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FEDERAL RESERVE BANK
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AGRICULTURE'S RELATION

To the Total Economy



AGRICULTURE PRICES have continued to decline throughout the recent period of general increase in business activity. Prices received by farmers began to decline in February 1951, and made some recovery through most of 1952. The decline resumed again in September 1952, and has continued since. It is difficult for many persons to realize that prices can decline in one part of the economy while rising to unprecedented levels in some other parts of the economy. Many look upon this as a danger sign in the functioning of the economic system. Others may look upon the recent decline in farm product prices as a readjustment of the agricultural economy to a peacetime economy. The counter-cyclical price movements of agricultural products could be due partly to a readjustment of prices to new technological developments in agriculture. Just which condition exists is questionable and probably cannot be fully assessed at the present time.

Historically, the level of prices received by farmers leads the level of all prices during the upswing in the business cycle. Likewise, the level of prices of farm products precedes the level of all prices during the downswing in the business cycle. It is somewhat unusual when prices of agricultural products decline

while the prices of goods and services in the rest of the economy increase. The latter situation has been occurring in the most recent general business recovery.

Just how agriculture is affected by the economic conditions in the rest of the economy or how the rest of the economy is affected by economic conditions in agriculture depends to a large extent upon the interdependence of the different parts of the economy. The degree to which agriculture depends upon the rest of the economy is difficult to measure because a vast quantity of data is required and much detail concerning these data is not available. In a recent study at Iowa State College, an attempt was made to examine the magnitude of agricultural relationships to the rest of the economy. This article will attempt to study some of the relationships existing among the different parts of the economy. Before proceeding with the analysis, it should be pointed out that resource requirements of one part of the economy provide a market for products of another part of the economy. For example, agricultural products are resources for industry, but purchases by industry provide a market for agricultural prod-

ucts. Likewise, machinery and other industrial products are resources for agriculture but purchases by agriculture provide part of the market for industrial products. In this article, special emphasis will be given to the resource requirements of agriculture.

Structure of the Economy

To study the dependence of agriculture upon other sectors of the economy, it is first necessary to determine the economic structure. The total economy must be considered as being made up of parts. These parts are somewhat arbitrary and often it is difficult to justify the divisions between the various parts. Generally, specific parts of the economy are of special interest and this provides the basis of division. In this study, we are interested in agriculture and agricultural producing units are thus delineated into an agricultural sector.

A simple division will suffice for the purpose of this analysis. The economy will be divided into agriculture, industry and services, government, and households. The agricultural sector includes all units producing agricultural products. Industry and services includes all manufacturing, mining, and firms selling services, including enterprises which are owned or controlled by government but function similar to other businesses. Thus, postal services, the Commodity Credit Corporation, and other government enterprises are included in industry and services of the economy. The government sector of the economy includes all activities performed by local, state, and national governments not included in the industry and services sector. The extension service of the United States Department of Agriculture or Social Security are direct service activities of government and are placed in the government sector. The household division includes all individuals who may be in the labor force or simply consumers. The farmer

and his family are members of the household sector of the economy insofar as labor services and consumption activities are concerned.

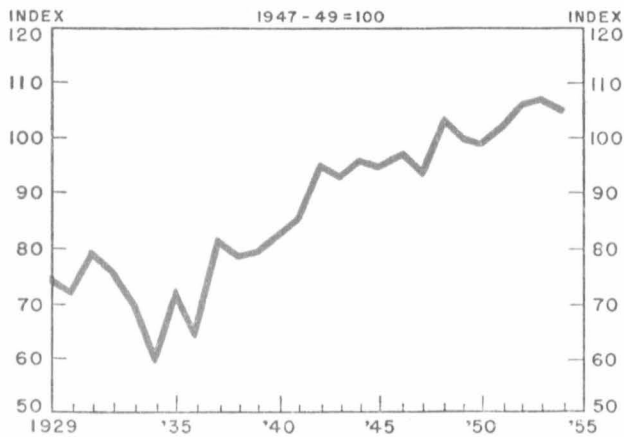
Interdependence of the sectors of the economy is a result of the flow of goods and services from one sector to another. The goods and services which move from industry to agriculture are used to produce agricultural products. Agricultural products flow back through industrial firms to consumers. Consumers produce labor services used in other sectors of the economy. The stream of goods and services is an endless one. This flow, nevertheless, creates interdependence among the sectors which is the subject of this analysis. Interdependence between agriculture and other sectors is of current interest because of the economic conditions existing in the agricultural sector.

Agricultural Growth

The United States economy is in a state of rapid growth. The exact rate at which growth is taking place is not always easy to determine because the economic system is very complex. The products made and used in the economy are constantly changing. That is, the production of automobiles is increasing but the production of horse-drawn carriages has almost disappeared. Growth must be measured as a net change of all economic factors. Changes in total production of one sector of the economy may be used as a measure of growth. For the Nation as a whole, gross national product can be used as a measure of growth. Growth of the agricultural sector may be measured by the total physical output of agricultural products.

By these definitions of economic growth, both the economy as a whole and the agricultural sector have been growing. The rate of growth for the economy as a whole has been more rapid than for agriculture. From

FARM OUTPUT, UNITED STATES



SOURCE: U. S. Department of Agriculture.

the low point in 1933 to the highest point in 1953, constant dollar value of gross national product increased 196 per cent, whereas farm output increased 70 per cent. As a result, agriculture has become a relatively less important part of the total economy. The sectors outside of agriculture, on the average, obviously have been growing more rapidly than agriculture.

Agricultural output increased at a rate of about 1 per cent each year from 1910 through 1953, with a somewhat more rapid increase during World War II. More recently, acreage restrictions and marketing quotas may have tended to reduce agricultural output of some products, but the increased production of other items such as livestock has more than offset the decline in crop production.

Agriculture and Industry

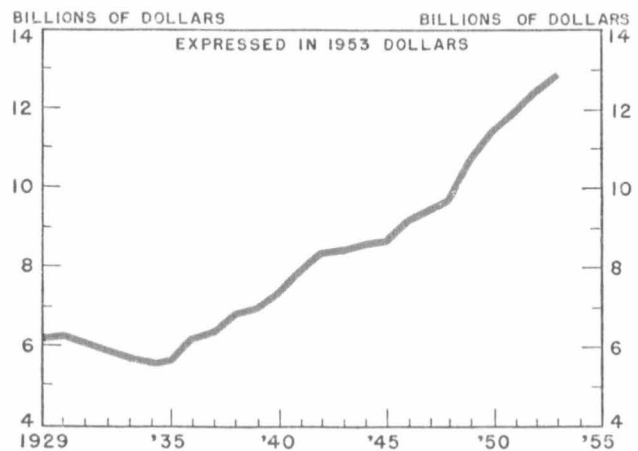
Agriculture has become more dependent upon industry and services as economic growth has progressed in the U. S. economy. Dependence upon industry is evidenced by the quantity of goods and services purchased by the agricultural sector from the industrial sector. In 1929, agriculture used \$6.2 billion worth of industrial goods and services, measured in constant 1953 dollars, to produce the

output of the agricultural sector. By 1953, the flow of industrial goods and services to agriculture had increased to \$12.8 billion by the same measure. There was some reduction in the flow in the early 1930's as agriculture tended to be more self-sufficient during the depression and severe drought conditions reduced the flow. After 1934, the flow of goods and services again continued to increase at a rapid rate.

On a per unit basis, the Iowa study of interdependence between agriculture and other sectors of the economy indicates that in 1929 agriculture required 25 cents (1939 dollar value) worth of industrial goods and services per dollar of output in agriculture. By 1949, the requirements of agriculture had increased to 35 cents per dollar of output.

The annual purchases of goods and services used by agriculture do not include expenditures for new machinery and investments in buildings and equipment. These items last more than one year and, therefore, are considered as flows extending over several years. Annual depreciation on machinery, buildings,

**ANNUAL FLOW OF GOODS AND SERVICES FROM INDUSTRY TO AGRICULTURE
United States**



SOURCE: U. S. Department of Agriculture.

and equipment is considered to be the annual investment. Other major items of farm expense which come from the industry and services sector are processed feed, seeds, repairs, fuel, interest payments, fertilizer materials, veterinary expenses, and electric power.

Technological developments in agriculture have influenced the relationships between agriculture and industry and have accounted for much of the increased use of industrial goods and services in agriculture. Farm mechanization, development of insecticides, pesticides, hybridization, commercial fertilization, and irrigation have made agriculture more dependent upon industry. New techniques in livestock feeding require products of firms outside of agriculture. Some innovations such as the addition of antibiotics to livestock rations reduce the quantity of protein feeds required for livestock and, in turn, reduce the flow of goods from industry to agriculture. However, the net effect of all technological advancements using industrial products has been to increase the amount of goods and services purchased by the agricultural sector.

Advancements in technology have aided in making agriculture more efficient and subsequently have increased the total volume of output from the agricultural sector. These changing relationships between agriculture and industry have influenced the credit needs of agriculture. Higher out-of-pocket costs to farmers as a result of more purchases of industrial goods and services have increased the need for production credit and intermediate-term credit for financing the investments in farm machinery and power.

This increase in dependency of agriculture upon industry also has had its effect upon farmers in the current agricultural situation. Because agricultural production has become more dependent upon goods and services from industry, changes in prices of fuel, ma-

chinery, fertilizer, and power have become relatively more important in agricultural production costs. Even if prices of industrial products remain the same while prices received by farmers decline, the effects upon farm income are greater than in the past.

The relationship between the agricultural sector and industry and services is a two-way relation. That is, agriculture depends upon industry and services but industry and services also depends upon agriculture. Agricultural output is a source of raw materials for industrial production. The Iowa study indicates that the industry and services sector of the economy used about the same amount of agricultural products per unit of its output in 1929 as in 1949. Output of both sectors is defined here as only those products which are used by other sectors. For example, seed produced on farms is not considered a part of the output of agriculture because it is used by the agricultural sector itself in producing more agricultural products. Insofar as such items are concerned, agriculture is dependent upon itself. Products of this type are not included in the measurements of interdependence between sectors of the economy.

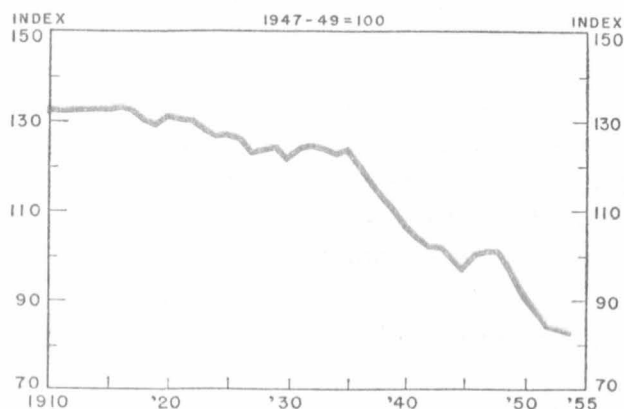
Comparison of relationships between industry and services and the agricultural sector in the two census years 1929 and 1949 may estimate the relationship incorrectly. In 1929, gross national product had reached a high point and the 1949 level was substantially below the World War II peak of 1944 and the postwar peak of 1953. The per cent change in output of industrial goods and services based on data for all years between 1929 and 1949 was probably greater than that indicated by comparing the two census years. However, a larger per cent of total agricultural output was moving to the industry and services sector in 1949 than in 1929. Farm mechanization reduced the amount of feeds consumed by agri-

culture, making more products available for consumption outside the agricultural sector. Agricultural output increased about 35 per cent from 1929 to 1949, whereas the amount of agricultural production used by the industry and services sector of the economy increased about 61 per cent between the two years. The constant dollar value of private nonagricultural income increased approximately 168 per cent between 1929 and 1953. When this increase is compared to the increase in agricultural output, it would appear that output in industry and services has increased substantially more than output in agriculture. The dependency of the industry and services sector of the economy upon agricultural output has most likely diminished during the expansion of gross national product.

Agriculture and Households

Households are primary producers of labor services in the economy. Labor is a factor used in agricultural production and, therefore, agriculture is related to the household sector of the economy. The amount of labor used by the agricultural sector of the economy has tended to decrease since shortly after 1910.

CHANGE IN NUMBER OF WORKERS IN
AGRICULTURE
United States



SOURCE: U. S. Department of Agriculture.

This is evidenced by the change in number of workers in agriculture. Agriculture has become less dependent upon labor and, thus, households in producing agricultural products. The number of workers in agriculture has declined while agricultural output has increased. This means fewer hours of labor have been required per unit of output in agriculture.

The reduction in the number of workers in agriculture was exceptionally rapid during the World War II period. Military requirements during the war and business recovery provided a tight labor market. Thus, farmers substituted machinery for labor to keep the rise in costs of production as small as possible. A slight increase in the number of farm workers occurred at the close of the war, but the decline continued again in 1947 at rates equal to those of the war period.

The increase in dependency of agriculture upon industry has resulted in a decrease in the dependency of agriculture upon labor resources. Many of the products purchased by agriculture from industry have replaced labor and reduced the amount of labor required per unit of farm production. Labor remaining in agriculture became more productive as a result of technological advancements and adding products from industry.

A number of changes have occurred within the agricultural sector as relationships between agriculture and other sectors of the economy have been changing. As labor productivity increased in the agricultural sector, farmers have been able to expand the volume of production on individual farms. Farmers have increased the size of farms. Number of farms in the economy have declined, but the total acreage of farm land has remained stable. Labor has become relatively more productive in crop production, but this has made more labor available for livestock production. Livestock production

has been expanded to increase the volume of production on farms where acreage has not been expanded.

A change in the number of workers in agriculture is associated with income distribution in agriculture. The income now going to the agricultural sector is distributed among fewer people. Net income per worker in agriculture has decreased less than total income to agriculture during the current decline in prices of farm products. However, output in the agricultural sector of the economy has increased to the extent that the effects of sharp declines in prices of farm products upon income cannot always be offset by the decline in the number of workers. Should farm prices stabilize at a postwar level, farm income per worker could increase if the decline in the number of workers continued.

Agriculture and Government

It is difficult to interpret the relationship between government and agriculture in terms of interdependence because of the multiple types of services rendered by government. Some government activities resemble industrial and business activities in the economy and have been grouped with industry and services for purposes of making an analysis of interdependence. Other services are unique to government and are set apart from other business activities as a government sector of the economy. All government activities combined became a more significant part of the U. S. economy over the period 1929 to 1953. In general, it can be said that the economy outside of government has become more dependent upon government because of the change in its relative importance. Gov-

ernment purchases amounted to 23 per cent of the gross national production in 1953, as compared with only 8 per cent in 1929.

Services rendered to agriculture such as police protection, research services, and weather reporting, have not increased in the same proportion as agricultural output. As a result, government services of this type per unit of agricultural output have decreased. Government services discussed here do not include payments made to agriculture through agricultural price support activities. Data are not available to separate price support activities from other government subsidy programs in setting up a meaningful flow of goods and services between government and other sectors of the economy.

Agriculture in the Future

The relationships between agriculture and other sectors of the economy are truly dynamic and are constantly subject to change. There is little reason to believe that the direction of the change in structural relationships will be altered in the immediate future. Agriculture has become more dependent upon industry and further adoption of technological developments probably will cause the agricultural sector to depend even more upon industry. Our economy is most likely to continue to grow rapidly in the nonagricultural sectors and less rapidly in the agricultural sector. The decreasing dependency of agriculture upon households of the economy probably will persist until the full effects of technology have been realized. Labor resources will continue to be drawn out of agriculture by the competition from the more rapidly expanding sectors of the economy.



DEPOSIT TRENDS

THE USUAL LIVELY interest of banks in the trend of deposits has been heightened in the current year by the combination of a buoyant demand for loans and restricted availability of reserves. Moreover, since a number of places in the District have experienced declines in deposits this year when deposits have increased in the country as a whole, a problem of fundamental importance is posed for institutions in these localities. The discussion below presents statistical information on recent deposit movements and seeks to isolate what appear to be the principal factors producing the observed trends.

Preliminary to an examination of the data, it is well to take note of the composition of bank deposits and of the types of conditions that influence their volume in any given community or region. The major classes of demand deposits reported to supervisory agencies by banks are the accounts of individuals, partnerships, and corporations, of the Government, of states and political subdivisions, and

of banks. Time or savings deposits are reported in these same subclassifications. At member banks in the Tenth District, the demand and time deposits of individuals and firms constitute 75 per cent of total deposits and interbank deposits an additional 13 per cent; therefore the trend of deposits can be traced largely through these two classes of accounts.

Changes in the demand and time deposits of individuals and firms are often thought to reflect the economic growth of a community, but variations in corporate practices in managing their cash balances and in individual preferences for deposits compared with other liquid and nonliquid assets raise doubts about how valid such an interpretation will be for any given place or time period. For example, a national corporation may move its balances from a city, lowering total deposits, but the action would not necessarily mean that the scale of the company's operations in the city was reduced correspondingly. Nevertheless,

PERCENTAGE CHANGES—DEPOSITS OF ALL COMMERCIAL BANKS

Area	Demand Deposits <i>(Excluding interbank deposits)</i>		Time Deposits		Total Deposits	
	June 30, '50 to June 30, '54	June 30, '54 to June 30, '55	June 30, '50 to June 30, '54	June 30, '54 to June 30, '55	June 30, '50 to June 30, '54	June 30, '54 to June 30, '55
	United States	+17.9	+4.9	+24.6	+4.9	+21.0
Colorado	+16.6	+9.7	+60.2	+5.3	+27.4	+6.9
Kansas	+15.6	+0.8	+61.6	+7.3	+21.0	+1.3
Missouri	+19.6	+2.1	+27.3	+5.7	+21.7	+0.7
Nebraska	+16.9	-0.3	+18.5	-1.1	+17.5	-1.7
New Mexico	+26.4	+9.9	+75.5	+14.9	+33.2	+11.3
Oklahoma	+16.2	+3.9	+110.3	+4.0	+25.9	+3.2
Wyoming	+19.2	+1.6	+53.9	+4.6	+25.6	+2.6

Deposit Trends

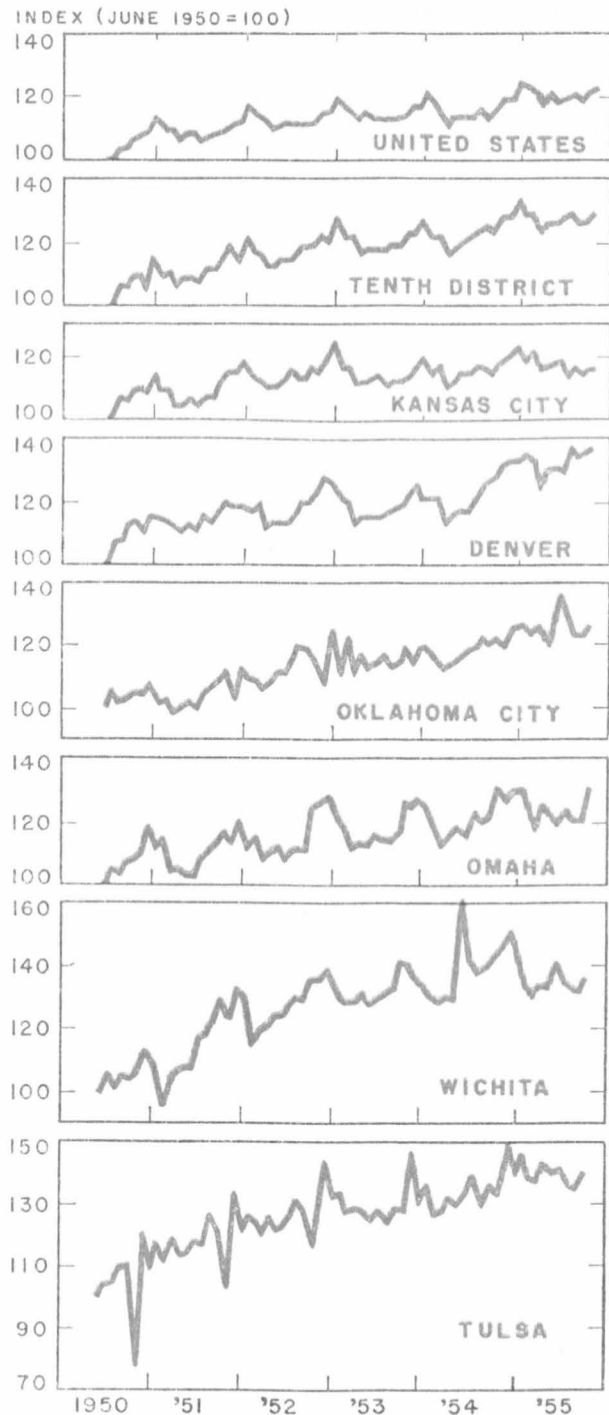
changes in the deposits of individuals and firms usually are responses to other major economic developments and also are of interest in gauging one aspect of a community's asset holdings.

The other major category of District deposits—the balances of banks that are placed on deposit with other banks—is of primary concern to the larger city banks for which these balances constitute a highly important part of total deposits. Except for seasonal and other recurring conditions, the volume of balances that country banks will hold as deposits with city banks is determined by country banks' estimates of their liquidity requirements including cash balances to meet unanticipated deposit drains and loan requirements of their customers. Therefore, the explanation of trends in the volume of interbank balances must be sought mainly in the data relating to the operations of country banks.

Against these broad considerations, the general position of states in the Tenth Federal Reserve District may be determined by reference to deposit growth nationally, as is done in the preceding table.

Several trends in these statistics are worthy of note. First, in the period from June 1950 to June 1954, total deposits at banks in District states, with the exception of Nebraska, increased as much or more than in all commercial banks in the United States. Second, in the past year, total deposits have lagged behind the national rate in all District states except Colorado and New Mexico. Third, high rates of increase in time or savings deposits have been characteristic of all states except Nebraska, but in no state has the rate of growth in the year ending June 30, 1955, equaled the average rate in the preceding four years. The differences in recent growth rates among District states generally conform to what might have been expected on

DEMAND DEPOSITS — INDIVIDUALS AND BUSINESSES—WEEKLY REPORTING MEMBER BANKS



the basis of the decline of farm income and reductions of defense activity in the year.

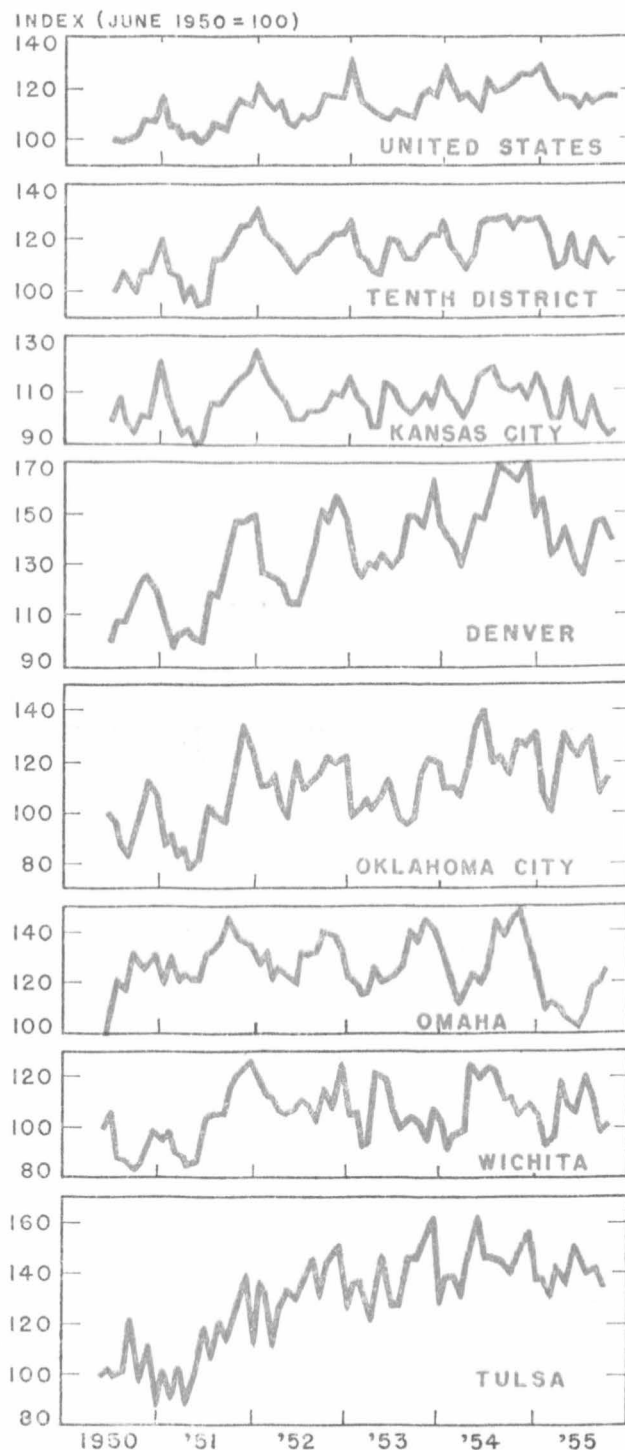
Comparative Deposit Trends in Six Cities

The composition of deposits in the larger urban banks differs significantly from that of smaller banks, either in the cities or elsewhere, in that interbank balances form an important part of total liabilities. Furthermore, the movement of population to the suburbs of cities and the attendant growth of banks in the suburbs has had a distinct but variable influence on the expansion of deposits of the larger banks in individual cities. Both of these factors require examination in analyzing the trends in total deposits.

Deposit trends in the six largest cities of the District are shown in the accompanying charts, the first group displaying the data for demand deposits of businesses and individuals at weekly reporting banks and the other the interbank balances of these banks. While it is evident that deposits of individuals and firms at District weekly reporting banks have grown somewhat more rapidly over the five years than have those of all weekly reporting banks in the United States, individual cities have shared quite differently in the growth. In Kansas City, the upward trend to the end of 1952 has been followed by a period of approximate stability. A similar pattern has developed in Wichita, except that growth continued into 1954. The remaining four cities have shown upward trends, with the rate of growth in Denver accelerating since early in 1954 while growth in Tulsa has been at a diminishing rate.

The growth of suburbs has had a variable impact on the measurement of deposit growth in these District cities, as will be seen from the following table. Since most published references to bank deposits relate to weekly reporting member banks, which include only

INTERBANK DEPOSITS — WEEKLY REPORTING MEMBER BANKS



Deposit Trends

a selected group of large downtown banks and often omit suburban banks, the growth of deposits has been somewhat understated. This is particularly true of individual and business deposits which have expanded rapidly in suburban banks. For example, the rate of expansion of deposits at all banks in metropolitan Kansas City has been twice as large as the growth of the weekly reporting banks. The growth of suburbs also has significantly affected the measurement of growth in Denver and Tulsa.

A second factor of importance in explaining deposit trends in District cities is the changing geographic distribution of interbank deposits. The accompanying charts indicate that expansion of interbank deposits in the District has been somewhat less rapid than at all weekly reporting banks in the United States. While upward trends were evident in all cities except Kansas City and Wichita, particularly in the earlier years of the 5-year period, a contraction occurred

in the current year in Denver, Kansas City, and Omaha and in the others the growth has been arrested. Over the five years, the percentage gain has been greatest in Denver and Tulsa.

While the major reasons for the shrinkage of interbank balances this year probably lie in the behavior of country banks, the interrelationships among banks in different cities may explain in part why the reduction was greater at one place than another. For example, the interbank balances in one city may consist entirely of country bank balances while in another they involve deposits of both country and other city banks. Hence, interbank deposits in the latter will be affected both by conditions which lead country banks to reduce their balances and by any pinch on reserve positions that is experienced by the city banks whose cash reserves are held.

Country Bank Deposits

In the current year, the growth of deposits in the United States has been most rapid at country member banks. While over-all growth has occurred at these banks in the Tenth District, the rate has been less than at similar banks in the Nation. Moreover, the nature of the regional gain probably has meant that some banks have experienced increases while others have suffered losses. For example, in the Tenth District the growth was concentrated largely in the deposits of state and local governments which expanded \$34.3 million. Demand deposits of individuals and firms declined \$16.9 million, whereas time deposits increased \$31.5 million to produce a net growth of \$14.6 million. Thus, the growth of deposits of state and local governments and of time deposits of individuals may have favored those banks for which these accounts are especially important, while the contraction of other deposit categories fell on other institutions. These developments, in

DEPOSIT GROWTH IN CITIES AND METROPOLITAN AREAS

Percentage Increases in Total Deposits
June 30, 1950 - June 30, 1955

Weekly reporting member banks, United States	12.9
Weekly reporting member banks, Tenth District	25.7
Kansas City:	
Weekly reporting member banks	10.2
Metropolitan area:	20.1
All downtown banks	13.7
Banks between downtown and Plaza	46.9
Plaza banks and banks south and west	87.1
Kansas City, Kansas, and North Kansas City	38.5
Independence	21.3
Denver:	
Weekly reporting member banks	31.7
Metropolitan area	38.3
Oklahoma City:	
Weekly reporting member banks	32.3
Metropolitan area	34.5
Omaha:	
Weekly reporting member banks	15.7
Metropolitan area	17.4
Tulsa:	
Weekly reporting member banks	44.4
Metropolitan area	52.6
Wichita:	
Weekly reporting member banks	36.6
Metropolitan area	39.0

**CHANGES IN SELECTED ASSETS AND
LIABILITIES**

Tenth District Country Member Banks

October 7, 1954—October 5, 1955

In millions of dollars

Funds were obtained through:	
Growth of deposits	17
Reduction of balances with banks, including Reserve Bank	65
Reduction of agricultural loans, accounted for by decline of CCC guaranteed loans	65
Reduction of holdings of U. S. Treasury securities	5
Growth of capital accounts	19
Total	171
Funds were employed to increase:	
Business loans	45
Real estate loans	38
Loans to individuals	44
Loans to brokers and dealers in securities	7
Investment in obligations of state and local governments	26
Investment in other securities	11
Total	171

turn, may have influenced the behavior of interbank balances at one city compared with another.

Despite their net gain in total deposits, District country member banks sharply reduced their balances with other banks in the year ended October 5, lowering these accounts by \$54 million. Their accounts with the Reserve Bank also were diminished so that the reduction in cash reserves amounted to \$65 million. It is evident, therefore, that a second strand of the explanation of changes in interbank balances is found in the redistribution of assets occurring at country banks. The accompanying table summarizes these changes.

The rearrangement of assets at country banks over the past 12 months represented a further shift toward a less liquid position—a trend that has been in evidence for several years. Not only were cash balances drawn down at city correspondents and the Reserve Bank but the reduction of loans guaranteed by the Commodity Credit Corporation was offset by the expansion of other less liquid types of loans. Several measures will illustrate the trend of country bank liquidity. In Oc-

tober 1950, these banks held reserves with the Reserve Bank and balances with other banks equal to 2.63 times their legally required reserves; in October 1955, the ratio was 2.17. Balances with correspondents in October 1950 were 1.44 times requirements, whereas in October of this year they were 1.12 times. The total cash reserves, bill and certificate holdings, and guaranteed loans that formerly averaged about 40 per cent of total deposits had been reduced to 29 per cent in October. These evidences of a movement toward less liquidity suggest the possibility that country banks would have contracted their cash balances, even if the loan demand had not developed, by acquiring additional investments.

Small Rural Banks

Since the classification "country banks" includes many institutions in educational, governmental, and business centers, the effect of declining farm income probably will be evidenced most clearly in the records of banks whose customers primarily are farmers. In assessing the trend of deposits in such banks, a sample of 105 banks is used, consisting of 35 in District grazing areas, 30 in the wheat belt, 25 in corn-producing areas, and 15 in the cotton-growing section of Oklahoma. The banks selected were chosen on the basis of the high percentage of their loans that were loans to farmers. It is assumed that this fact will mean that a high percentage of their deposits also are farm deposits.

Over the year ending October 5, the demand deposits of individuals and businesses held by these banks decreased 8.1 per cent while time deposits increased only 4 per cent. The two classes combined fell by 6.4 per cent. This drain was more than offset by a sharp reduction of guaranteed loans to farmers but other agricultural, business, real estate, and

consumer loans expanded. Nevertheless, these banks reduced their cash balances with other banks while adding to their total investments, indicating a policy similar to that of country banks as a whole.

The percentage decline in deposits at small rural banks was sharpest at banks in the cotton belt with banks in the wheat areas running a close second. The reduction was least at banks in the corn-growing regions. Even in Nebraska where drought is known to have had severe consequences for the crop, the drop in deposits measured only about 3 per cent. Percentage reductions of deposits were greatest in Colorado and Oklahoma and smallest in Missouri and Wyoming.

Summary

While the expansion of deposits in Tenth District states over the past five years compares favorably with the growth in the coun-

try as a whole, in the last year adverse trends have been noted at several points. In the cities, suburbanization has affected the growth of larger banks, while the contraction of inter-bank deposits has added to the problems of some of the larger institutions. At the country banks, deposits have increased but only because of a rise in the balances of state and local governments and in time deposits. To the extent that the gains in government accounts represent the proceeds of recent security sales, they probably are of a temporary character. But while deposits did not expand significantly, demand for most classes of loans showed definite strength, and country banks accommodated their customers by drawing down their balances with city correspondents. The available evidence from small rural banks indicates that declining farm income has been a pervasive influence in the failure of country bank deposits to expand significantly this year.



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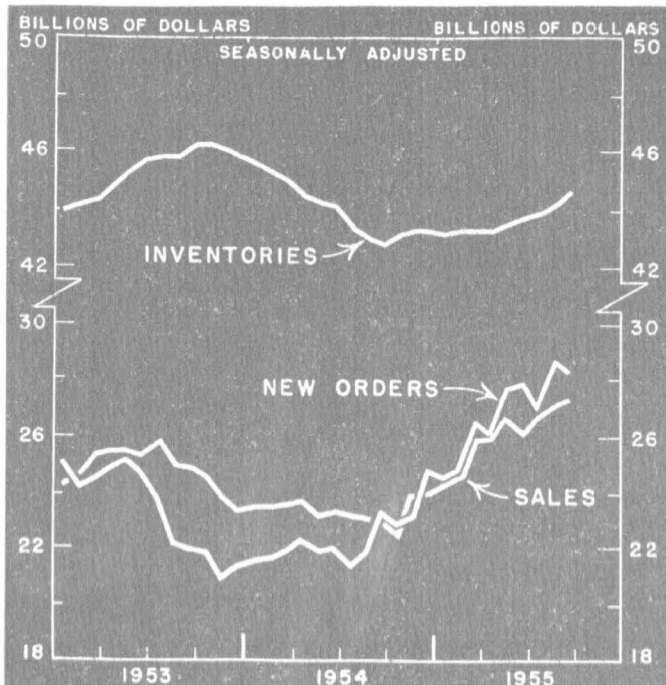
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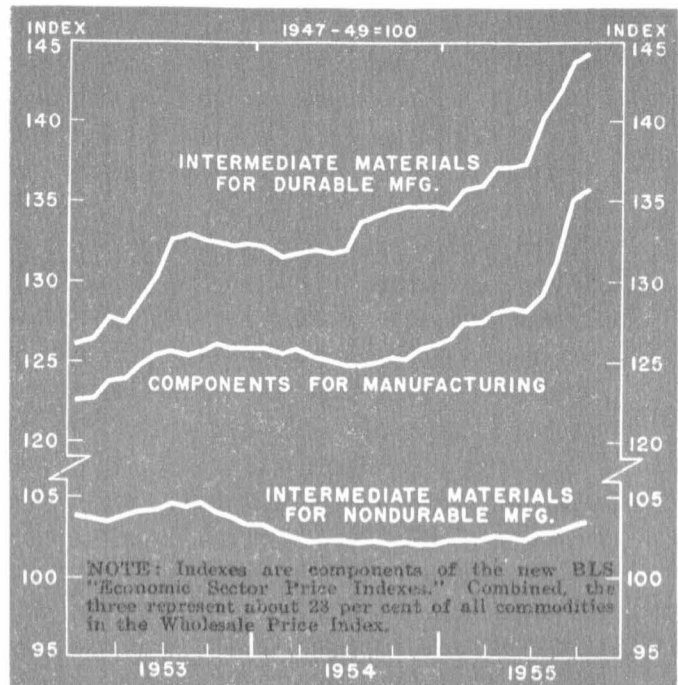
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MANUFACTURERS' SALES, INVENTORIES, & NEW ORDERS



WHOLESALE PRICE INDEX Intermediate Materials & Components for Manufacturing



BANKING IN THE TENTH DISTRICT

District and States	Loans				Deposits			
	Reserve City Member Banks		Country Member Banks		Reserve City Member Banks		Country Member Banks	
	Sept. 1955	Oct. 1954	Sept. 1955	Oct. 1954	Sept. 1955	Oct. 1954	Sept. 1955	Oct. 1954
	October 1955 Percentage Change From							
Tenth F.R. Dist.	0	+17	+1	+7	+1	-3	0	0
Colorado	+2	+22	+2	+19	-1	0	-1	+2
Kansas	-4	+22	+2	-5	+1	-2	-1	-1
Missouri*	+1	+13	0	+15	+1	-5	0	0
Nebraska	-2	+18	0	+7	+4	-5	+1	-2
New Mexico*	**	**	+7	+31	**	**	+1	+5
Oklahoma*	+1	+17	+1	-1	+2	0	-1	-1
Wyoming	**	**	-3	+13	**	**	+4	-2

*Tenth District portion only. **No reserve cities in this state.

PRICE INDEXES, UNITED STATES

Index	Oct. 1955	Sept. 1955	Oct. 1954
Consumer Price Index (1947-49=100)	114.9	114.9	114.5
Wholesale Price Index (1947-49=100)	111.5	111.7r	109.7
Prices Rec'd by Farmers (1910-14=100)	230	235	242
Prices Paid by Farmers (1910-14=100)	280	279r	279

r Revised.

TENTH DISTRICT BUSINESS INDICATORS

District and Principal Metropolitan Areas	Value of Check Payments		Value of Department Store Sales		*Value of Residential Building Permits	
	Percentage change—1955 from 1954					
	Oct.	Year to date	Oct.	Year to date	Oct.	Year to date
Tenth F. R. Dist.	+11	+11	+5	+8	-33	+14
Denver	+14	+14	+11	+15	-69	+18
Wichita	0	+10	-3	+14	-48	+3
Kansas City	+15	+11	0†	+4†	+45‡	+9‡
Omaha	+6	+1	+3	+2	-32	+8
Okla. City	+13	+14	+8	+12	-52	+3
Tulsa	+8	+9	+11	+3	-52	+34

* City only. † Kansas City, Mo., only. ‡ Kansas City, Mo., and Kans.