

Federal Reserve Bank of Dallas

Business Review



**Money Stock—
Attention to Series Increases As Link to Economy Discussed**

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Attention to Series Increases As Link to Economy Discussed

Relationships between changes in the money stock and changes in the level of general economic activity have been described variously but most often in recent years from the approach taken by either the Keynesians or the monetarists. While these two groups of economists are in essential agreement on many important points, the approaches they take provide two basically different views of money as a determinant of income and prices.

The debate between these two groups has focused fresh attention on the economic importance of the money stock. New interest has been created in the mechanics of change in the stock of money and the influence of this change on economic activity. New significance has been assigned to movements in money, and attention has been called to money stock statistics, means of measuring the money stock, and even the problems of arriving at a workable definition of the money stock, given the the-

oretical and very practical considerations involved.

This article takes up the interpretational, measurement, and definitional issues concerning the money stock. It reviews money stock statistics, discusses Keynesian and monetarist views of the role of money in the economy, outlines some of the empirical relationships between money and economic activity in the United States from 1953 to 1971, and examines reasons for the official money stock series, as well as the technical, practical, and conceptual problems of trying to measure the money stock.

The economics of money

From either the Keynesian or the monetarist approach, changes in the money stock are seen as functions of interest rates. But these approaches provide entirely different views of the range and scope of interest rates affected by monetary change. In the Keynesian model—largely the legacy of John

Maynard Keynes—monetary policy impinges on a narrow, well-defined range of capital assets, interest rates, and expenditures. In the monetarist model—most often associated with the work of Milton Friedman—the range of assets, yields, and expenditures is much broader.

According to the Keynesians, the convenience of augmented money balances achieved when monetary authorities move to increase the money supply (usually by purchasing Government securities in the market) does not match the opportunity costs represented by the return available on other assets. The portfolio adjustment required to regain equilibrium after such a policy action takes place mainly (if not entirely) through purchases of other liquid assets and, in turn, causes further purchases of somewhat less liquid assets. Keynesians, then, see the effect of a change in the money stock as a ripple passing across the whole range of financial assets, losing

Definitions of the money stock

- M_1 : Demand deposits adjusted plus currency outside banks
- M_2 : M_1 plus all commercial bank time and savings deposits except large-denomination negotiable certificates of deposit
- $M_2 + CD$'s: M_2 plus large-denomination negotiable certificates of deposit at commercial banks
- M_3 : M_2 plus deposits at mutual savings banks and share accounts at savings and loan associations
- L : $M_2 + CD$'s plus deposits at mutual savings banks and Postal Savings System, share accounts at savings and loan associations, U.S. Government savings bonds, and short-term U.S. Government securities

strength (and, therefore, predictability) as it rides out from the initial disturbance.

Eventually, the ripple reaches to the capital market, bringing a change in long-term yields that, in turn, causes a divergence between the costs of funds and the returns businesses can earn by borrowing for investment in profitmaking operations. This model shows the effects of changes in the money supply on expenditure decisions as coming almost entirely through the changes in interest rates on financial assets—changes brought by policy actions of monetary authorities.

With changes in interest rates, Keynesians see monetary action impacting on economic activity through possibly two other channels—the availability of credit and the worth of assets, particularly the worth of common stocks.

The availability effects come mainly from the rigidity of interest rates on certain types of loans, such as mortgage and consumer loans, and the consequent divergence of these rates from more freely moving market rates. The gap between market rates and pegged rates often causes the channels through which funds flow to change, bringing a tightening in some forms of credit, even to the extent that some credit may be rationed or entirely cut off, braking growth in economic activity. The housing market provides what is probably the best-known example of the economic impact of credit availability. Tight credit has sometimes brought residential construction to a near-standstill.

The effect of rising interest rates on the worth of assets (the wealth effect of the money stock) results primarily from changes in the current value of existing physical assets—a shift that becomes most apparent in the changing value of common stock. When interest rates fall, the value of physical assets and the prices of common stock

tend to rise. Since owners of such assets may feel better off and no one feels worse off, spending tends to rise.

In the monetarist model, money is regarded as an asset with unique characteristics that allow it to be substituted not only for one class of assets but for all assets, financial and economic. Someone feeling short of money balances, the monetarists say, is just as likely to adjust his position by postponing expenditures as he is by selling financial assets. All assets that are not consumed immediately can, therefore, be thought of as yielding future services. And with goods and services that are not immediately consumed viewed as yielding future service, the relationship between the value of these future services and the current cost of an asset can be regarded as a yield—as a rate of return. Monetarists call this yield on an asset its “own-rate of interest.”

Keynesians and monetarists are agreed that holders of assets try to bring the interest yield on a stock of money to a point where the own-rate of interest on the money is equal to the own-rate of interest on other assets. Keynesians contend, however, that the relevant own-rate is the rate on some financial asset. Monetarists contend that the own-rates on all other assets are also relevant.

Thus, Keynesians expect people to buy financial assets when they feel they have excess money balances. Monetarists expect the adjustment to be made through direct purchases of a wider range of assets, including such physical assets as consumer durables.

In the monetarist view, changes in the stock of money bring small but pervasive change in all planned spending, whether for goods or financial assets. The impact of changes in the money stock is believed to be widespread, reaching well beyond any particular group of interest rates.

While Keynesians and monetarists are not agreed on the mechanics by which changes in money impact on economic activity, the money stock is relevant in both their models. Both groups are interested in the empirical relationships between money, on the one hand, and spending and prices, on the other.

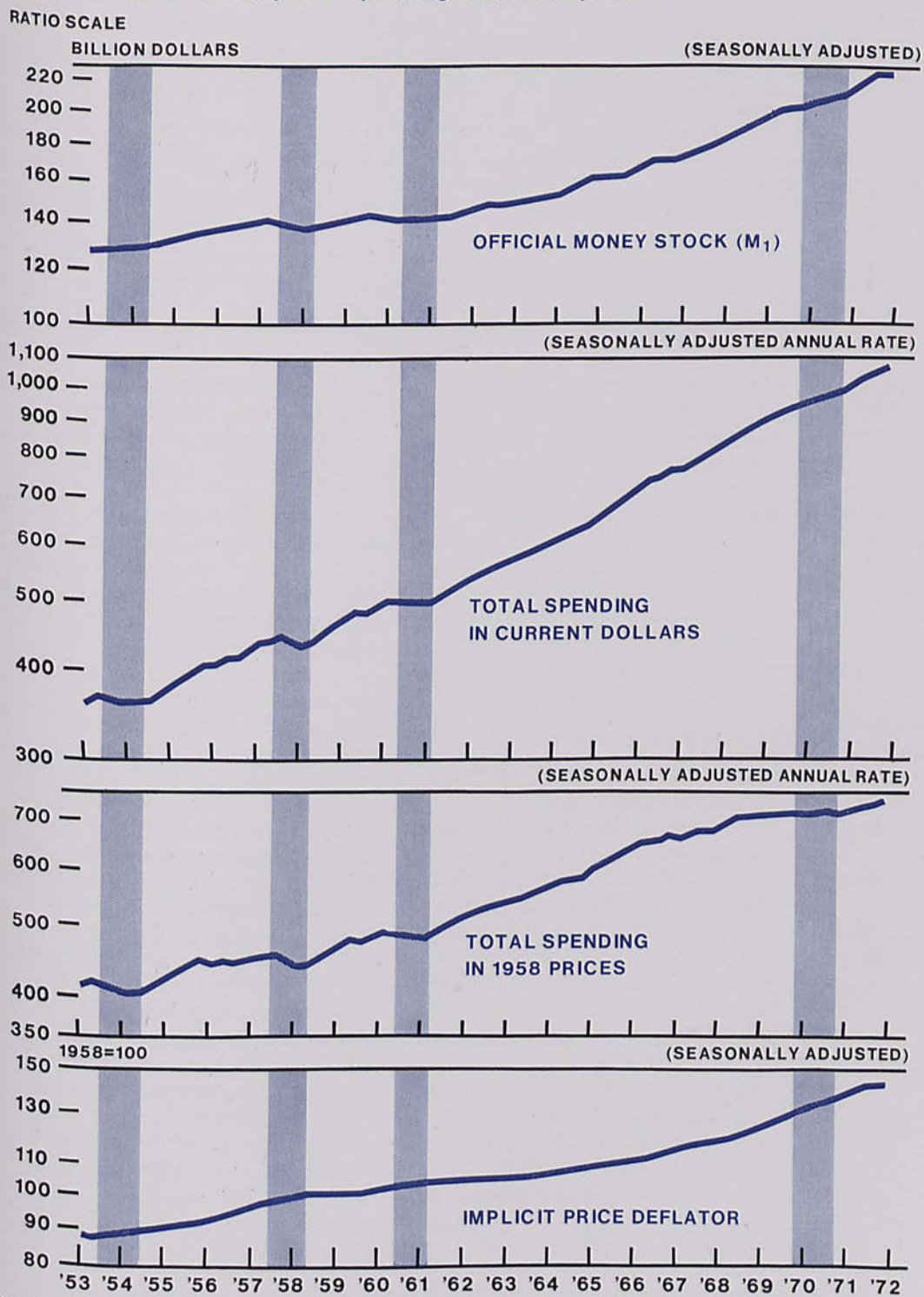
Empirical generalizations

Comparison of growth in economic activity in the United States between 1953 and 1971 with growth in the money stock suggests that monetary expansion has had an important influence on both cyclical fluctuations in the economy and the rate of general price change. While no effort is made here to evaluate the extent and stability of the linkage between the money stock and economic activity, changes in growth of the money stock over these years seem to have been definitely related, for example, to changes in total spending measured by GNP in current prices.

There also seems to be a fairly definite sequencing of changes, with production, for example, responding more quickly than prices to monetary change. Production measured as GNP in constant dollars rose and fell with faster and slower increases in the money stock well in advance of changes in the rate of price change. This sequencing suggests a tendency for monetary restraint to slow output without any immediate effect on the rate of inflation—although the effect seems bound to come eventually if the restraint is held long enough. Conversely, in times of monetary expansion to stimulate recovery, there seems to be a fairly clear tendency for the rate of price increase to rise much sooner after an advance in production.

According to definitions developed by the National Bureau of Economic Research, there were four recessions during this period—

Fluctuations in money stock
influence cyclical changes in spending more than prices



NOTE: Shaded areas show recessions as dated by the National Bureau of Economic Research.

SOURCES: Board of Governors, Federal Reserve System
U.S. Department of Commerce

CONCEPTUAL PROBLEMS IN MEASURING THE OFFICIAL U.S. MONEY STOCK

AGREED-ON PROBLEMS		DEBATED PROBLEMS	
Factors that cause official money stock to overstate true level of public's spendable balance	Factors that cause official money stock to understate true level of public's spendable balance	Factors that cause official money stock to overstate true level of public's spendable balance	Factors that cause official money stock to understate true level of public's spendable balance
Mail (checkbook) float	Nonbank travelers' checks and money orders	Deposits owned by nonresident foreigners	Major credit cards
Compensating balances			Overdraft privileges at banks
			Deposits owned by U.S. Government

in 1953-54, 1957-58, 1960-61, and 1969-70. Each was preceded by a marked slowing in the growth rate of money, although the length of time varied. Before the recession of 1960-61, the money stock actually declined. Also, each of the cyclical expansions between these recessions was preceded by a definite acceleration in the growth of money.

Although considerable effort has been made—by Keynesians and monetarists—to determine the nature and extent of the effects of monetary change on economic activity, the evidence is still not conclusive. Analysis does, however, suggest two generalizations broadly accepted by economists of both schools—

- That the acceleration and deceleration of monetary growth is a major influence on cyclical changes in total spending, in both nominal and real terms.

- That short-run variations in monetary growth have less impact on price movements than does total spending.

Since economists of both Keynesian and monetarist persuasion want to base their evaluations

of the issues on evidence developed by statistical, mathematical, and computer models, both groups are interested in the official money stock series, how it is computed, and what items it is defined to include and exclude. So that allowances can be made in interpreting and analyzing the impact of monetary change, both groups want to understand the statistical and methodological difficulties in computing the money stock.

Measuring the medium

Money has been officially defined by the Federal Reserve as—

- Currency in circulation outside the banking system
- Plus demand deposits other than U.S. Government deposits and domestic interbank deposits
- Less cash items reported in process of collection and Federal Reserve float.

This is the definition used in measuring the money stock.

The distinguishing characteristic of this definition—often referred to as the narrowly defined money stock, or M_1 —is that it includes the principal assets used as a medium of exchange. Most other financial

assets cannot be spent directly until they are converted into M_1 . And even if other assets can be converted easily, the conversion may involve a capital gain or loss. This narrowly defined money stock differs further from other assets in that—aside from price changes affecting all assets—holders of M_1 receive no explicit return of interest.

Interbank deposits are not included because they cancel each other out. Deposits due to banks are exactly equal to deposits due from other banks. Cash items in process of collection are not included because such items are the checks being processed within the banking system at any one time. Federal Reserve float is not included because the float arises only from checks clearing through the banking system.¹ And while coin and currency held in the vaults of the commercial banks are not included—because, strictly speaking, they are not yet in circulation—currency held by other financial institutions (such as savings and loan associations, mutual savings banks, and life insurance companies) is included,

1. Federal Reserve float is the difference between the amount of uncollected items (or cash items in process of collection) and deferred availability credit. This float, representing an extension of Federal Reserve credit to member banks, arises solely because the payment schedule for determining the conversion of deferred availability credit to actual credit does not match the collection credit schedule. Under a fixed schedule established by the Federal Reserve System, reserve balances become available to commercial banks whether checks have been collected or not. Because of variations in the volume of checks processed by Federal Reserve banks and failures to meet collection schedules (as for example, because of bad weather), Federal Reserve float is subject to large daily, weekly, and seasonal variations.

Effective September 1, a change in Federal Reserve regulations will speed up check clearing. New procedures will require that banks pay off checks drawn on them in immediately available funds on the same day checks are presented for payment. This change will eliminate most float.

METHOD OF DERIVING THE OFFICIAL U.S. MONEY STOCK (M_1)

DEMAND DEPOSITS ADJUSTED

(1)	Gross demand deposits at commercial banks
(2) LESS:	Deposits due to U.S. commercial banks
(3) EQUALS:	Gross demand deposits at commercial banks, excluding interbank deposits
(4) LESS:	Gross demand deposits held by U.S. Government
(5) EQUALS:	Gross demand deposits of the nonbank public at commercial banks
(6) LESS:	Cash items in process of collection
(7) LESS:	Federal Reserve float
(8) PLUS:	Foreign deposits held at Federal Reserve banks
(9) EQUALS:	Demand deposits adjusted (demand deposit component of the money stock)

CURRENCY IN CIRCULATION

(10)	Total currency issued
(11) LESS:	Currency held in vaults of commercial banks
(12) EQUALS:	Currency in circulation (currency component of the money stock)

(9)	Demand deposits adjusted
(12) PLUS:	Currency in circulation
(13) EQUALS:	TOTAL MONEY STOCK

along with the demand deposits of such institutions.

Conceptual problems . . .

Measurement of the official money stock—the stock based on a concept of money as a medium of exchange—raises several theoretical problems. Some are agreed on, and some are not. There is general agreement, for example, that inclusion of demand deposits fails to take into account that some deposits represent compensating balances and, therefore, tend to overstate the balances available for spending. Inclusion of mail float also overstates the balances available for spending. It is also generally agreed that failure to include nonbank travelers' checks and money orders understates the amount of money available for spending.

Mail float—Because of the dollar amounts always in transit in the form of checks, bank ledgers show higher deposit totals than records of depositors would show. Data reported by issuers of currency and banks with deposit liabilities are used in measuring the money sup-

ply, rather than data reported by holders of currency and deposits. A discrepancy between holder records of deposits and bank ledgers arises from mail (or checkbook) float—the dollar amount of checks that deposit holders have drawn against their accounts and mailed but that are not yet credited to payees' records.

Compensating balances—Because deposits held as compensating balances are not available to their owners for their discretionary use, they are (theoretically, at least) not part of the money stock. Not only is the total of these balances very large—in the billions of dollars—but the total is not necessarily a function of the totals of either business deposits or business loans.

Until the credit crunch of 1966, banks were fairly loose in their enforcement of these requirements. Part of their looseness was due to the generally easy availability of credit through late 1965. And part of it was due to the large amount of bank float allowed to substitute for compensating balances. Banks were simply not able to measure collected funds close enough to in-

sist on strict maintenance of compensating balances.

However, as a result of the recurring periods of restrictive monetary conditions since 1965—in 1966, 1969, and early 1970—banks have tended to be more insistent about the maintenance of these balances. And business borrowers, anxious to maintain bank lines of credit, have been more willing to maintain their required balances. These recent restrictive periods have, in fact, caused large numbers of businesses to formalize their bank credit arrangements, either through assured lines of credit or through definite commitments from their banks. In either case, the result has been a further increase in the total of compensating balances.

Nonbank instruments—Several arguments have been presented for the inclusion of nonbank travelers' checks and money orders in the official money stock. One is that a person using currency or a bank draft to buy one of these instruments has, obviously, not reduced his holdings of the medium of exchange. He has merely shifted

the composition of his money balances. In fact, since companies issuing these instruments operate on a fractional reserve basis, conversion of demand deposits or currency into a nonbank traveler's check or money order actually represents a net expansion of the money stock.

Another is that because travelers' checks and money orders issued by commercial banks are treated as officers' checks, they are included in the official money stock. The exclusion of similar issues by companies other than banks creates an asymmetry in the definition of money.

Still another is that when these nonbank instruments are received at a commercial bank, they are entered as cash items in process of collection. To the extent, therefore, that they are deposited with commercial banks for collection, these instruments understate the true money supply (at least as it is now defined).

While the total of compensating balances at commercial banks might be hard to measure, collection of data on nonbank travelers' checks and money orders could be fairly easy. There are only three nonbank issuers of travelers' checks. And while there are many nonbank issuers of money orders—including an unknown number of mutual savings banks and savings and loan associations—there are only six issuers with operations large enough to have any significant impact on the money stock. And of these, the largest is the Postal Service. Effects of nonbank issues of travelers' checks and money orders on the money stock could be monitored merely by requiring that nine issuers of these instruments report their operations to the Federal Reserve System.

... and possible problems

Other problems with the official definition of the money stock are not so clearcut. Some economists

contend that inclusion of deposits owned by nonresident foreigners tends to overstate the money stock. And others disagree. Also, some economists say the exclusion of credit cards, overdraft privileges at commercial banks, and U.S. Government deposits understates the true level of the stock. And here again, there is disagreement.

Credit cards and overdrafts—The spreading use of credit cards, which are often more generally accepted as a means of payment than personal checks, and overdraft privileges at banks may imply that the public's reported holdings of money are actually far less than the amount instantly available for spending. Some economists point out that by providing purchasing power on demand, both these credit devices share many of the characteristics of money.

Others point out, however, that credit cards and overdrafts are also different from money in one important respect. Their use requires the automatic assumption of a matching liability. Assumption of an obligation to make future payments creates a liability that exactly offsets the asset. This difference may make it inappropriate to include these items in the money stock.

Foreign-owned deposits—Deposits owned by foreign commercial banks have been counted as part of the money stock since 1960, and deposits owned by central banks and other official overseas institutions at Federal Reserve banks have been counted since 1962. One reason for including these deposits is that they can be used in this country for investment and other expenditures in much the same way balances of other deposit holders are used. Another reason is that exclusion of these deposits would (theoretically) require exclusion of U.S. currency abroad. Since estimates of U.S. currency circulating

abroad are not available, an accurate adjustment to the money stock would be hard to make.

As an argument against the inclusion of these deposits, however, some economists point out that many of the dollars held in this country by foreigners are not related to the domestic economy. Many foreign deposits are different from domestic deposits in that they perform functions related to the role of the U.S. dollar as the world's dominant reserve and vehicle currency.

Foreign central banks and governments commonly use dollar accounts to settle financial transactions with countries other than the United States. Foreign central banks also hold dollar deposits so that they can use the dollars in intervening in foreign exchange markets to maintain the exchange rates for their own currencies. Much of the balance accruals in the accounts of foreign central banks and payments out of them, then, reflects the payments positions of their countries relative to all other countries, and not just to the United States alone.

With the enormous growth in world trade since World War II, the trade invoiced and financed in dollars increased. And with this increase, foreign deposits in this country could probably be expected to grow without regard to the domestic economy. Also, growth of the Eurodollar market, which is external to the domestic economy, may have contributed to the rise in foreign deposits. And finally, fluctuations and expansion in foreign deposits may sometimes reflect the increased (and changing) foreign operations of U.S. corporations.

Government deposits—The exclusion of U.S. Treasury deposits creates another conceptual problem. These deposits are not included primarily because they do not represent money in the hands of the public. Also, some

economists believe changes in money balances have only minor impact on the Government's expenditure decisions.

Several arguments have been advanced favoring the inclusion of Government deposits. First, the Government's sovereignty is not considered in the compilation of most other economic data. In figuring GNP, for example, the Government's share is added directly to private production.

Second, the Treasury manages its cash in much the same way other large institutions manage their funds. Many state and local governments manage their deposit balances so that a minimum balance is maintained to compensate banks for the services they provide. This, of course, is also the case with corporations obligated to maintain compensating balances. To meet these requirements, some corporations arrange for their banks to adjust their balances daily through automatic investment accounts.²

Third, the official definition of money is designed to include assets serving as means of payment. Since Government demand deposits meet this criterion, it is reasoned that they should be included in the official measurement of the money stock.

Technical deficiencies

In addition to the conceptual problems of defining a measurable money stock, there are several technical problems with the construction of the official money stock series. Two of these relate to the overstatement of cash items in process of collection. A third relates to the infrequency of reporting by nonmember banks.

Cash items in process of collection through the check-clearing system include three major classi-

fications of entries expressly excluded from computation of the money stock. One is Government payments. Another is entries due to bank accounts. The other is nonbank travelers' checks and private money orders.

Such items as Treasury checks, Postal Service money orders, redeemed savings bonds, food stamps, coupons on Government securities, and possibly some non-cash items make items in process of collection larger than mere private checks in transfer and, when deducted from private demand deposits to arrive at that component of the money stock, cause the true level of spendable money to be understated.

Total deposits are also distorted by nonbank travelers' checks and private money orders in process of collection through the system. They distort money supply calculations to the extent that they exceed the demand deposits from which they are deducted. By overstating items in process of collection, they understate the adjusted level of demand deposits.

The basing of money stock data on weekly and monthly reports of only the banks that are members of the Federal Reserve System creates still another technical problem. Balances of depositors with accounts at nonmember banks can only be estimated on the basis of observed changes at member banks, and the estimates can be adjusted only every six months, when call report data are available for all banks.

Alternative definitions

Some economists feel that the medium-of-exchange concept is not altogether meaningful in the definition of the money stock. Two objections to this definition have been raised—one major and one

minor. The minor objection is that the medium-of-exchange criterion is an uncertain guide to the classification of assets. The major objection is that this criterion begs the question of whether the central feature of money is its use as a medium of exchange.

Regarding the first objection, critics point out, first, that currency includes \$10,000 notes, which can seldom be used in transactions. Ordinarily, these notes must first be converted into smaller denominations.

Second, critics point out that demand deposits are not altogether as readily acceptable a medium of exchange as currency. Holders of demand deposits often cannot complete transactions directly by check, especially where they are not known to the other parties, and must first convert their drafts into cash, either at their banks or with someone that does know them.

In practice, these situations, of course, pose only minor problems. They do, however, point up the ambiguity of medium of exchange as a theoretical concept.

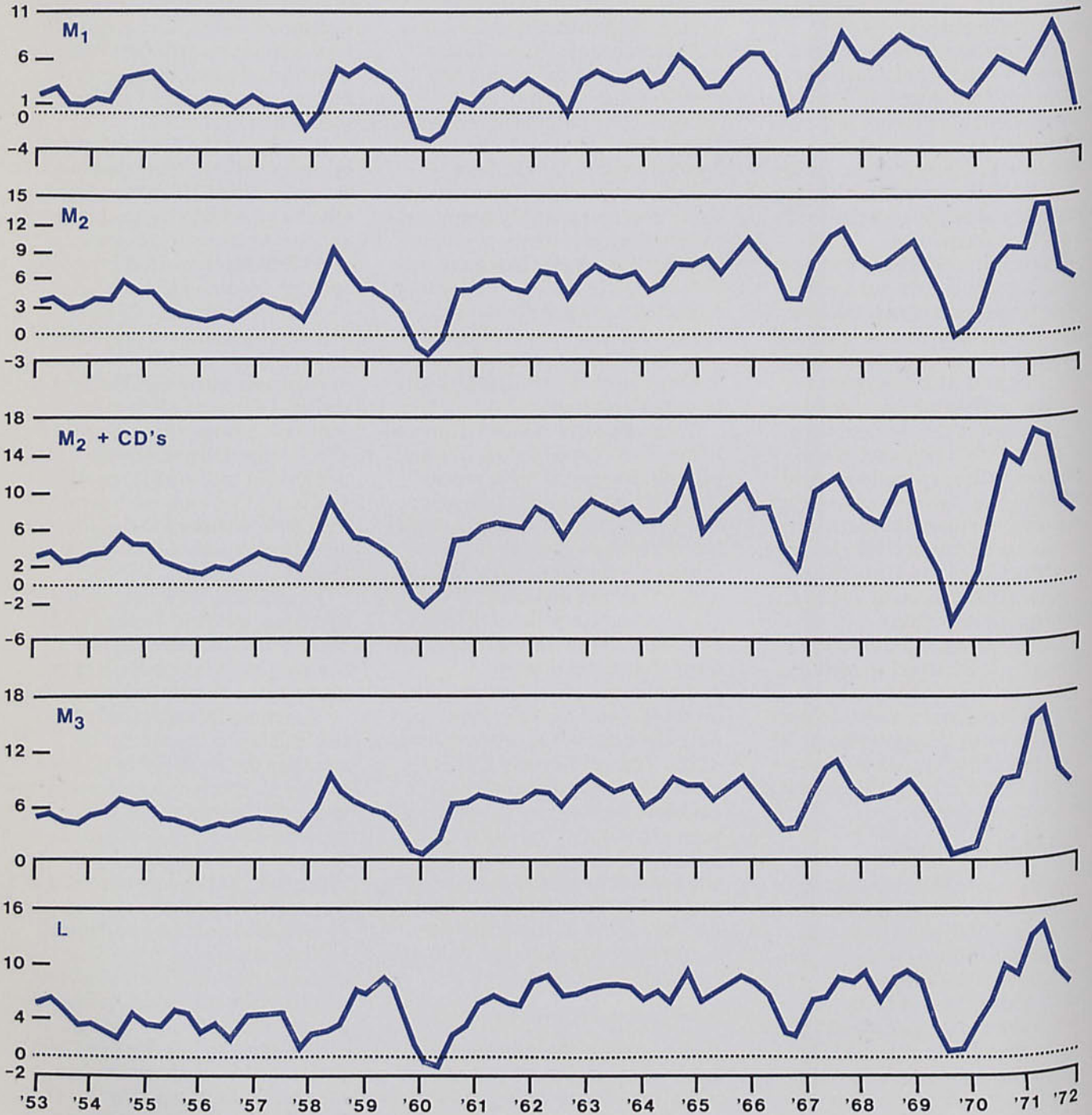
The more fundamental objection relates to the matter of whether the essential feature of money is its use as a means of payment. Critics point out that a money economy is distinguished from a barter economy by the separation of the acts of sale and purchase. In a money economy, a person does not have to depend on the coincidence of finding someone that both has what he wants and wants what he has. He has only to find someone that wants what he has. He can then exchange his goods or services for money, finding someone else that has what he wants. For the act of purchase to be separated from the act of sale, there must, of course,

2. In opening an automatic investment account, a bank debits the demand deposit balance of its corporate customer at the close of the business day (but before the end-of-day balances are prepared) by the amount outstanding in excess of the agreed minimum compensating balance and credits a borrowing account. These funds are borrowed overnight and secured by collateral. The next day, after the bank prepares its opening balances, the funds are automatically transferred back and credited to the corporation's account.

Cyclical patterns show more similarities than differences

PERCENT

(SEASONALLY ADJUSTED ANNUAL RATES OF CHANGE)



SOURCES: Board of Governors, Federal Reserve System
 Council of Economic Advisers
 Milton Friedman and Anna Jacobson Schwartz
 (*Monetary Statistics of the United States: Estimates, Sources, Methods*)

be some asset that is generally accepted in payment—that serves as a medium of exchange.

Critics argue, however, that because the two acts are not simultaneous, there must also be some asset that serves as a store of value—"a temporary abode of purchasing power." With this asset, a seller holds the proceeds of a sale until he is ready to purchase. Arguing that both features of money are required to separate the two acts into distinct transactions, critics contend that such is not necessarily always the case—that the something generally accepted in payment may not necessarily coincide with the something serving as a store of purchasing power.

To illustrate this point, they argue that time or savings deposits may be the main abode of purchasing power for many low-income families and that currency (or

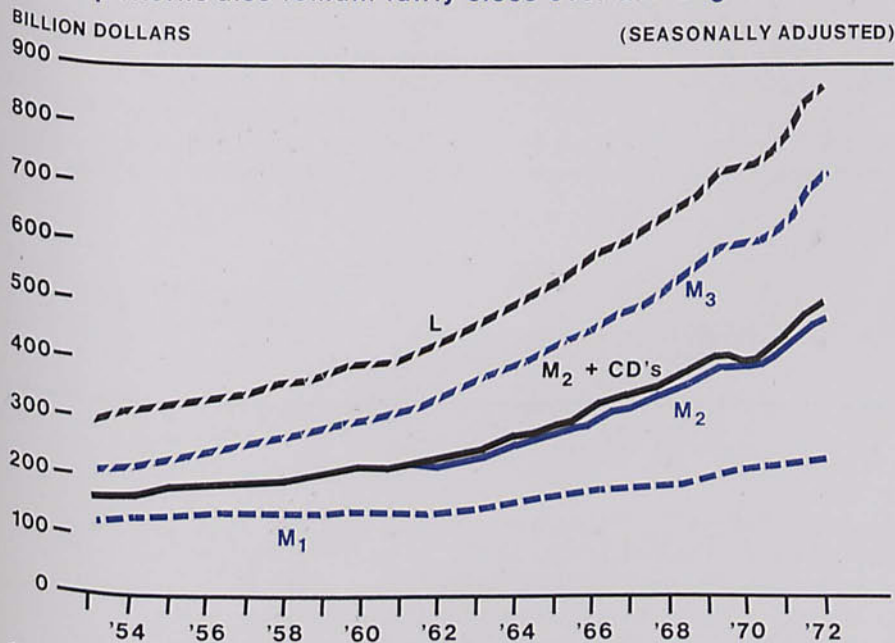
money orders) may be their main means of payment. For such people—at least at times—savings deposits may be a closer substitute for currency than demand deposits, which the official definition treats as almost interchangeable with money. At times, in fact, savings deposits and currency may be closer substitutes than either is for demand deposits.

Economists that view the medium-of-exchange concept as meaningful contend, however, that anything a person owns is an abode of purchasing power and that any asset allows a person to separate sales from final purchases. Common stocks, equity in a house, or deposits of whatever kind can serve as a store of value. All wealth is a store of purchasing power, they say, for consumers that are not liquidating their economic substance. This line of reasoning leads them to the conclusion that the

temporary-abode concept would define money as a society's entire wealth—with the result that the far narrower medium-of-exchange definition was still warranted.

Insisting that a nation's money stock includes far more than currency and demand deposits, some economists have developed broader concepts based on the inclusion of other financial assets liquid enough to be called near-money. These include time deposits at commercial banks, deposits at mutual savings banks, savings and loan share accounts, Postal System savings deposits, Series E savings bonds (redeemable on demand for amounts stated in advance), the cash surrender value of life insurance policies (available on demand by termination of life insurance policies), balances at stockbrokers, and policy dividends left at interest with life insurance companies.

Trend patterns also remain fairly close over the long term



SOURCES: Board of Governors, Federal Reserve System
Council of Economic Advisers
Milton Friedman and Anna Jacobson Schwartz
(*Monetary Statistics of the United States: Estimates, Sources, Methods*)

When time and savings deposits other than large-denomination certificates of deposit at commercial banks are added to the narrowly defined money stock (M_1), the yield is called M_2 . This is the designation used in financial statistics in the *Federal Reserve Bulletin*. A related concept, termed M_3 in *Bulletin* statistics, refers to the further addition of deposits at mutual savings banks and savings and loan associations. When all categories of near-money are added to currency and demand deposits, one measure of total liquidity is derived.

Another common definition of money is M_1 plus total time and savings deposits at commercial banks, including large-denomination CD's. Referred to as broadly defined money, this concept is identified as $M_2 + CD$'s. The symbolic designations applied to various definitions of money are not uniform in economic literature, however, and this definition is sometimes designated simply as M_2 . Until commercial banks began issuing large-denomination negotiable CD's in 1961, M_2 and $M_2 + CD$'s were, of course, the same. And although $M_2 + CD$'s still appears in economic analyses, its use seems to have diminished in

CORRELATION OF VARIOUS MEASURES OF MONEY STOCK AND SELECTED LIQUID ASSETS

(Matrices of simple correlation coefficients based on quarterly data expressed as percentage changes)

Period and measure	M_1	M_2	$M_2 + CD$'s	M_3	L
1953-60					
M_1	1.00	0.79	0.79	0.80	0.62
M_2 .....	.79	1.00	1.00	.99	.36
$M_2 + CD$ 's .....	.79	1.00	1.00	.99	.36
M_3 .....	.80	.99	.99	1.00	.35
L .....	.62	.36	.36	.35	1.00
1961-71					
M_1	1.00	.75	.62	.63	.63
M_2 .....	.75	1.00	.83	.93	.81
$M_2 + CD$ 's .....	.62	.83	1.00	.78	.90
M_3 .....	.63	.93	.78	1.00	.82
L .....	.63	.81	.90	.82	1.00
1953-71					
M_1	1.00	.83	.74	.74	.73
M_2 .....	.83	1.00	.89	.95	.77
$M_2 + CD$ 's .....	.74	.89	1.00	.86	.82
M_3 .....	.74	.95	.86	1.00	.76
L .....	.73	.77	.86	.76	1.00

SOURCES: Board of Governors, Federal Reserve System
Council of Economic Advisers
Federal Reserve Bank of Dallas
Friedman and Schwartz

recent years—and for two important reasons.

First, since large CD's are negotiable, they are more nearly comparable to market instruments, such as commercial paper, than to items classified as time deposits.

Second, except at maturity, large CD's cannot be sold on demand for a sum fixed in advance.

Since they are negotiable, they can be sold. But their market value is determined by current interest rates. If interest rates have changed since the certificate was purchased, its value will have also changed.

It sometimes makes very little difference which definition is used. Cyclical patterns in the

New member bank

The First National Bank of Colleyville, Colleyville, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business August 18, 1972, as a member of the Federal Reserve System. The new member bank has capital of \$300,000, surplus of \$300,000, and undivided profits of \$150,000. The officers are: Gearld C. Clark, Chairman of the Board; Thomas W. Ellison, President and Chief Executive Officer; and Rupert L. Hamilton, Vice President and Cashier.

alternative definitions of money show more similarities in definitions than differences, and trend patterns remain fairly close over the long term. But there have been times when rates of change in the money stock varied appreciably, depending on the definition used. The differences have been most pronounced when commercial banks were gaining or losing deposits relative to other financial institutions, such as savings and loan associations. In the 1950's, for example, share accounts at savings and loan associations increased faster than time and savings deposits at commercial banks. In the 1960's, the situation was reversed.

All the major definitions of money have also shown many similarities to measures of total liquidity. But there have also been clear differences, as when market interest rates have moved higher or lower than the ceiling rates at banks and thrift institutions, inducing sharp shifts of funds between deposits and market securities. In 1969, for example, market interest rates rose well above the rates deposit institutions were allowed to pay on deposits, and deposits fell. Then, in 1970, rate ceilings on large CD's were raised

and relaxed. With many market rates declining, funds flowed rapidly back into banks and thrift institutions.

A final consideration

Determination of the money stock may always fall short of the ideal. Not only are the conceptual problems of defining the money stock difficult, but technical and reporting problems may stand in the way of the development of a series that is both ideal and workable.

These difficulties, however, do not mean that efforts to make broad judgments about the significance of growth rates in various statistical measures of money can be abandoned. On the contrary, they call for continuing studies of relationships between the alternative indicators of money and measures of economic activity, such as total spending and general price levels. As efforts are made to determine which definition of money has the most stable and predictable empirical relationships to spending and prices, it may well be that both the broad and narrow definitions of money are useful in interpreting the course of economic developments.

-Lacy H. Hunt, II

New par banks

The Peoples Bank & Trust Company, Blanchard, Louisiana, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, August 1, 1972. The officers are: Wayne Ladner, President, and Rodger Thomason, Cashier.

The Twin City Bank, Texarkana, Texas, an insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, August 14, 1972. The officers are: H. H. Wommack, Jr., President; Basil S. Hoag, Jr., Executive Vice President; and Robert G. Fuller, Cashier.



Statistical Supplement to the Business Review

Total credit at weekly reporting banks in the Eleventh District rose sharply in the four weeks ended August 23. Reflected in the rise was a heavy increase in loan demand. Total deposits declined moderately, and, as a result, banks increased their borrowings in the Federal funds market substantially.

The surge in bank loans reflected rapid increases in every major category. To accommodate loan demand, banks, on balance, reduced their security holdings. Although total investments declined, holdings of Treasury bills and long-term Government issues rose.

Net inflows of time and savings deposits were slightly more than normal for that time of year, partly as a result of a moderate rise in large CD's outstanding. The gain was more than offset, however, by a decline in demand deposits. Although banks increased their borrowings in the Federal funds market, borrowings from other non-deposit sources changed little.

Seasonally adjusted, total employment in the five southwestern states rose in July to the highest level since March. But with the labor force growing faster than employment, the unemployment rate rose to 4.6 percent from 4.3 percent in June.

All categories of nonfarm employment showed gains over a year before. And except for manufacturing and mining, most categories showed advances over a month before. Employment in manufacturing dropped 0.4 percent, with the number of workers declining in both the durable and nondurable goods sectors. But employment was up 0.7 percent in construction and 0.6 percent in trade.

The seasonally adjusted Texas industrial production index slipped slightly in July from the record high reached in June. At 133.3 percent of its 1967 base, the index showed monthly declines in every major category except the manufacture of nondurable goods.

Manufacturing of nondurables continued to increase, with its largest gains in paper and allied products, up 5.3 percent, and petroleum refining, up 4.3 percent. Output of durables fell 1.7 percent, as production of transportation equipment dropped a substantial 5.2 percent and the output of stone, clay, and glass products declined 2.8 percent. Nevertheless, the apparel industry was the only area of manufacturing that failed to show a gain over a year earlier.

The decline in mining was due primarily to a 2.0-percent drop in the production of crude oil. The only gain in mining was in natural gas liquids, up 1.3 percent.

Prospects for crops in states of the Eleventh District are significantly better than last year, when drouth in the early part of the growing season caused a sharp drop in production. The cotton crop in these five states was estimated at 5.5 million bales on August 1—up a third from 1971 and a fifth from 1970. Production of grain sorghum is expected to be slightly higher than in 1971, despite a moderate decline in planted acreage.

Prices of meat animals have again boosted the index of prices received by Texas farmers and ranchers. Although only slight advances in crop and livestock prices were posted in the month ended July 15, gains were enough to push the index 20 percent higher than a

year earlier. And most of the increase was in livestock prices. The index of livestock prices rose to 29 percent higher than a year before. The crop index was only 6 percent higher than in July 1971.

Cash receipts from farm marketings in District states totaled nearly \$3 billion in the first half of the year—up 13 percent from the first half of last year. This increase was well ahead of the national average. Higher prices and slight increases in marketings supported 13-percent gains in both crop and livestock receipts. The rise in farm receipts and the good prospects for crops have placed the 1972 outlook for farm income in these states well above income in 1971.

Registrations of new passenger automobiles in Dallas, Fort Worth, Houston, and San Antonio dropped 10 percent in July but were 14 percent higher than in July 1971. Cumulative registrations for the first seven months of 1972 were still 12 percent higher than in the same period last year. All four metropolitan centers showed increases in cumulative registrations, ranging from 11 percent in San Antonio to 17 percent in Fort Worth.

Department store sales in the Eleventh District were 11 percent greater in the four weeks ended August 26 than in the comparable period last year. Cumulative sales through that date were 10 percent higher than in the corresponding period a year before.

The Federal Power Commission has changed its policies regarding the pricing of natural gas sold interstate to allow possibly higher
(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Aug. 23, 1972	July 26, 1972	Aug. 25, 1971	LIABILITIES	Aug. 23, 1972	July 26, 1972	Aug. 25, 1971
Federal funds sold and securities purchased under agreements to resell.....	948,629	930,762	904,189	Total deposits.....	12,299,829	12,366,254	10,929,399
Other loans and discounts, gross.....	8,126,998	8,032,420	6,881,874	Total demand deposits.....	6,642,554	6,801,081	6,266,575
Commercial and industrial loans.....	3,625,408	3,606,025	3,164,288	Individuals, partnerships, and corporations....	4,730,117	4,745,803	4,269,215
Agricultural loans, excluding CCC certificates of interest.....	188,709	190,757	122,227	States and political subdivisions.....	386,807	382,146	321,685
Loans to brokers and dealers for purchasing or carrying:				U.S. Government.....	81,800	209,100	186,393
U.S. Government securities.....	1,165	1,157	519	Banks in the United States.....	1,312,871	1,325,987	1,359,886
Other securities.....	93,235	79,337	47,891	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions....	2,789	3,085	6,293
U.S. Government securities.....	5,694	3,904	5,306	Commercial banks.....	36,838	37,681	31,897
Other securities.....	453,719	405,784	434,259	Certified and officers' checks, etc.....	91,332	97,279	91,206
Loans to nonbank financial institutions:				Total time and savings deposits.....	5,657,275	5,565,173	4,662,824
Sales finance, personal finance, factors, and other business credit companies.....	129,968	141,599	149,626	Individuals, partnerships, and corporations:			
Other.....	661,439	633,692	485,089	Savings deposits.....	1,154,668	1,182,641	1,060,334
Real estate loans.....	1,083,357	1,052,565	828,412	Other time deposits.....	2,937,792	2,817,833	2,100,922
Loans to domestic commercial banks.....	16,365	15,343	13,559	States and political subdivisions.....	1,429,924	1,433,507	987,836
Loans to foreign banks.....	32,538	30,549	29,321	U.S. Government (including postal savings)....	26,881	24,484	29,786
Consumer instalment loans.....	907,874	896,265	783,749	Banks in the United States.....	93,010	89,808	56,546
Loans to foreign governments, official institutions, central banks, and international institutions.....	0	0	0	Foreign:			
Other loans.....	927,527	975,443	817,628	Governments, official institutions, central banks, and international institutions....	13,900	15,800	16,300
Total investments.....	3,605,184	3,611,296	3,103,815	Commercial banks.....	1,100	1,100	1,100
Total U.S. Government securities.....	993,212	969,712	1,003,884	Federal funds purchased and securities sold under agreements to repurchase.....	1,979,174	1,798,496	1,482,104
Treasury bills.....	158,934	140,494	128,298	Other liabilities for borrowed money.....	51,935	70,660	41,656
Treasury certificates of indebtedness.....	0	0	0	Other liabilities.....	450,516	441,924	354,183
Treasury notes and U.S. Government bonds maturing:				Reserves on loans.....	139,263	141,252	132,556
Within 1 year.....	136,008	139,025	135,982	Reserves on securities.....	18,184	18,397	21,589
1 year to 5 years.....	490,847	519,031	602,817	Total capital accounts.....	1,132,033	1,126,669	1,065,295
After 5 years.....	207,423	171,162	136,787	TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS.....	16,071,434	15,963,652	14,026,782
Obligations of states and political subdivisions:							
Tax warrants and short-term notes and bills....	84,172	112,014	49,768				
All other.....	2,293,071	2,290,758	1,895,453				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans.....	15,135	14,833	15,810				
All other (including corporate stocks).....	219,594	223,979	138,900				
Cash items in process of collection.....	1,394,412	1,419,258	1,170,977				
Reserves with Federal Reserve Bank.....	901,559	840,014	981,346				
Currency and coin.....	106,962	106,676	96,403				
Balances with banks in the United States.....	372,515	422,781	408,938				
Balances with banks in foreign countries.....	12,629	10,769	8,328				
Other assets (including investments in subsidiaries not consolidated).....	602,546	589,676	470,912				
TOTAL ASSETS.....	16,071,434	15,963,652	14,026,782				

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	July 26, 1972	June 28, 1972	July 28, 1971
ASSETS			
Loans and discounts, gross.....	15,719	15,548	13,482
U.S. Government obligations.....	2,287	2,325	2,370
Other securities.....	5,225	5,172	4,356
Reserves with Federal Reserve Bank.....	1,507	1,441	1,375
Cash in vault.....	309	305	285
Balances with banks in the United States.....	1,242	1,168	1,262
Balances with banks in foreign countries.....	13	20	12
Cash items in process of collection.....	1,655	1,701	1,444
Other assets.....	1,118	1,106	929
TOTAL ASSETS.....	29,075	28,786	25,515
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,739	1,658	1,715
Other demand deposits.....	10,657	10,549	9,669
Time deposits.....	11,383	11,265	9,609
Total deposits.....	23,779	23,472	20,993
Borrowings.....	1,929	1,851	1,544
Other liabilities.....	1,402	1,512	1,098
Total capital accounts.....	1,965	1,951	1,880
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	29,075	28,786	25,515

e—Estimated

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	Aug. 23, 1972	July 26, 1972	Aug. 25, 1971
Total gold certificate reserves.....	330,313	230,381	550,807
Discounts for member banks.....	7,010	34,000	4,000
Other discounts and advances.....	0	0	0
U.S. Government securities.....	3,240,709	3,353,251	2,959,804
Total earning assets.....	3,247,719	3,387,251	2,963,804
Member bank reserve deposits.....	1,569,344	1,506,566	1,561,886
Federal Reserve notes in actual circulation.....	2,169,330	2,159,054	2,076,952

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended Aug. 2, 1972	4 weeks ended July 5, 1972	4 weeks ended Aug. 4, 1971
RESERVE CITY BANKS			
Total reserves held.....	911,366	893,070	829,401
With Federal Reserve Bank....	846,390	833,047	772,374
Currency and coin.....	64,976	60,023	57,027
Required reserves.....	917,076	910,116	829,497
Excess reserves.....	-5,710	-17,046	-96
Borrowings.....	1,178	0	29,411
Free reserves.....	-6,888	-17,046	-29,507
COUNTRY BANKS			
Total reserves held.....	984,647	971,342	876,924
With Federal Reserve Bank....	773,762	766,857	675,974
Currency and coin.....	210,885	204,485	200,950
Required reserves.....	960,375	951,393	852,623
Excess reserves.....	24,272	19,949	24,301
Borrowings.....	1,774	430	7,974
Free reserves.....	22,498	19,519	16,327
ALL MEMBER BANKS			
Total reserves held.....	1,896,013	1,864,412	1,706,325
With Federal Reserve Bank....	1,620,152	1,599,904	1,448,348
Currency and coin.....	275,861	264,508	257,977
Required reserves.....	1,877,451	1,861,509	1,682,120
Excess reserves.....	18,562	2,903	24,205
Borrowings.....	2,952	430	37,385
Free reserves.....	15,610	2,473	-13,180

BANK DEBITS, END-OF-MONTH DEPOSITS, AND DEPOSIT TURNOVER

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

DEBITS TO DEMAND DEPOSIT ACCOUNTS¹

Standard metropolitan statistical area	July 1972 (Annual-rate basis)	Percent change			DEMAND DEPOSITS ¹			
		July 1972 from		7 months, 1972 from 1971	July 31, 1972	Annual rate of turnover		
		June 1972	July 1971			July 1972	June 1972	July 1971
ARIZONA: Tucson	\$9,425,268	-3%	22%	26%	\$313,026	30.0	32.0	28.0
LOUISIANA: Monroe	3,793,788	-11	12	19	112,738	34.7	39.3	34.6
Shreveport	11,994,732	-13	9	18	314,768	39.8	46.6	40.6
NEW MEXICO: Roswell	926,424	-6	-9	4	45,339	21.2	23.4	24.2
TEXAS: Abilene	2,559,336	-3	15	13	126,985	20.7	21.8	20.9
Amarillo	7,549,152	-10	21	18	190,692	39.6	43.0	37.1
Austin	12,334,800	1	19	18	446,085	26.6	26.9	28.7
Beaumont-Port Arthur-Orange	6,832,944	-4	0	3	273,297	25.2	25.9	26.7
Brownsville-Harlingen-San Benito	2,346,400	-6	13	16	96,699	24.0	24.8	24.4
Bryan-College Station	1,315,164	0	26	24	53,504	24.5	24.7	23.0
Corpus Christi	7,353,768	1	19	15	263,174	27.6	27.0	22.2
Corsicana	517,668	-15	8	0	37,080	14.4	17.7	14.4
Dallas	146,743,668	-5	9	11	2,755,582	53.8	55.5	57.2
El Paso	9,687,156	2	21	15	302,847	31.4	30.7	31.3
Fort Worth	28,948,620	-12	7	8	810,781	36.5	41.9	38.4
Galveston-Texas City	2,909,820	-6	-2	0	126,460	23.7	25.5	25.9
Houston	137,505,192	-3	18	22	3,247,274	43.8	45.7	41.9
Laredo	1,186,044	4	16	9	49,527	23.7	22.6	22.6
Lubbock	5,428,032	0	4	13	192,976	28.7	28.7	29.7
McAllen-Pharr-Edinburg	2,348,892	-2	31	30	137,660	17.1	17.0	16.4
Midland	2,095,824	-17	-2	7	150,800	14.0	17.0	15.4
Odessa	1,923,360	0	12	11	105,596	18.2	17.9	17.1
San Angelo	1,719,504	-1	24	13	78,141	22.0	21.9	18.4
San Antonio	21,505,620	-2	3	8	835,312	25.9	26.5	28.6
Sherman-Denison	1,221,360	-6	10	10	76,083	16.2	17.2	16.0
Texarkana (Texas-Arkansas)	1,767,372	-10	19	15	88,765	20.3	23.1	19.7
Tyler	2,782,512	1	19	13	120,754	23.6	23.8	22.1
Waco	3,831,540	-9	14	16	151,850	26.1	29.3	25.1
Wichita Falls	2,941,260	-2	13	15	133,014	22.1	22.2	21.4
Total—29 centers	\$441,495,420	-5%	12%	15%	\$11,636,809	38.5	40.4	38.9

1. Deposits of individuals, partnerships, and corporations and of states and political subdivisions
2. County basis

BUILDING PERMITS

Area	VALUATION (Dollar amounts in thousands)						
	NUMBER		Percent change				
	July 1972	7 mos. 1972	July 1972	7 mos. 1972	June 1972	July 1971	7 months, 1972 from 1971
ARIZONA							
Tucson	745	5,488	\$17,476	\$123,637	-5%	238%	113%
LOUISIANA							
Monroe-West	55	757	793	17,278	-23	14	41
Shreveport	459	3,288	3,960	35,904	-29	-39	2
TEXAS							
Abilene	57	481	1,778	10,711	91	144	42
Amarillo	191	1,239	4,346	17,760	94	52	4
Austin	590	3,899	17,518	148,868	-44	24	63
Beaumont	233	1,499	1,702	17,281	-49	-63	60
Brownsville	95	744	1,532	8,507	21	19	89
Corpus Christi	374	2,863	4,785	39,334	42	17	4
Dallas	1,493	11,889	18,025	267,130	-72	-12	63
Denison	47	241	145	1,963	-60	-53	-6
El Paso	568	4,036	13,553	112,849	-18	88	66
Fort Worth	361	2,995	10,545	49,125	46	29	-34
Galveston	60	511	233	7,648	-51	-65	-7
Houston	2,928	26,880	65,060	391,584	8	36	0
Laredo	39	320	244	9,654	-94	-67	78
Lubbock	181	1,346	4,069	33,412	-41	9	-14
Midland	106	693	659	11,554	-7	32	55
Odessa	93	639	1,250	18,225	84	122	280
Port Arthur	85	637	704	3,866	91	60	6
San Angelo	58	493	943	4,828	48	-60	-40
San Antonio	1,585	10,703	13,086	131,845	-39	20	82
Sherman	46	349	532	4,800	72	104	21
Texarkana	56	367	380	5,047	-19	-13	-17
Waco	196	1,602	4,312	22,191	-1	176	37
Wichita Falls	68	591	1,011	8,617	-37	-33	-32
Total—26 cities	10,769	84,550	\$188,641	\$1,503,618	-27%	28%	29%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	July 1972	June 1972	July 1971 ^r	Percent change from	
				June 1972	July 1971
FOUR SOUTHWESTERN STATES	7,150.5	7,251.1	6,838.8	-1.4%	4.6%
Louisiana	2,545.6	2,605.0	2,632.6	-2.2	-3.3
New Mexico	309.8	310.0	325.4	-1	-4.8
Oklahoma	567.5	572.3	596.4	-8	-4.9
Texas	3,726.6	3,763.8	3,284.4	-1.0	13.5
Gulf Coast	771.3	739.5	640.4	4.3	20.4
West Texas	1,798.1	1,856.8	1,628.0	-3.2	10.5
East Texas (proper)	258.8	244.8	183.4	5.7	41.1
Panhandle	73.0	74.9	70.0	-2.5	4.3
Rest of state	825.4	847.8	762.6	-2.6	8.2
UNITED STATES	9,727.0	9,871.1	9,524.4	-1.5%	2.1%

^r—Revised
SOURCES: American Petroleum Institute
U.S. Bureau of Mines
Federal Reserve Bank of Dallas

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1970: July	10,412	4,782	5,630	7,511	2,722	4,789
1971: July	11,507	5,314	6,193	9,588	3,696	5,892
1972: February	11,983	5,419	6,564	10,864	4,249	6,615
March	12,118	5,563	6,555	10,978	4,255	6,723
April	12,407	5,676	6,731	10,938	4,180	6,758
May	12,268	5,652	6,616	11,075	4,262	6,813
June	12,320	5,689	6,631	11,233	4,323	6,910
July	12,468	5,708	6,760	11,304	4,365	6,939

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	July 1972p	June 1972	May 1972	July 1971
TEXAS				
Total industrial production.....	133.3	134.1	130.5r	120.8
Manufacturing.....	134.3	134.7	131.5r	122.2
Durable.....	142.3	144.7	143.6	131.6
Nondurable.....	128.5	127.4	122.8r	115.3
Mining.....	124.0	125.9	120.3r	111.8
Utilities.....	159.7	160.7	160.1r	143.1
UNITED STATES				
Total industrial production.....	113.6	113.3	113.2r	106.8
Manufacturing.....	112.6	112.1	112.2r	105.8
Durable.....	107.0	106.0	106.3r	100.3
Nondurable.....	120.6	121.0	120.6r	113.8
Mining.....	109.1	108.4	107.4r	105.6
Utilities.....	141.2	141.2	141.4r	136.2

p—Preliminary

r—Revised

SOURCES: Board of Governors of the Federal Reserve System
Federal Reserve Bank of Dallas

CROP PRODUCTION

(Thousand bushels)

Crop	TEXAS			FIVE SOUTHWESTERN STATES ¹		
	1972, estimated Aug. 1	1971	1970	1972, estimated Aug. 1	1971	1970
	Cotton ²	3,631	2,614	3,209r	5,490	4,053	4,556r
Corn.....	35,000	43,056	33,232r	45,469	53,925	44,395r
Winter wheat....	44,000	31,416	54,408	151,998	117,715	169,069r
Oats.....	9,000	5,994	29,032	15,345	11,574	38,304
Barley.....	1,560	1,320	4,224	18,616	23,138	33,954
Rye.....	630	378	566	1,790	1,158	1,502
Rice ³	22,464	22,932	21,015r	42,861	42,768	41,412r
Sorghum grain...	336,000	303,004	329,616	393,915	370,197	386,051
Flaxseed.....	165	70	1,125	165	70	1,125
Hay ⁴	3,944	4,114	4,037	9,990	10,220	9,811
Peanuts ⁵	434,720	366,795	429,930	662,560	602,315	640,196
Irish potatoes ⁵ ..	3,529	3,299	4,593	6,785	6,810	8,096r
Sweet potatoes ⁵ ..	1,063	788	1,040	4,388	3,763	4,820r

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas

2. Thousand bales

3. Thousand hundredweight

4. Thousand tons

5. Thousand pounds

r—Revised

SOURCE: U.S. Department of Agriculture

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	July 1972	June 1972	May 1972	January—July	
				1972	1971r
FIVE SOUTHWESTERN STATES¹					
Residential building.....	817	1,076	1,256	6,766	5,274
Nonresidential building....	468	567	518	3,337	2,601
Nonbuilding construction....	219	338	343	1,838	1,650
Utilities.....	129	171	396	1,591	1,024
UNITED STATES					
Residential building.....	8,067	8,478	9,098	52,686	46,634
Nonresidential building....	3,864	4,375	4,428	25,560	19,331
Nonbuilding construction....	2,461	2,447	2,908	15,616	15,172
Utilities.....	1,741	1,655	1,762	11,510	12,131

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas

r—Revised

NOTE: Details may not add to totals because of rounding.

SOURCE: F. W. Dodge Division, McGraw-Hill Information Systems Company

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States¹

(Seasonally adjusted)

Item	Thousands of persons			Percent change July 1972 from	
	July 1972p	June 1972	July 1971r	June 1972	July 1971
Civilian labor force.....	8,475.7	8,414.0	8,257.4	0.7%	2.6%
Total employment.....	8,088.3	8,055.1	7,860.6	.4	2.9
Total unemployment.....	387.3	358.9	396.7	7.9	-2.4
Unemployment rate.....	4.6%	4.3%	4.8%	.3	-2
Total nonagricultural wage and salary employment....					
Manufacturing.....	6,589.0	6,571.2	6,351.6	.3	3.7
Durable.....	1,145.0	1,149.7	1,120.1	-.4	2.2
Nondurable.....	620.7	622.9	605.3	-.4	2.5
Nonmanufacturing.....	524.2	526.8	514.8	-.5	1.8
Mining.....	5,444.1	5,421.5	5,231.5	.4	4.1
Construction.....	225.6	225.9	214.7	-.1	5.1
Transportation and public utilities.....	430.7	427.9	396.7	.7	8.6
Trade.....	454.6	453.0	446.1	.4	1.9
Finance.....	1,567.9	1,558.8	1,505.9	.6	4.1
Service.....	353.4	351.9	336.2	.4	5.1
Government.....	1,067.2	1,065.2	1,026.8	.2	3.9
	1,344.7	1,338.8	1,305.1	.4%	3.0%

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas

2. Actual change

p—Preliminary

r—Revised

NOTE: Details may not add to totals because of rounding.

SOURCES: State employment agencies

Federal Reserve Bank of Dallas (seasonal adjustment)

prices for newly discovered gas. The change, made mainly to spur exploration, still leaves prices for new domestic gas below prices of imported liquefied gas and synthetic gas.

In line with the continuing high demands for domestic crude, all producing states of the Eleventh District left their oil allowables for September at the highest practical levels. In Texas, for example, where

allowables have been set at their practical maximums for six months, rates were left at 100 percent of maximum efficient production in all but three fields: the East Texas field, where the allowable remained at 86 percent; the Kelly-Snyder field, still 76 percent; and the Tom O'Connor field, where the allowable was lowered to 70 percent.

To provide more flexibility under the current condition of high de-

mand for crude, New Mexico has revised its system of regulating oil production. Proration schedules will be issued every four months instead of every other month, as has been the case, provided wells are operating at capacity. Also, greater attention will be given to setting allowables for individual pools. In the past, some New Mexico production has been held back because of conservation problems.