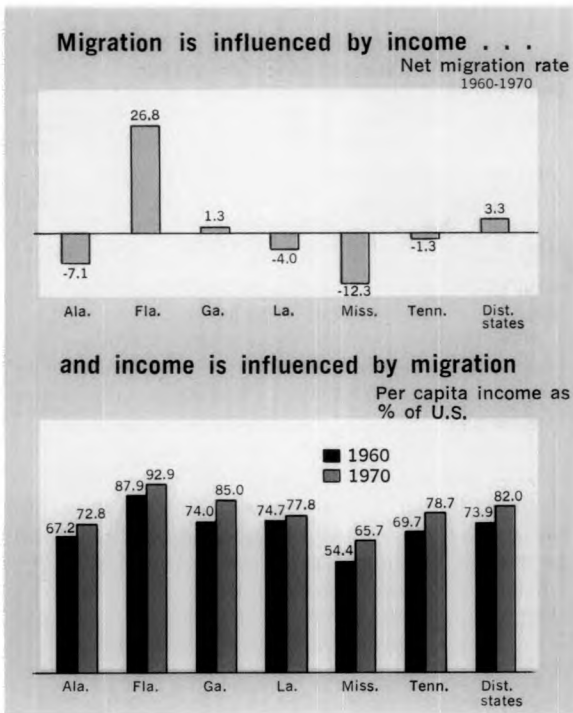
their metropolitan areas from other parts of the nation as well as from the Southeast itself. On the other hand, out-migration from nonmetropolitan areas of the Southeast, in a net sense, took place. Except in Florida, the nonmetropolitan areas in each of the region's states lost population as people moved to other parts of the country and to the metropolitan areas of the Southeast.

Migration — Its Causes and Effects

Over and above the bare statistics reflecting the changing population lies a far more important consideration: What caused these changes, and what were the effects of the growth and redistribution of the population within the nation. In particular, the forces stimulating people to migrate from one region to another have been the subject of much research among economists, demographers, and sociologists. Equally important are the effects these people (as economic factors) have on the regions from which they migrate and to which they move.

Numerous studies have pointed out that a sizable portion of migration is related to economic influences. One should not expect, however, all of the factors influencing a person's decision to migrate to be economic in nature. For example,





the movement of people, particularly retirees, to areas of warm temperature and sunshine can only be considered economic if these amenities are calculated as a form of "psychic income."

Push and Pull Forces

Differences in regional economic conditions exert both a push-out effect, causing people to leave regions of depressed economic activity, and a pull-in effect, attracting people into strong economic areas. Many migration studies have approximated the push and pull by relating net migration to per capita personal income (or wage) levels among regions. Typically, one can expect that regions with high per capita personal incomes will receive the bulk of the in-migration, while regions with low per capita personal income will become net losers of population through migration. As the chart indicates, the migration flows among the Southeastern states in the Sixties conform roughly to this relationship; that is, those states with per capita personal income levels nearest the national average had the largest migration inflows or smaller net outflows, whereas the states with lower per capita personal incomes suffered the largest net out-migration.

Despite its intuitive appeal, this simple relationship cannot be expected to explain all of the variation in population movements among regions. For example, Florida's per capita personal income remains below the national average, despite

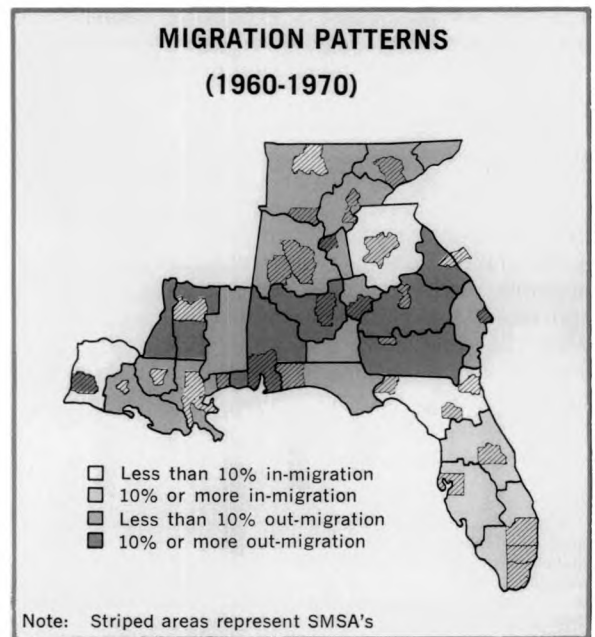
its being higher than any of the other Southeastern states. Clearly, in the case of Florida, the psychic income or rewards obtained from the warm and sunny climate play a major role in the decision to migrate.

Imperfections in the labor market also complicate the decision to migrate. Since resource prices, particularly wages, are not always determined by free market forces, manpower may not be fully employed in one region even though it is in another. If chronic labor surplus conditions exist in a region, this region probably would not appeal to the potential migrant, regardless of how high per capita income is. To capture the effects of these imperfections, differences in rates of unemployment among regions are often included in migration studies.

A Closer Look

Net flows of migration among the Southeastern states provide a rough estimate of the influences exerted by per capita income and unemployment on migration. It is necessary, however, to take a closer look at migration patterns below the state level if the push and pull effects of the economic factors mentioned above are to be successfully quantified.

The map illustrates migration patterns in the Southeast in more detail. It shows fifty-seven areas—thirty metropolitan (Standard Metropolitan Statistical Areas—SMSA's) and twenty-seven nonmetropolitan. To explain the variation in



The Chicken and Egg Problem Revisited

migration patterns among these areas, we formulated a migration model. In this model we used differences in per capita personal income, differences in unemployment rates, and a dummy variable to capture the "psychic rewards" of migration to Florida. The more statistically oriented reader can turn to the Appendix for a more thorough analysis of the model.

In brief, differences in per capita personal income between an area and the nation as a whole play a central role in determining the extent of migration; they explain over 10 percent of the variation in net migration rates among the areas of the Southeast. The explanatory power of all three influences—per capita personal incomes, unemployment rates, and the influence of Florida areas on migration—explain 55 percent of the total variation in net migration rates.

Considerable differences occur, however, when metropolitan and nonmetropolitan areas are considered separately. The three explanatory factors just mentioned, particularly per capita income, account for a higher portion of nonmetropolitan migration (76 percent) than they do of metropolitan migration (48 percent).

Only when metropolitan out-migration is examined separately do unemployment rates have a significant effect. The higher the metropolitan area's unemployment rate is relative to the U. S. unemployment rate, the greater the net out-migration. This factor explains 53 percent of the Southeastern metropolitan areas' out-migration. Relative per capita personal income, however, loses its explanatory power in this case. (This statistical result is actually quite reasonable. In metropolitan areas of labor surplus, people, in general, do not suffer from what might be called a "money illusion"; that is, even if per capita personal income in a region were relatively high, out-migration would still occur if people were unable to find jobs.)

Unemployment differentials did not appear to affect migration in nonmetropolitan areas significantly. This finding is surprising because increased mechanization in the Southeast's farm sector has, to a large extent, replaced farm labor and caused out-migration from these areas. But because unemployment rates often underestimate agricultural unemployment, often classifying workers as underemployed rather than unemployed, the data used probably did not sufficiently reflect the labor surplus conditions that actually exist.³

To say that migration responds to regional differences in economic activity is really only part of the picture. The movement of people among regions, however motivated, will, in itself, influence regional economic conditions. To the extent that such migration is triggered by economic conditions, however, the net result is most often an improvement in the allocation of the population (as an economic resource) and a consequent increase in economic efficiency.

How does migration influence economic conditions? Every region of the country is endowed with three basic resources—land, labor, and capital. Insofar as in-migration increases the amount of labor used with any given amount of land and capital, the return to labor (i.e., the wage) will decline. Similarly, to the extent that out-migration decreases the amount of labor used with any given amount of land and capital, the return to labor will rise. Thus, one would expect regions with relatively high per capita income to experience net in-migration. This in-migration, in turn, should depress the return to labor and, consequently, also depress per capita income (or at least dampen its rate of growth) in the region (other things remaining unchanged); this should then lessen the stimulus for future in-migration. Thus, the process of migration and regional economic growth is a complicated one where the economic factors influencing migration are themselves affected by this migration.

The preceding framework would indicate that the Southeast, a region of net in-migration in the Sixties, should have expected its per capita personal income to fall relative to the U. S. average. However, just the *opposite* has occurred. The convergence that did occur in per capita income has at least two explanations. First of all, while population was migrating into the Southeast in the Sixties, capital flowed into the region at an even greater rate. This inflow of capital acted to push up the region's per capita income. Second, in contrast to the total region, all areas *within* the Southeast have not had inflows of migration. In particular, the nonmetropolitan areas in all states except Florida have experienced net out-migration. Generally speaking, these have been the areas of the most rapid gains in per capita personal income. Moreover, the migration into the Southeast has been different than the migration out of the Southeast. The out-migrants, composed largely of nonwhite agricultural workers, generally have not acquired either the educational levels or productive know-how of the better-educated in-migrants. Thus, the composition of the net migration stream has been such as to raise the Southeast's stock of "human capital" and to

³No attempt was made here to break the net migration total down into components. For an analysis of white and negro migration patterns in the Southeast, see Andrew Brimmer, "Regional Growth, Migration, and Economic Progress in the Black Community," a convocation address presented at Bishop College, Dallas, Texas, September 15, 1971.

actually raise per capita income levels.

Though a complete analysis of the effects of each of these factors (i.e., migration, capital stock growth, and human capital) on regional growth is beyond the scope of this article, it appears that migration has acted to raise Southeastern per capita personal income levels nearer to the national average; out-migration from the nonmetropolitan areas of the Southeast has been a particularly strong influence on convergence of this region's per capita personal income with national per capita personal income. Future articles in this *Review* will take up the problem of regional growth in more detail.

A Look into the Seventies

Because economic conditions among the nation's regions still show distinct variations, resources

will continue to respond to these differences and will continue to migrate to the more prosperous regions during the Seventies. The net flows that result should improve the allocation of resources throughout the nation and create greater overall economic efficiency. The extent to which resources respond to conditions is, however, often less than optimal and often very slow in coming. Consequently, population movements are not the sole answer to reducing regional inequalities in economic activity. Stimulating the growth of capital in regions lagging behind the pace of national economic activity is one possible means; increasing the stock of human capital by improving and enlarging a region's educational institutions is another. ■

APPENDIX

The migration model adapted to the present study is of the following standard form:

$$M = a + bX_1 + cX_2 + dD$$

where M = the net migration rate from 1960 to 1970. (That is, net migration from 1960 to 1970 divided by the population in 1960.)

X_1 = the average of 1959 and 1969 per capita personal income in the region under consideration relative to the nation as a whole, standardized around zero. That is:

$$X_1 = \frac{(Y_{59} + Y_{69})_R}{(Y_{59} + Y_{69})_{U.S.}} - 1$$

where Y is per capita personal income.

X_2 = the 1966 annual unemployment rate for the region under consideration relative to the 1966 annual U. S. unemployment rate standardized around zero. That is:

$$X_2 = \frac{\text{Unemployment Rate } R, 1966}{\text{Unemployment Rate } U.S., 1966} - 1$$

D = the "sun and fun" Florida variable. (In order to avoid bringing undue biases into the model, it was necessary to adjust all Florida regions because of the large inflows of retirees whose decision to migrate was not necessarily related to either X_1 or X_2 .)

The year in which data for each variable was selected was, where at all possible, determined so that influences throughout the decade could be felt. Hence, a simple average of beginning and end of decade years data, or mid-decade year data were selected; however, data restrictions often made even these approximations impossible.

The model presented here is "cross section" in nature; that is, the observations on net migration rates, per capita personal incomes, and unemployment rates cover different geographic areas over one time period rather than, as in "time series" models, covering one geographic area over a number of sequential time periods. Because of the somewhat low (squared)

correlation coefficients (R^2 's), the model should not be used for forecasting purposes; the model is developed strictly to examine the effects of certain economic factors on net migration rates and is, in no way, to be taken as a complete explanation of net migration flows.

The migration equation was statistically fitted on three basic sets of data. First, it was tested on the total 57 observations; that is, all 27 nonmetropolitan areas and 30 SMSA's. Next, the data were divided into metropolitan and nonmetropolitan areas and the model was tested separately on each set of data. (Tests were also run on net in-migration and net out-migration separately for both metropolitan and nonmetropolitan areas. Because of the small number of observations in these cases, the results will not be given below. The results have been alluded to, however, in the body of the article.) The statistical results obtained are given in the box on page 204.

The total migration equation explains approximately 55 percent of the variation in net migration rates among Southeastern areas. This is in line with results obtained by other studies using a similar type of migration model. Per capita personal income differentials and the Florida "fun and sun" variable are the only two statistically significant variables. Both of these variables have the correct sign; the unemployment rate differential also has the correct sign, however, its coefficient is not statistically significant. As noted in the body of this article, per capita personal income differentials explain 11 percent of the variation in net migration rates. The coefficient for per capita personal income differentials indicates that if the differential rose by one percentage point (say from 3 percent above the U. S. average to 4 percent), the net in-migration rate would increase by 0.36 percentage points.

Because the push and pull effects of economic factors on migration may differ considerably between metropolitan and nonmetropolitan areas, it was felt that separate estimates of the model on both metropolitan and nonmetropolitan data were necessary. The metropolitan area model estimates do differ somewhat from the estimates of the total migration model. The (squared) coefficient of correlation (R^2) is slightly less for SMSA migration than for the total migration equation. The effect of all the economic variables (including the Florida dummy variable) explains only 48 percent of the variation in net migration rates in metropolitan areas, as opposed to nearly 55 percent for total net migration rates for both metropolitan and nonmetropolitan areas. Again, both per capita personal income differentials and the Florida dummy variable are statistically significant and have the correct signs. The coefficient value of the relative per capita personal income variable increases for the SMSA model alone. Thus, per capita income differentials appear to have a slightly stronger effect on migration in metropolitan areas than they do when all areas of

	a	b	c	d	R ²	Observations
Total	5.3758	.3575**	-.0156	24.0039**	.55**	57
T Value	(1.343)	(2.666)	(-.2166)	(5.422)		
Partial Correlation Coefficient		(.33)	(-.03)	(.58)		
Metropolitan	4.670	.572*	-.165	20.390**	.48**	30
T Value	(.848)	(1.917)	(-1.222)	(2.822)		
Partial Correlation Coefficient		(.33)	(-.22)	(.459)		
Nonmetropolitan	34.975**	1.072**	.054	12.950**	.76**	27
T Value	(3.925)	(4.764)	(.820)	(2.393)		
Partial Correlation Coefficient		(.68)	(.16)	(.42)		

*Statistically significant at 90 percent confidence level.

**Statistically significant at 95 percent confidence level.

the Southeast are considered. (When only net out-migration from metropolitan areas is considered, the unemployment rate becomes statistically significant and its coefficient is negative in sign, indicating that net migration away from metropolitan areas is stimulated by conditions of labor surplus. This result, however, is not given here.)

When only nonmetropolitan areas are considered, the multiple correlation coefficient is much higher than for either metropolitan areas or all Southeastern areas. Again, both per capita income differentials and the Florida dummy variable have the correct sign and are statistically significant. The explanatory power of per capita income, as noted by its (squared) partial correlation coefficient,

appears to be particularly enhanced when only nonmetropolitan areas are considered. Moreover, the intensity of the response to per capita income differentials (as noted by the X_1 coefficient) is much greater in this case than when either total migration or metropolitan migration is considered. As noted in the body of this article, the influence of unemployment rate differentials on migration does not appear significant because unemployment rates underestimate the extent of labor surplus in agricultural areas. Hence, per capita income differentials are, in a sense, reflecting both the impact on migration flows of relatively low incomes and labor surplus conditions. Thus, the high partial correlation coefficient of this variable is not at all surprising.

Bank Announcements

OCTOBER 1, 1971
AMERICAN BANKING COMPANY
Moultrie, Georgia

Opened for business as a nonmember.

OCTOBER 1, 1971
BANK OF NEW ROADS
New Roads, Louisiana

Began to remit at par as a nonmember.

OCTOBER 1, 1971
BARNETT MALL BANK, NATIONAL ASSOCIATION
Winter Park, Florida

Opened for business. Officers: G. J. Loudermilk,

Jr., president; Raymond P. Chatfield, cashier; and William E. Burgett, assistant cashier. Capital, \$500,000; surplus and other capital funds, \$240,000.

OCTOBER 12, 1971
MARINE NATIONAL BANK OF ST. PETERSBURG
St. Petersburg, Florida

Opened for business. Officers: Ernest J. Winstead, president; Ralph H. Ammons, executive vice president; F. K. Barzler, vice president and cashier; and R. W. Eades and Fred Tona, assistant vice presidents. Capital, \$400,000; surplus and other capital funds, \$600,000.

OCTOBER 12, 1971
NORTH PORT BANK
North Port Charlotte, Florida

Opened for business as a nonmember. Officers: William L. Hart, president; William Harvey Kyle, chairman of the board; and William R. Earnshaw, vice president, cashier, and secretary. Capital, \$300,000; surplus and other capital funds, \$300,000.

Southeastern State and Local Expenditures: How Do they Stack Up?

by Robert H. Floyd

Expenditures of state and local governments rose dramatically during the 1960's. Between 1960 and 1969, total direct general expenditures of state and local governments increased from \$52 billion to almost \$117 billion.¹ State and local purchases of goods and services now exceed those of the Federal Government. However, some of this increase resulted from inflation. State and local governments have had to pay higher prices and wages for goods and services. If the effects of inflation were eliminated, and state and local government expenditures were stated in 1960 prices, they still would have risen to about \$76 billion. This still represents a real increase of \$24 billion, or more than 45 percent over the decade.

In the states that lie wholly or partly within the Sixth Federal Reserve District, the pattern has apparently been much the same. In 1960, the direct general expenditures of state and local governments in the Sixth District states amounted to \$5.3 billion. By 1969, they had risen to \$11.5 billion. After eliminating the effects of inflation, 1969 expenditures would have been about \$7.5 billion—a real increase of more than 40 percent during the decade.² Clearly, Sixth District state and local governments have greatly increased their expenditures, although not quite as rapidly as state and local governments in the nation as a whole. Of course, there may be valid reasons for this slower increase. For example, the needs of District governments may not have been as great. Or their resources may not have been sufficient to keep pace.

The purpose of this article is to examine state and local government expenditures in the Sixth Federal Reserve District. In particular, it concentrates on the expenditure patterns of these governments during the 1960's—a decade of economic growth in the South and in the District as well. The article reviews some relationships between economic growth and demographic change and the provision of public

¹General expenditures of state or local governments include all expenditures except utility, liquor store, and insurance trust expenditures. When state and local government expenditures are combined, intergovernmental transfers are eliminated and these expenditures are referred to as direct general expenditures. Thus, direct general expenditures include only payments to employees, suppliers, contractors, beneficiaries, and other final recipients of government payments. Purchases of goods and services differ from other expenditures primarily in that they do not include transfer payments, such as welfare payments.

²Expenditures have been deflated by the GNP deflator for state and local expenditures.

goods and services by state and local governments. It asks how the governments in the Sixth District, through their expenditures for public goods and services, have responded to economic growth and demographic changes in the District. In addition, it asks how their response has changed over the decade. In other words, has the District's economic growth permitted not only a more plentiful provision of public goods and services but also a more vigorous response to the changing conditions by the District's governments? And, if it is true that the District's economy has grown more rapidly than the nation's economy, has this enabled the District governments to become increasingly more vigorous in their provision of public goods relative to their counterparts in the rest of the nation? Unfortunately, the record indicates that District state and local governments have been slow to take advantage of the growth taking place around them. In addition, they, apparently, have not improved their responsiveness to public needs relative to other state and local governments.

What Determines State and Local Expenditures?

Ideally, the expenditures of state and local governments should reflect the desires and the preferences of their constituencies (or electorates) for public goods and services. Thus, political attitudes may have profound effects on state and local expenditures. Residents of one state may have substantially different opinions from those of another state about how the government should spend public funds. A state government may be more (or less) responsive to a particular problem simply because its citizens wish it to be so. Thus, two states with substantially similar economic and demographic characteristics may exhibit notably different expenditure patterns. For example, Louisiana has long maintained a much stronger welfare system than have its neighboring, and substantially similar, states. Given these preferences, however, state and local expenditures are likely to be strongly influenced by numerous other factors. Consider some of the more important ones.

An increase in population will almost certainly lead to greater needs for schools, streets, sewage facilities, and other public goods. Consequently, an increase in population will almost surely lead to higher *total* expenditures by state and local governments. It would not necessarily, however, lead to increased *per capita* expenditures. If unit costs remain unchanged, then higher total expenditures could merely reflect constant per capita expenditures. Unit costs, of course, may not remain unchanged. Growth in population

might raise the unit cost of providing the same per capita public goods and services if additional capital expenditures become necessary. On the other hand, unit costs might be lowered by more intensive use of existing capital facilities. Overall, the impact of population changes on the unit costs of public goods and services is uncertain and probably not large. In this article, it's assumed that population changes have no effect on unit costs. Under this assumption, therefore, changes in the provision of public goods and services are better reflected by changes in per capita expenditures than by total expenditures.

Increasing income, somewhat like increasing population, will probably lead to increased total expenditures. It is also likely, however, to lead to increased per capita expenditures by state and local governments. As incomes rise, individuals will, of course, spend more on private goods and save more. They are also likely to desire more and better public goods. Indeed, as their incomes rise, they probably will not only spend more of their income on public goods but will spend a larger *proportion* of their income on them. After many of their desires for private goods are satisfied, individuals will be willing to devote more to better educational facilities, highways, mass transit, or police and fire protection. There are exceptions, of course. As incomes increase, persons may prefer private to public education. If increased incomes are fairly evenly distributed, the need for welfare expenditures may be reduced. In general, however, one might expect that as incomes increase, per capita government expenditures will not only rise but will also rise more rapidly than incomes.

Certain characteristics of the population are important determinants of public expenditures. For example, the higher the proportion of elderly persons in the population, the greater the need for expenditures on welfare and public health programs, hospitals, and other services and facilities needed by the aged. Consequently, per capita expenditures in these fields are likely to be higher in states with a relatively larger proportion of elderly persons. Similarly, the larger the proportion of the population enrolled in public schools, the greater per capita expenditures on education are likely to be. An increase in these proportions may also involve increased unit costs of providing these services if significant additional capital expenditures are required.

Another important factor influencing state and local expenditures is the degree to which a government's jurisdiction is urbanized. The more urbanized the population, the larger the scale of operations of at least some units of governments. This is especially true of local governments. Ordinarily, some economies of scale and lower

costs of operation might be expected with increased urbanization. Increasing urbanization, however, may also bring increasing costs for public goods and services. Higher expenditures for mass transit may offset savings on highways. And savings on hospital expenditures may be offset by increased needs for public health expenditures. Urban areas may have higher welfare expenditures, if only because the welfare problem is more visible.

These are by no means the only determinants of state and local expenditures, but they are among the more important. Other factors might include the influence of population density on highway expenditures. Federal grants-in-aid, especially when tied to particular programs, will surely have a decisive impact on many expenditures. Income distribution within the jurisdiction may be important. For example, a high proportion of the population concentrated in low income groups would probably increase the need for welfare expenditures and siphon off resources that the government might have used to provide other public goods.

Clearly, the level and type of state and local expenditures reflect the complex interaction of a number of factors which, in turn, reflect the public's needs and preferences for public goods and services. This article, however, considers only four: (1) income growth, (2) the proportions of the population made up by those who are elderly and (3) by those who are enrolled in public schools, and (4) the degree of urbanization. These four areas are sufficient to give some insight into District expenditure patterns. They are also four areas in which changes within the District states contrast sharply with changes in the nation during the 1960's.

How have these four factors and state and local expenditures changed during the 1960's? Table 1 contains rates of change in the four factors and various categories of government expenditures for both the District and the nation. Real per capita personal income is employed as a measure of growth. The percentage of the population over 65 is used to indicate the need for public goods and services by the elderly. The percentage of the population living in Standard Metropolitan Statistical Areas (SMSA's) provides a measure of urbanization. In order to eliminate double counting of state grants to local governments, the various categories of government expenditures measure only direct, general expenditures per capita. Expenditure and income data have been deflated to eliminate the effects of inflation during the decade.³

³Income per capita data have been deflated by the Consumer Price Index.

Although the District's income level per capita is below the nation's, it is catching up. During the 1960's, the District's economic growth clearly outpaced that of the nation. The compounded annual rate of growth in real per capita income from 1960 through 1969 was about 3.5 percent in the District states. This was almost 50 percent more than the national growth rate of about 2.4 percent. This relatively greater growth in the District occurred in both the first and second halves of the decade.

The proportion of the population over 65 years old also increased during the decade more than twice as rapidly in the District as in the nation. The elderly group rose from 8.7 percent of the District's population in 1960 to 9.7 percent in 1969. This represented a compounded annual rate of increase in this proportion of 1.25 percent during the decade. In the nation, the ratio rose from 9.2 percent to 9.6 percent of the population—an annual rate of growth of about only .5 percent.

The District's population in the 1960's also urbanized at a more rapid rate than did the nation's. In the District, 49 percent of the population lived in metropolitan areas in 1960. By 1969, this had risen to 53 percent—an annual rate of increase of about 0.8 percent. The ratio in the nation was 66 percent in 1960 and 68 percent in 1969—an annual rate of increase of 0.2 percent.⁴

In contrast, the proportion of the population enrolled in public schools in the District remained almost stable in the decade. Rising only slightly, the proportion moved from 22.5 percent in 1960 to just 23 percent in 1969. The rate of increase was only two-tenths of one percent. In the nation, however, this proportion rose from 20.2 percent in 1960 to 22.5 percent in 1969—a 1.2-percent annual rate of growth. Thus, the nation, but not the District, has been confronted with a rising part of its population enrolled in public schools.

How have real per capita state and local government expenditures changed in response to these changing factors? As noted earlier, total state and local expenditures in both the District and the nation increased markedly over the decade. In the nation, welfare expenditures rose most rapidly (Table 1), followed closely by education expenditures. During the ten-year period, no category of expenditures declined in the nation. Highway and sanitation expenditures, however, increased at relatively low rates, with all of the

⁴A preferable measure of urbanization would have been the percentage of the population living in urbanized areas, as defined by the Bureau of the Census. Measurements for intercensal years were not available, however, and the percentage of the population living in SMSA's has been used. If urbanized areas were used to measure urbanization during the decade, the District's growth rate of 2.17 percent still exceeded the nation's growth rate of .87 percent.

TABLE 1
GROWING PROBLEMS AND GROWING EXPENDITURES

	RATES OF INCREASE					
	NATIONAL			DISTRICT		
	1960-1965	1965-1969	1960-1969	1960-1965	1965-1969	1960-1969
Real State and Local Expenditures (Direct General Expenditures Per Capita)						
Total	2.73	4.82	3.66	2.32	3.64	2.91
Education	3.97	6.25	4.98	2.87	8.09	5.16
Highways . . . . .	.64	— .68	.05	2.12	— 7.15	— 2.11
Welfare	2.69	10.28	5.99	.43	1.73	1.01
Health and Hospital	2.38	5.22	3.63	3.70	5.47	4.48
Police and Fire	1.48	3.30	2.28	1.60	2.89	2.17
Sanitation	1.71	— .93	.60	3.04	— .99	1.06
Real Per Capita Personal Income	1.61	3.50	2.44	2.33	5.00	3.51
Percent of Population over 65 . . . . .	.30	.71	.48	.93	1.66	1.25
Percent of Population Enrolled in School	1.44	.96	1.23	.42	.02	.24
Percent of Population Living in SMSA's . . . . .	.22	.18	.20	.42	1.16	.78

increase coming in the first half of the decade. Among District state and local governments, education expenditures expanded most rapidly, followed closely by health and hospital expenditures. Highway expenditures actually declined in real terms, as did sanitation expenditures during the second half of the decade.

How Responsive Have State and Local Expenditures Been?

Merely increasing expenditures does not indicate how well state and local governments have responded to changing conditions around them. A measure is needed to indicate whether the governments have met increasing problems with increasing expenditures. In other words, a measure of the response is needed. Economists employ a measure of responsiveness that they call "elasticity." Essentially, this is the ratio of two percentage changes. Suppose, for example, that per capita income increased by 2 percent in a year and suppose that state and local expenditures also increased by 2 percent. In this case, the elasticity of state and local expenditures with respect to per capita income would be one or unity. This would indicate that the provision of public goods and services had roughly kept pace with the growth and development of the economy. If, however, state and local expenditures had increased by 2 percent, and per capita income by 4 percent, the elasticity would be only one-half. In this case, the growth in vital public goods and services would not have kept abreast of the growth in the economy. The governments would probably not have taken advantage of the economic growth to provide more or better public goods and services.⁵

The elasticities of various categories of District state and local government expenditures with respect to real per capita income and, where relevant, the three other factors under consideration are shown in Table 2. Total expenditures of District state and local governments did not increase as rapidly as per capita income during the Sixties, resulting in an elasticity of total expenditures by District state and local governments with respect to per capita income of less than one. In the first half of the decade, however, expenditures did roughly keep pace with real income growth. (Elasticity was unity over the period 1960-1965.) But from 1965-1969 and for the decade as a whole, income growth exceeded the growth in expenditure for public goods and services. Thus, it appears the governments in the District did not take full advantage of rapidly growing incomes in order to improve or expand public goods and services.

In contrast to the overall picture, education expenditures in the District have grown more rapidly than income. (Elasticity with respect to per capita income is greater than one.) In the first half of the decade, these expenditures grew 20 percent more rapidly than income. In the second half they grew 60 percent more rapidly.

⁵The measurements employed in the text represent, at best, a highly simplified use of the elasticity concept. They are the ratios of the compounded average annual rates of growth in deflated state and local expenditures to the compounded annual rates of growth in the independent variable (e.g., real per capita personal income). They are computed independently for the whole decade and the two halves. No effort is made to exclude the effects of variables other than the independent variable. They are, therefore, total—not partial—elasticities. Whereas more sophisticated econometric techniques might be used to determine causality, no such inference can be drawn from the data in the text.

TABLE 2
DISTRICT ELASTICITIES

Type of Government Expenditure	Real Personal Income Per Capita			Proportion of Population over 65			Proportion of Population Enrolled in Public Schools			Proportion of Population Living in SMSA's		
	1960-1965	1965-1969	1960-1969	1960-1965	1965-1969	1960-1969	1960-1965	1965-1969	1960-1969	1960-1965	1965-1969	1960-1969
Total	1.0	.7	.8							5.5	3.1	3.7
Education	1.2	1.6	1.5				6.8	404.5	21.5			
Highways .....	.9	-1.4	-.6									
Welfare .....	.2	.3	.3	.5	1.0	.8				1.0	1.5	1.3
Health and Hospital	1.6	1.1	1.3	4.0	3.3	3.6						
Police and Fire .....	.7	.6	.6							3.8	2.5	2.8
Sanitation	1.3	-.2	.3							7.2	-.8	1.4

Thus, the relative growth in education expenditures accelerated throughout the Sixties. State and local expenditures on health and hospitals in the District grew more rapidly than income, but they slowed relative to income growth in the second half of the decade. After growing more rapidly than real income during the first five years of the Sixties, sanitation expenditures actually declined in real terms in the second five years.

The greater growth in educational, and health and hospital expenditures was apparently achieved, at least partially, through much slower growth in other expenditures. This is especially true of highway expenditures. From 1960 to 1965, these expenditures grew almost as rapidly as income but actually declined in real terms in the latter half of the decade. Real expenditures on police and fire protection, although growing at an accelerating pace during the decade, did not grow as rapidly as real income. Welfare expenditures, too, grew far more slowly than real income. They increased at a rate only 20 percent as rapidly as per capita income growth in the first half of the Sixties and 30 percent as rapidly in the second half. Thus, despite some improvement in the period from 1965 to 1969, it is clear that District governments still chose to allocate very little of the South's rapidly growing per capita income to welfare programs. Of course, the increase in real income may have offset some of the need for welfare. Nevertheless, those Southerners who were not so fortunate as to find steady employment and a sufficient income may have shared very little in the overall prosperity increases of the District.

What about the impact of age distribution and urbanization on state and local expenditures in the District? What response did District governments show to changes in those factors? Consider the impact of the age distribution of the population on welfare and health and hospital expenditures. The District's governments performed somewhat better in this area. Although in the

first half of the Sixties, welfare expenditures expanded only half as rapidly as the aged portion of the District's population, in the second half they expanded at the same rate (Table 2). Thus, as the decade progressed, it appears that District governments became more responsive to the problems of the aged. Expenditures for health and hospitals present a better record. These expenditures grew four times as rapidly as the aged portion of the population from 1960 to 1965. Although the elasticity slipped in the second half of the decade, it remained a respectable three.

Education expenditures are, to some extent, determined by the size or percentage of the population enrolled in public schools. The elasticities of District governments' expenditures with respect to changes in this proportion appear to be quite large (Table 2). The numbers, however, are deceptively large and misleading because the proportion of the District's population enrolled in public schools changed very little over the decade. It would be more proper to conclude, therefore, that the increasing expenditures for education by District governments reflect a response to other factors. For example, it is likely that the large increase in educational expenditures in the District reflects an effort to improve the quality of the educational system.

District governments provide a good record in their responses to increasing urbanization. Welfare expenditures rose as rapidly as the pace of urbanization in the first half of the decade and 50 percent more rapidly in the second half. Thus, it appears that as the pace of urbanization quickened, the growth in welfare expenditures also kept up. This performance may be even better, however, for several reasons. Much of the District's poverty is rural rather than urban. The growth of Southern cities may have created new jobs and new prosperity for formerly poverty-stricken rural residents. Increases in welfare needs in urban areas, therefore, may have been somewhat offset by declining rural

welfare needs. Thus, increasing urbanization may not have induced a greater overall need for welfare expenditures. It is also possible that the growth of District cities may have been of a nature to produce economies of scale in welfare operations. Any of these additional factors might have counteracted the usual expectation that welfare expenditures rise with increasing urbanization.

The growth of police and fire expenditures, on the other hand, outpaced the growth of urbanization. In the first half of the decade, police and fire expenditures grew almost four times more rapidly than urban areas, but they slipped to grow only 10 percent more rapidly in the second half. The growth of sanitation expenditures greatly exceeded urban growth in the first half of the decade. From 1960 to 1965, however, real sanitation expenditures actually declined while urbanization proceeded at a rapid clip. This failure (or inability) to respond has, doubtlessly, compounded the problems of water and air pollution in metropolitan areas, and it has almost surely worsened the quality of urban life.

The very sketchy evidence indicated by the elasticities in Table 2 suggests that, in general, District state and local governments may not have been vigorously responsive in the 1960's to changing conditions around them. In many areas where problems have been growing, expenditures to alleviate the problems have grown much less rapidly. District governments, however, have shown some areas of responsiveness, such as health and hospital expenditures. Moreover, even though the proportion of the population enrolled in public schools did not grow significantly in the decade, state and local education expenditures grew rapidly. These increased expenditures have surely raised the quality of the educational system in the District, which had probably been unfortunately low for many years. In this case, the expenditures were made, at least partly, in response to an old problem, if not a growing one.

Other State and Local Governments Respond More Quickly

Is sluggish response to changing conditions restricted to District state and local governments, or have state and local governments in other parts of the country been equally sluggish? Have other governments taken better advantage of rising incomes in order to improve their provision of public goods and services? In other words, how have District state and local governments performed relative to state and local governments in the nation as a whole, and what factors may have led to any differences?

To measure the relative performance of governments in the District and the nation, the

elasticities in Table 2 have been divided by the corresponding elasticities for all state and local governments in the nation. A value of more than one would indicate that District governments have responded to changing District conditions more vigorously than state and local governments in the nation have responded to changing national conditions. A value of less than one would indicate less vigorous response in the District.

Table 3 contains these response ratios.⁶ The results are not favorable for District governments. Apparently, in only one case have District governments' expenditures been as quick to reflect income changes as have those of all state and local governments. The response of District expenditures for sanitation during the decade was about 20 percent greater than the response of all state and local governments. In all other cases, District governments were slower to take advantage of rising incomes during the Sixties than the state and local governments in the nation. The response of District health and hospital expenditures to rising incomes, however, was almost 90 percent as great as all state and local governments. With regard to educational expenditures, the response was 75 percent as great. For police and fire protection, it was 65 percent. The response of welfare expenditures to rising incomes in the District was only about 12 percent as great as the national figure. This indicates again the apparent reluctance of District governments to channel much of the area's rapidly rising incomes into welfare-oriented programs. Welfare expenditures by state and local governments in the nation as a whole were about eight times more responsive to rising per capita income than were welfare expenditures by District governments. These ratios strongly suggest, therefore, that District governments have been much slower than state and local governments in other regions to take advantage of rising incomes in order to improve public goods and services.

It also appears that, in general, District governments did not improve their record as the decade progressed. Only in the educational field did their income responsiveness improve relative to the nation between the first and second halves of the decade. During the years 1960-1965, District education expenditures were only about half as responsive to income changes as were national expenditures. In the second half of the 1960's, however, they were almost 90 percent as responsive. Some of the national increase in education expenditures undoubtedly resulted from an increasing proportion of the population

⁶In several cases of negative elasticities, these crude ratios become nearly meaningless and are omitted.

TABLE 3
RATIO OF DISTRICT ELASTICITY TO NATIONAL ELASTICITY

Type of Government Expenditure	Real Personal Income Per Capita			Proportion of Population over 65			Proportion of Population Enrolled in Public Schools			Proportion of Population Living in SMSA's		
	1960-1965	1965-1969	1960-1969	1960-1965	1965-1969	1960-1969	1960-1965	1965-1969	1960-1969	1960-1965	1965-1969	1960-1969
Total .....	.59	.50	.53							.44	.12	.20
Education .....	.48	.89	.75				2.52	62.23	5.38			
Highways	2.25	—	—									
Welfare .....	.12	.12	.12	.06	.07	.06				.08	.03	.04
Health and Hospital	1.07	.73	.87	.51	.45	.48						
Police and Fire .....	.76	.64	.65							.57	.14	.25
Sanitation	1.17	—	1.20							.92	—	.47

enrolled in public schools. This is apparently not true in the District. This phenomenon would tend to overstate the national response to rising incomes. Thus, the District's relative responsiveness to income changes probably exceeded even the 90-percent figure.

In other areas, the District appears to have fared more poorly. For example, in the health and hospital and in the police and fire expenditure categories, the District governments' responsiveness to income growth seems to have fallen farther behind that of their national counterparts. In welfare, the relative response remained a constant 12 percent.

The District governments did not fare much better when responses to factors other than income are considered. On this count, too, their record apparently showed little improvement over the decade. For example, the responsiveness of welfare expenditures to increases in the aged proportion of the population was about 16 times greater in the nation, and no significant change occurred during the decade. Expenditures for police and fire protection by District governments were only about half as responsive to increasing urbanization as were national governments in the period 1960-1965, and only one-seventh as responsive in the second half of the decade. The response of District governments' expenditures on sanitation to increasing urbanization was respectable when compared with their national counterparts in the first half of the decade, but failed to keep pace over the decade.

Some Concluding Observations

Thus, judging by a variety of different measures used in this study, state and local governments in the District have been slow to respond to changing conditions around them. Only in the areas of education and health and hospital expenditures has their performance been as vigorous as one

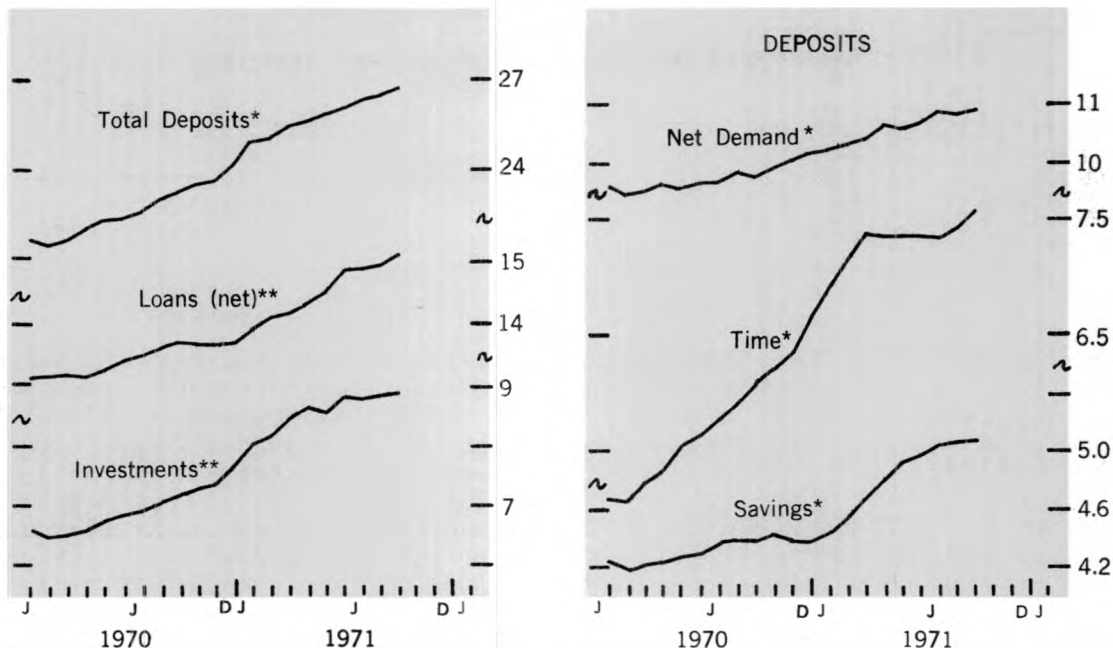
might expect. In the areas of sanitation and police and fire protection, their responsiveness to some, but not all, changing conditions has been respectable. Their record with respect to welfare expenditures seems unenviable, at best.

The sluggishness of District governments' response is especially noticeable when compared with the activities of governments in the nation as a whole. In only a few isolated instances did the District governments equal the performance of their counterparts in the nation. Furthermore, the torpidity of District governments' response contrasts markedly with the rapid growth of the District's economy during the 1960's. While the District's economy seems to have caught up somewhat with the rest of the nation during the decade, the District's governments apparently did not. Indeed, it seems that expenditures of state and local governments were not a leading or driving force in the District's economic growth. It appears, rather, that they have lagged behind its growth.

The reasons for this are undoubtedly complex and are not the concern of this article. Two obvious possibilities stand out, however. First, the generally conservative political nature of the District states may explain many of the results. The electorates of these governments may simply prefer to be less aggressive in providing many public goods and services that are often provided by other governments. Second, governments in the District states, as in most Southern states, employ tax systems that are generally regressive. Tax revenues will not increase as rapidly as income so long as regressive tax systems are employed. Thus, the District's growth during the decade almost surely did not automatically generate sufficient additional revenue to finance expenditures that would have kept pace with the growth. Either of these factors could explain the results of the 1960's. They may also mean that the experience of the 1970's will not be greatly different. ■

BANKING STATISTICS

Billion \$



LATEST MONTH PLOTTED: SEPTEMBER

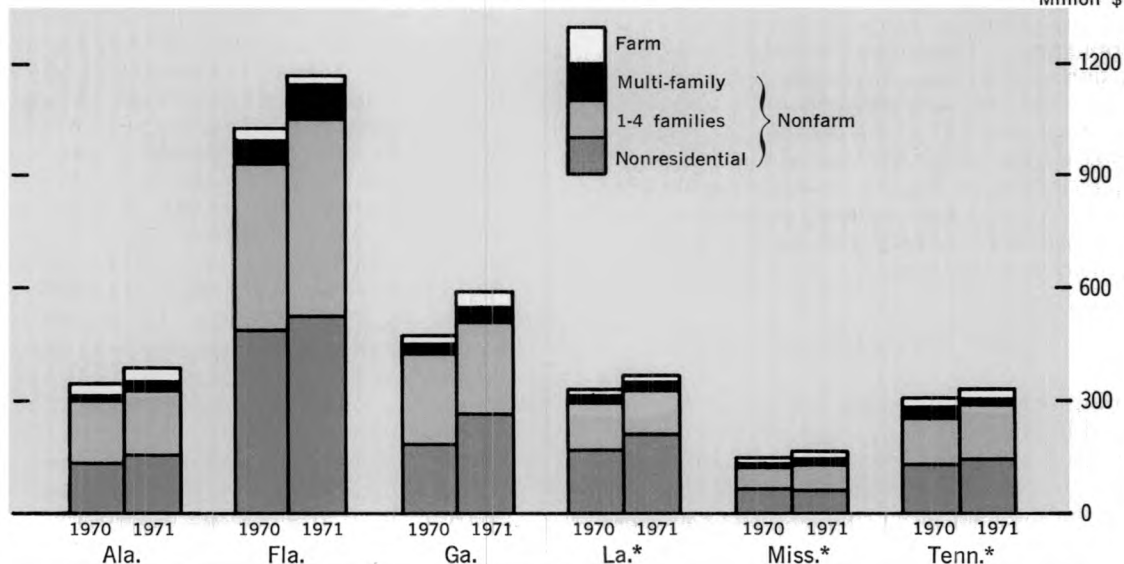
Note: All figures are seasonally adjusted and cover all Sixth District member banks.
 *Daily average figures **Figures are for the last Wednesday of each month.

SIXTH DISTRICT

BANKING NOTES

REAL ESTATE LENDING

Million \$



*Sixth District portion

Note: Data shown are for District member banks and are categorized by type of collateral used. Figures are based on June 30th Call Report data.

DISTRICT BANKS: REAL ESTATE LOANS RISE SHARPLY

Unlike the majority of other loan categories, which have exhibited sluggish behavior, real estate loans have increased sharply at District member banks. In fact, as of June 30, real estate loans were up 14 percent over the year-ago level, and data from the large weekly reporting banks indicate that this growth has continued through October. If the current expansion in building construction continues, this growth in real estate lending will not be short lived.

An in-depth look at the June 30, 1971 Call Report data (by type of loan collateral used) reveals that the volume of loans secured by multi-family residential properties was the fastest growing category, increasing 24 percent over the June 30, 1970 level. All other types of real estate lending also shared in the growth; this expansion ranged from 6 percent in loans secured by farmland to 16 percent in loans secured by nonfarm-nonresidential property (hotels, churches, hospitals, clubs, lodges, etc.).

Despite different rates of growth exhibited by individual real estate loan categories, their proportionate shares were only slightly affected. Loans secured by nonfarm-nonresidential property went up only one percent but continued to make up the largest share of loan volume. Loans secured by one- to four-family residences, however, dropped down a percent. In both the District and in each individual District state, loans secured by farmland also declined a bit.

A supplemental report attached to the June 30, 1971 Call Report indicated that permanent financing makes up the bulk of bank real estate lending; only about 20 percent of total real estate loans were used to finance on-site construction in process. Prior to this survey, the respective amounts of long- and short-term bank financing were unknown. Now we know that the bulk of multi-family residential loans was of a short-term nature—with 60 percent of the loans being used for on-site construction. On the other hand, the bulk of loans for one- to four-family dwelling units and for nonfarm-nonresidential properties was of a permanent nature—

REAL ESTATE LOANS FOR ON-SITE CONSTRUCTION IN PROCESS

	Amount (\$ millions)	Percent of Total Real Estate Loans
Alabama	50.8	13.1
Florida	176.6	15.1
Georgia	156.5	26.6
Louisiana*	103.5	28.4
Mississippi*	32.4	19.9
Tennessee*	51.8	15.5
District	571.6	19.0

*District portion

with only 14 percent and 21 percent, respectively, used for short-term financing.

Not all the construction loans that banks make are real estate loans; some are classified as commercial and industrial loans. The distinguishing criterion is whether or not the construction loan is secured by a mortgage. Those secured by mortgage are classified as real estate loans; those that are not secured by mortgage are classified as commercial and industrial loans. The supplementary report showed that those construction loans classified as commercial and industrial loans amounted to \$147 million by mid-1971 and accounted for 3 percent of total commercial and industrial loans at District member banks. This percentage varied from .3 percent in the District portion of Louisiana to 7.6 percent in the District portion of Tennessee.

Construction loans of privately owned, nonfarm-nonresidential properties accounted for 55 percent of the \$147 million in construction lending. Multi-family residential construction loans made up 27 percent, and loans for one- to four-family residential construction were responsible for 18 percent. Thus, the bulk of construction lending had been centered outside the residential area.

JOSEPH E. ROSSMAN, JR.

Sixth District Statistics

Seasonally Adjusted
(All data are indexes, unless indicated otherwise.)

	Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					FLORIDA				
INCOME AND SPENDING					INCOME				
Manufacturing Payrolls	Sept. 137	137r	137	131	Manufacturing Payrolls	Sept. 144	141r	143	138
Farm Cash Receipts	Aug. 127	110	135	114	Farm Cash Receipts	Aug. 135	105	147	106
Crops	Aug. 144	56	167	117	EMPLOYMENT				
Livestock	Aug. 121	131	130	115	Nonfarm Employment†	Sept. 122	121	122	120
Instalment Credit at Banks* (Mil. \$)	Sept. 404	411	381	341	Manufacturing	Sept. 109	109	109	110
New Loans	Sept. 361	370	364	304	Nonmanufacturing	Sept. 124	124	124	122
Repayments					Construction	Sept. 126	129	132	128
EMPLOYMENT AND PRODUCTION					Farm Employment	Sept. 99	103	110	99
Nonfarm Employment†	Sept. 112	112	112	111	Unemployment Rate	Sept. 4.0	3.9	3.8	3.7
Manufacturing	Sept. 106	105	107	107	(Percent of Work Force)†	Sept. 40.5	40.8r	40.9	40.8
Nondurable Goods	Sept. 107	106	107	107	FINANCE AND BANKING				
Food	Sept. 102	102	102	104	Member Bank Loans	Sept. 170	168	167	152
Textiles	Sept. 103	103	104	106	Member Bank Deposits	Sept. 168	167	163	145
Apparel	Sept. 104	104	104	102	Bank Debits**	Sept. 368	367	371	302
Paper	Sept. 107	104	105	108	GEORGIA				
Printing and Publishing	Sept. 116	115	115	115	INCOME				
Chemicals	Sept. 105	105	105	107	Manufacturing Payrolls	Sept. 135	137	133	125
Durable Goods	Sept. 104	104	104	105	Farm Cash Receipts	Aug. 113	88	130	93
Lbr., Wood prods., Furn. & Fix.	Sept. 100	100	100	99	EMPLOYMENT				
Stone, Clay, and Glass	Sept. 104	103	103	107	Nonfarm Employment†	Sept. 112	111	111	110
Primary Metals	Sept. 102	101	105	104	Manufacturing	Sept. 103	104	102	105
Fabricated Metals	Sept. 113	112	113	113	Nonmanufacturing	Sept. 115	115	115	113
Machinery, Elec. & Nonelec.	Sept. 160	159	159	167	Construction	Sept. 106	105	106	94
Transportation Equipment	Sept. 100	104	101	108	Farm Employment	Sept. 83	93	82	87
Nonmanufacturing	Sept. 115	114	114	112	Unemployment Rate	Sept. 4.4	3.9	4.3	4.0
Construction	Sept. 108	107	109	103	(Percent of Work Force)†	Sept. 40.1	40.4	40.4	39.0
Transp., Comm., & Pub. Utilities	Sept. 113	113	112	111	FINANCE AND BANKING				
Trade	Sept. 114	114	114	112	Member Bank Loans	Sept. 152	152	149	135
Fin., ins., and real est.	Sept. 120	119	119	117	Member Bank Deposits	Sept. 132	134	133	118
Services	Sept. 117	116	116	116	Bank Debits**	Sept. 392	397	403	326
Federal Government	Sept. 102	101	101	100	LOUISIANA				
State and Local Government	Sept. 121	120	120	117	INCOME				
Farm Employment	Sept. 82	87	88	89	Manufacturing Payrolls	Sept. 129	134	133	129
Unemployment Rate	Sept. 4.8	4.8	4.7	4.6	Farm Cash Receipts	Aug. 167	147	122	166
(Percent of Work Force)†					EMPLOYMENT				
Insured Unemployment	Sept. 3.0	3.0	2.8	3.0	Nonfarm Employment†	Sept. 104	104	104	104
(Percent of Cov. Emp.)	Sept. 40.3	40.7r	40.7	40.4	Manufacturing	Sept. 100	100	100	101
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept. 225	133	176	172	Nonmanufacturing	Sept. 105	105	105	105
Construction Contracts*	Sept. 226	181	184	137	Construction	Sept. 82	80	80	84
Residential	Sept. 225	85	168	206	Farm Employment	Sept. 71	80	77	71
All Other	Aug. 165	167	170	165	Unemployment Rate	Sept. 6.9	6.7	6.5	6.5
Electric Power Production**	Aug. 86	90	89	85	(Percent of Work Force)†	Sept. 40.8	42.7	42.2	41.8
Cotton Consumption**	Oct. 128	123	127	134	FINANCE AND BANKING				
Petrol. Prod. in Coastal La. and Miss.**	Oct. 256	257	253	245	Member Bank Loans*	Sept. 142	139	135	130
Manufacturing Production	July 220	222	218	208	Member Bank Deposits*	Sept. 144	138	135	123
Nondurable Goods	July 176	180	177	166	Bank Debits***	Sept. 255	257	249	209
Food	July 250	247	243	236	MISSISSIPPI				
Textiles	July 274	283	278	261	INCOME				
Apparel	July 198	200	199	193	Manufacturing Payrolls	Sept. 140	142	141	131
Paper	July 164	167	166	167	Farm Cash Receipts	Aug. 143	153	156	126
Printing and Publishing	July 251	251	261	261	EMPLOYMENT				
Chemicals	July 299	300r	295	291	Nonfarm Employment†	Sept. 110	110	110	109
Durable Goods	July 184	179	174	168	Manufacturing	Sept. 110	112	112	109
Lumber and Wood	July 180	180	177	182	Nonmanufacturing	Sept. 110	109	109	109
Furniture and Fixtures	July 164	169	166	166	Construction	Sept. 103	103	103	110
Stone, Clay and Glass	July 201	208	210	198	Farm Employment	Sept. 81	78	96	93
Primary Metals	July 246	244	241	239					
Fabricated Metals	July 430	400	386	379					
Nonelectrical Machinery	July 612	630	614	616					
Electrical Machinery	July 391	392	389	382					
Transportation Equipment									
FINANCE AND BANKING					ALABAMA				
Loans*	Sept. 158	156	153	142	INCOME				
All Member Banks	Sept. 146	144	141	133	Manufacturing Payrolls	Sept. 136	134	134	133
Large Banks	Sept. 149	148	145	131	Farm Cash Receipts	Aug. 136	162	157	123
Deposits*	Sept. 133	132	130	120	EMPLOYMENT				
All Member Banks	Sept. 338	339r	341	282	Nonfarm Employment†	Sept. 106	106	106	105
Large Banks					Manufacturing	Sept. 106	105	106	109
Bank Debits**					Nonmanufacturing	Sept. 106	106	106	103
ALABAMA					Construction	Sept. 106	106	107	85
INCOME					Farm Employment	Sept. 74	83	79	81
Manufacturing Payrolls	Sept. 136	134	134	133					
Farm Cash Receipts	Aug. 136	162	157	123					
MISSISSIPPI									
INCOME									
Manufacturing Payrolls	Sept. 140	142	141	131					
Farm Cash Receipts	Aug. 143	153	156	126					
EMPLOYMENT									
Nonfarm Employment†	Sept. 110	110	110	109					
Manufacturing	Sept. 110	112	112	109					
Nonmanufacturing	Sept. 110	109	109	109					
Construction	Sept. 103	103	103	110					
Farm Employment	Sept. 81	78	96	93					

	Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)†	Sept. 5.1	5.3	5.2	5.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Sept. 40.8	40.5	40.3	40.4
FINANCE AND BANKING				
Member Bank Loans*	Sept. 161	163	158	143
Member Bank Deposits*	Sept. 144	145	146	130
Bank Debts**	Sept. 327	342	315	290
TENNESSEE				
INCOME				
Manufacturing Payrolls	Sept. 137	138r	140	130
Farm Cash Receipts	Aug. 116	55	138	130

EMPLOYMENT

	Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
Nonfarm Employment†	Sept. 111	110	111	109
Manufacturing	Sept. 106	105	107	107
Nonmanufacturing	Sept. 114	113	113	110
Construction	Sept. 110	108	110	98
Farm Employment	Sept. 91	90	89	94
Unemployment Rate				
(Percent of Work Force)†	Sept. 4.7	4.7	4.6	4.8
Avg. Weekly Hours in Mfg. (Hrs.)	Sept. 39.9	40.3	40.5	39.4

FINANCE AND BANKING

	Latest Month 1971	One Month Ago	Two Months Ago	One Year Ago
Member Bank Loans*	Sept. 161	154	152	145
Member Bank Deposits*	Sept. 141	139	136	128
Bank Debts**	Sept. 338	316r	341	285

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

**Daily average basis

†Preliminary data

r-Revised

N.A. Not available

Note: Indexes for construction contracts, cotton consumption, employment, farm cash receipts, loans, deposits, petroleum production, and payrolls: 1967=100. All other indexes: 1957-59=100.

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							
	Sept. 1971	Aug. 1971	Sept. 1970	Sept. 1971 from Aug. 1970	Year to date 9 mos. 1971 from 1970	Sept. 1971	Aug. 1971	Sept. 1970	Sept. 1971 from Aug. 1970	Year to date 9 mos. 1971 from 1970			
STANDARD METROPOLITAN STATISTICAL AREAS													
Birmingham	2,368,856	2,307,711	2,000,990	+ 3	+18	+15	Hollywood	1,149,509	1,206,404	1,028,649	- 5	+12	+13
Gadsden	82,562	83,834	2,051,455	+14	+39	+18	Jacksonville	2,856,196	2,506,061	2,585,679	+ 0	+21	+15
Huntsville	235,136	246,571	204,819	- 3	+17	+23	Miami	4,149,616	4,295,277	3,556,012	+ 0	+26	+17
Mobile	774,917	805,109	640,619	- 4	+21	+ 5	Orlando	999,924	996,622	791,350	+ 0	+17	+13
Montgomery	457,515	525,753	383,659	-13	+19	+18	Pensacola	332,223	338,023	284,050	- 2	+17	+23
Tuscaloosa	150,344	145,903	137,681	+10	+ 9	+13	Tallahassee	412,959	420,808	201,776	- 2	+105	+53
Ft. Lauderdale-													
Albany	148,413	138,817	133,668	+ 7	+11	+ 9	Tampa-St. Pete.	2,510,458	2,507,598	2,052,451	+ 0	+22	+16
Atlanta	9,310,682	9,304,513	7,685,679	+ 0	+21	+15	W. Palm Beach	698,317	689,591	600,651	+ 1	+16	+11
Augusta	380,108	383,185	310,648	- 1	+22	+17	Abbeville						
Columbus	356,387	351,170	304,422	+ 1	+17	+15	Alexandria	164,693	160,821	156,640	+ 2	+ 5	+ 7
Macon	402,998	399,230	344,976	+ 0	+17	+13	Bunkie	7,306	7,268	7,493	+ 1	- 2	+ 6
Savannah	382,397	394,017	323,903	- 3	+18	+17	Hammond	53,653	50,742	44,214	+ 6	+21	+13
Baton Rouge													
Lafayette	203,934	198,716r	179,624	+ 3	+20	+11	New Iberia	45,607	48,027	42,285	- 5	+ 8	+12
Lake Charles	192,365	177,222	166,151	+ 9	+16	+10	Plaquemine	12,223	13,787	12,941	-11	- 6	- 2
New Orleans	3,344,605	3,257,025	2,707,782	+ 3	+24	+15	Thibodaux	28,245	29,564	24,160	- 4	+17	+13
Biloxi-Gulfport													
Jackson	188,186	191,221	178,156	- 2	+ 6	+10	Hattiesburg						
Jackson	960,763	1,025,981	844,064	+ 6	+14	+14	Laurel	48,439	52,047	55,450	+ 7	-13	+ 3
Chattanooga													
Knoxville	702,783	697,181	580,665	+ 1	+21	+15	Meridian	82,524	91,429	72,726	-10	+13	+ 5
Nashville	2,247,395	2,310,568	1,866,335	- 3	+20	+ 9	Natchez	46,058	46,272	45,085	+ 0	+ 2	+ 4
Other Centers													
Anniston	90,575	89,654	79,097	+ 1	+15	+ 7	Pascagoula- Moss Point	88,416	120,824	84,975	-27	+ 4	+13
Dothan	122,623	115,375	103,145	+ 6	+19	+22	Vicksburg	58,576	56,718	55,007	+ 3	+ 6	+11
Selma	54,165	54,858	51,776	- 1	+ 5	+ 5	Yazoo City	38,168	35,649	36,448	+ 7	+ 5	+10r
Barlow	32,957	32,264	34,672	+ 2	- 5	- 0	Bristol						
Bradenton	115,188	104,057	95,323	+11	+21	+12	Johnson City	118,443	105,708	96,372	+12	+23	+19
Brevard County	231,881	220,686	208,846	+ 5	+11	- 1	Kingsport	121,896	119,238	101,091	+ 2	+21	+14
Daytona Beach	100,888	123,782	96,639	-18	+ 4	+ 9	District Total	49,994,182	49,983,116r	41,711,409	+ 0	+20	+15
Ft. Myers- N. Ft. Myers	144,888	151,203	131,544	- 4	+10	+21	Alabama†						
Alabama†													
Alabama†	5,879,819	5,935,106	5,064,417	- 1	+16	+11	Florida†						
Florida†	16,294,002	16,221,507	13,360,414	+ 0	+22	+18	Georgia†						
Georgia†	13,798,725	13,883,066	11,454,344	- 1	+20	+15	Louisiana†*						
Louisiana†*	5,854,603	5,724,139r	4,799,449	+ 2	+22	+14	Mississippi†						
Mississippi†	2,136,054	2,259,900	1,891,172	- 5	+13	+14	Tennessee†*						
Tennessee†*	6,090,979	5,959,398	5,141,613	+ 2	+18	+12							

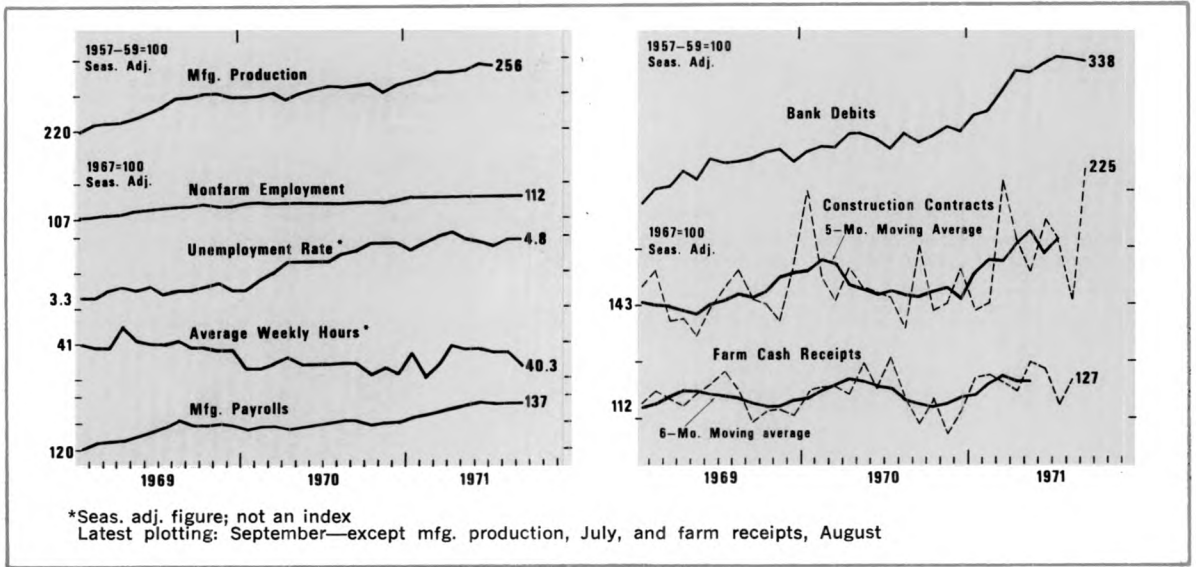
*Includes only banks in the Sixth District portion of the state

†Partially estimated

‡Estimated

r-Revised

District Business Conditions



As if inspired by autumn's bright burst of color, the Southeast's economic picture is also brighter. Nonfarm employment posted a strong gain in September; consumer instalment credit expanded vigorously; auto sales continued to climb robustly; and construction contract volume surged. A record crop harvest is expected but is contributing to weaker agricultural prices. Commercial and industrial loan demand at the larger banks is still weak.

In September, a sharp gain in nonfarm employment occurred in five of the six reporting states. An industrial dispute in Mississippi's shipbuilding industry accounted for that state's nonfarm employment drop. Nonmanufacturing is still providing most of the employment strength, with the trade and service industries showing large employment gains. July's manufacturing production declined for the first time in seven months, since both durable and nondurable production fell.

In September, consumer instalment credit outstanding at commercial banks posted a sizable advance. The gain was broadly based, with all types of credit contributing to the growth. Sales of domestically produced automobiles in September were extremely good, easily surpassing the year-ago mark. Special factors, particularly the availability of new model cars at old prices and the proposed excise tax rebate, heavily influenced the strong sales performance.

Prices of agricultural products dropped further in September but remained substantially above the level of a year ago. Prices of corn, vegetables, hogs, and soybeans registered major declines, reflecting increased production accompanied by some weak-

ening in demand. Preliminary data for October indicate stronger prices for hogs but decidedly weaker prices for eggs and broilers. Crop harvesting proceeded at a rapid pace where weather permitted. A record harvest of most crops is anticipated.

A September surge pushed third-quarter construction contracts somewhat above second-quarter awards and 27 percent above the year-ago level. The residential sector accounted for nearly all of this increase. Deposit inflows and loan commitments at savings and loan associations slowed slightly in September, but mortgage lending picked up. Home mortgage rates are now slightly below their midsummer levels.

Stronger deposit inflows at District member banks contributed to reduced bank borrowings for reserve purposes. Demand deposit gains were sharply stronger at the smaller banks, while inflows of consumer savings deposits at all banks continued weak through late October. At the larger banks, business loans were down, with the largest declines appearing in the service industries, transportation firms, textile, apparel, and leather goods manufacturers. Further liquidations of U. S. Government securities resulted in a net decline in total member bank security holdings.

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