



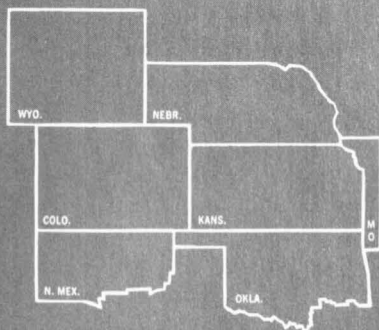
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FEDERAL RESERVE BANK OF KANSAS CITY



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Correspondent Banking

Part I: Balances and Services

By Robert E. Knight

The recent growth in bank merger and holding company activity has created new interest in the effectiveness and performance of the correspondent banking system. Holding company and merger applications have often implied that the quality of services provided by the correspondent banking network has deteriorated in recent years and that the only method by which a small bank can continue to provide a full range of banking services to its community is by joining with a larger bank or with a group of banks.

To the extent it functions effectively, however, the correspondent banking system tends to overcome many of the alleged disadvantages of a unit banking structure. Little is known about the scope of services provided by correspondents or the volume of loan participa-

tions placed. Several studies were undertaken during the early 1960's, but no attempt was made to develop a continuing flow of information and by now the results are relatively dated. In view of the importance of correspondent banking relationships for questions of bank structure, the Federal Reserve Bank of Kansas City surveyed all banks in the Tenth Federal Reserve District and the Federal Reserve Bank of St. Louis sent banks in the Missouri portion of the Eighth Federal Reserve District a similar questionnaire. In addition to Missouri banks, therefore, the survey included all banks in Colorado, Kansas, Nebraska, and Wyoming, most in Oklahoma, and about half the banks in New Mexico. The survey was conducted during September and October 1969. About 87 per cent of the banks holding over 92 per cent of total deposits returned questionnaires. (See Table 1.) This series of articles will present the results of the survey.

Many of the statistical results reported in this article are derived from a survey of over 2,100 banks. The survey was taken in September and October 1969 and included banks in Colorado, Kansas, Missouri, Nebraska, New Mexico, Oklahoma, and Wyoming. A complete copy of the survey results will soon be available from the Research Department of the Federal Reserve Bank of Kansas City.

BACKGROUND

The present correspondent banking system derives its foundation from a number of sources. Prior to the creation of the Federal Reserve System in 1913, national banks were permitted to hold their reserves in vault cash or in deposits with banks in reserve cities. Since reserve city banks generally paid interest on these

accounts, a national bank had an incentive to hold as large a share of its reserves as was permitted with its correspondents. Most states continue to allow nonmember banks to count balances at other banks as a part of reserves, but the Federal Reserve requires member banks to hold reserves either in vault cash or in noninterest bearing deposits at the Federal Reserve. Although banks are no longer permitted to pay interest on demand balances, larger banks have continued to solicit correspondent accounts actively, and in return for the earning potential of these deposits, to provide a wide range of services to smaller banks. These services can be grouped into several broad categories: handling of clearings, assistance with loan participations, asset management, and other miscellaneous services.

Clearing checks and transit items is perhaps the most basic service provided by correspon-

dent banks.¹ Virtually all country banks clear nonlocal checks through correspondents. In part this tendency is due to the fact that country banks are often located nearer to correspondents than to Federal Reserve Banks or their branches. Clearing through correspondents, therefore, would be both quicker and more convenient. However, other factors are also of significance. Sorting requirements are generally less stringent at correspondents than at the Federal Reserve. The Federal Reserve will not accept foreign or nonpar items, while correspondent banks seldom impose such restrictions. Many correspondent banks provide immediate credit for cash items, but will not permit banks to draw on uncollected deposits. The Federal

¹ Throughout this article, "correspondent banks" (or "correspondents") refer to banks accepting deposits from other banks and in return offering services to these banks. Respondents or banks in general are considered to be the recipients of these services.

Table 1

PER CENT OF BANKS RESPONDING TO SURVEY

	Bank Deposit Size (Millions)						All Banks
	Less than \$5	\$5 to \$10	\$10 to \$25	\$25 to \$50	\$50 to \$100	\$100 or more	
All Banks							
Number of banks	1255	579	422	107	36	32	2431
Per cent of banks returning questionnaire	83.9	89.1	91.0	93.5	88.9	93.8	87.0
Per cent of total deposits in survey banks	85.1	88.9	91.6	93.3	89.7	96.8	92.2
Member Banks							
Number of banks	304	293	230	63	29	30	949
Per cent of banks returning questionnaire	89.8	92.5	95.7	96.8	89.7	96.7	92.7
Per cent of total deposits in survey banks	89.9	92.5	96.1	97.3	89.9	98.5	96.1
Nonmember banks							
Number of banks	951	286	192	44	7	2	1482
Per cent of banks returning questionnaire	82.0	85.7	85.4	88.6	85.7	50.0	83.3
Per cent of total deposits in survey banks	83.1	85.2	86.1	87.9	88.9	40.8	84.3
Holding Company Banks							
Number of banks	4	8	18	17	7	8	62
Per cent of banks returning questionnaire	75.0	75.0	77.8	88.2	71.4	75.0	79.0
Per cent of total deposits in survey banks	93.7	74.8	75.0	88.6	74.3	88.7	86.0
Nonholding Company Banks							
Number of banks	1251	571	404	90	29	24	2369
Per cent of banks returning questionnaire	83.9	89.3	91.6	94.4	93.1	100.0	87.2
Per cent of total deposits in survey banks	85.1	89.1	92.4	94.2	93.0	100.0	93.2

Reserve by comparison gives immediate, one-day, or two-day deferred credit, depending on the location of the paying bank.² Although larger banks generally clear most of their non-local checks through the Federal Reserve, special items are often sent directly to correspondents.

An equally important correspondent service is participating in loans. In rapidly growing urban areas the demand for loans often exceeds the deposits generated and specific loan requests may be for amounts in excess of a bank's legal lending limit. The expansion of capital requirements in agriculture during the postwar period, on the other hand, has added greatly to the average size of farm loans at rural banks. Correspondents may assist banks experiencing loan demands, which otherwise could not be met directly, by participating in the loans to the extent they exceed the smaller bank's lending limit or by purchasing loans outright from the bank. Estimates suggest at least 60 per cent of the banks in the Tenth District have placed loan participations with correspondents in recent years. While most loan participations originate with smaller banks, the flow of funds is by no means unidirectional. Banks which do not experience strong or over-line loan demands can often purchase loans or participations in loans from their correspondents. The return on these loans often exceeds that available on money market securities.

Correspondents generally provide numerous services relating to bank asset management. Periodic reports on general business conditions and likely money market developments are offered. Recommendations about which securities to purchase or sell may be made. Correspon-

^{2/} Banks clearing large cash letters through the Federal Reserve are required to sort and list cash items by date of credit availability. Credit for deposits containing cash items of mixed availability dates will be deferred for the longest time prescribed on the schedule of credit availability for any cash item included in such deposits. Banks with total average daily deposits of not more than 300 cash items may deposit such items unsorted as to date of availability and credit will be deferred one business day. Requirements for sorting are in the process of being removed, provided a bank does not have an average daily deposit of more than 2,000 cash items and is willing to accept credit deferred one business day.

dent banks will often execute the transactions and provide for security safekeeping. If requested, a correspondent may assist a bank with a general portfolio review and analysis. By making a market in Federal funds and by reducing the size of minimum transactions, correspondent banks have opened the Federal funds market to many country banks which previously had been excluded. In addition, a correspondent may aid in portfolio management by accepting or selling loans and security participations, or if the need should arise, by lending directly to a bank.

Other services offered by correspondent banks cover a wide range. Correspondent banks often assist banks in arranging international financial transactions, obtaining credit information, developing specialized lending programs such as equipment leasing, and furnishing information or interpretations of new laws and regulations. Some perform annual audits. Many large correspondents assist in officer and personnel recruitment and are willing to train employees. On occasion, temporary help may be furnished banks which have lost officers or employees. In recent years many correspondents have organized regional electronic data processing centers to assist banks with bookkeeping and portfolio analysis. Since regulations govern the maximum amount a bank may lend to an officer or employee, correspondents may be requested to assist in loans involving larger amounts. The provision of services, however, is not limited strictly to banking needs. Many correspondents assist visiting bankers in obtaining hotel reservations and tickets to entertainment events. One large bank recently reported that it had just negotiated the purchase of an alligator for the customer of a small bank.

The preceding list of services is not exhaustive, but it does show the range of services which constitute the "correspondent package." Of the services available, the majority of banks find check clearing and loan participations the most helpful, but some consider the other ser-

vices equally important. Aside from direct expenses incurred in providing these services or the fees required for data processing, correspondents rarely charge customer banks. The balance a bank holds with its correspondent is expected to compensate for the services. If the service is performed for a bank customer, however, a charge may be made. Critics have often maintained that greater efficiency in the distribution of banking resources would be promoted if correspondent banks were to substitute explicit charges for the present compensating balance requirements. Many small banks, it is argued, have no knowledge of the cost of providing different services. If the costs were known, a bank would request only those services for which the potential revenue justified the expense. Price competition among correspondent banks, moreover, may be more effective than competing on the basis of the quality and availability of services offered.

Banks generally have been opposed to the introduction of a fee system. A survey conducted in 1963 found fewer than 6 per cent of the banks clearly in favor of a fee arrangement. Nonmember banks, which can normally count correspondent balances toward meeting reserve requirements, felt that the use of fees would increase the costs of providing services to customers. Other banks argued that the prices attached to many services would be relatively arbitrary. The average cost of clearing a check may be calculated with some degree of accuracy, but the cost and value of an account referral or a request for information would vary greatly with the specific circumstances.

Despite these problems, banks providing correspondent services have increasingly begun to calculate the profitability of servicing interbank accounts and to consider this profit in the provision of services. If a particular account should consistently result in losses, a bill may be sent and the banker requested to increase the size of his account. The methods of account

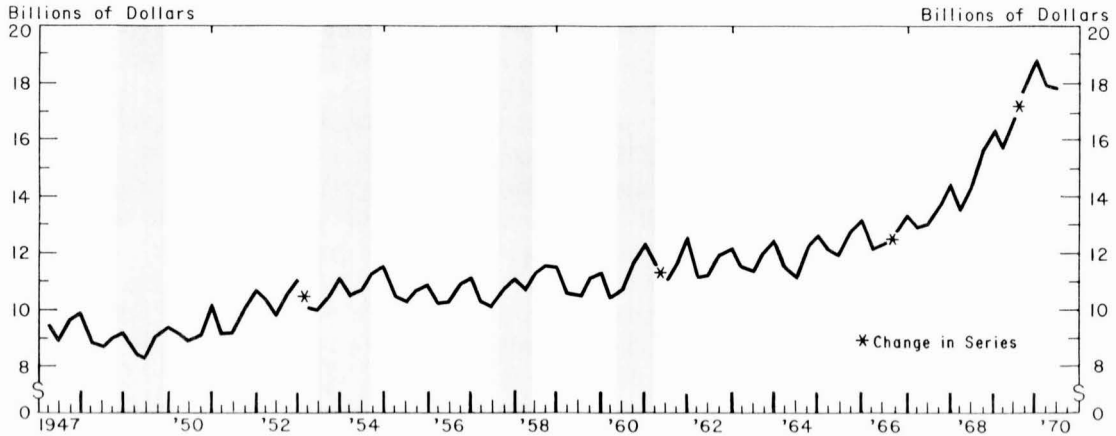
analysis will be examined in a subsequent article. Nevertheless, most larger banks continue to indicate an unwillingness to provide correspondent services solely for a fee. The value of interbank accounts to correspondent banks is greater than the imputed interest which can be earned on such funds.

To the extent it functions effectively, the correspondent banking system tends to overcome many of the alleged disadvantages of a unit banking structure. By transferring funds from surplus to deficit areas, loan participations assist in improving fund mobility. The amount of loans which a particular bank can service need not be limited by its loan limit or by its deposits. Since the activity of correspondent banks is not restricted to particular geographic areas, greater opportunities for portfolio diversification and risk reduction may exist than in many branch or holding company organizations.

The correspondent banking system tends to extend economies of scale to smaller banks. Some services, such as international financial transactions or specialized loan programs, are exemplary in that small banks experience relatively infrequent demands, but must generally be prepared to offer assistance to customers. Returns would rarely compensate the initial investment required for small scale production of these services. Larger banks, however, encounter sufficient demand from the public and from other commercial banks to provide these services both profitably and at a lower unit cost to their customers. Economies of scale may also be of significance for portfolio management. City banks are often able to develop expertise in investment and security analysis due to opportunities for division of labor and specialization not available to country banks. By sharing their knowledge and conclusions with country banks, correspondents are able to extend these economies to other banks. Furthermore, by relying on the advice and assistance of experts in correspondent banks, the quality

Chart 1

DOMESTIC INTERBANK DEMAND BALANCES AT LARGE COMMERCIAL BANKS



Figures are based on monthly averages of daily figures.

Shaded areas represent periods of business cycle contractions as designated by the National Bureau of Economic Research.

SOURCE: Federal Reserve System.

and range of services offered by country banks may be improved.

BEHAVIOR AND DISTRIBUTION OF CORRESPONDENT BALANCES

Total interbank deposits in U. S. banks consist of time and demand deposits due both domestic and foreign banks. However, deposits of foreign banks are not usually considered a part of the normal correspondent relationship. Although a few U. S. banks have begun to hold their correspondent balances in noninterest bearing certificates of deposit, by far the largest share of correspondent balances are held as demand deposits. Bank holdings of time deposits are not considered in this article. Deposits which are interest earning and would constitute a bank investment cannot be determined with certainty. In any case, the magnitude is relatively small. At the end of 1969, only 1.7 per cent of total interbank deposits were time deposits due domestic banks. The amount due foreign banks was 10.4 per cent of interbank deposits.

Movements since 1947 in demand balances of domestic banks at large commercial banks

are shown in Chart 1.³ Large commercial banks hold only 57.1 per cent of total deposits in the United States, but they account for 87.6 per cent of domestic interbank deposits. The most notable feature of the chart is that interbank deposits grew very little until 1966. From an average of about \$9 billion in the late 1940's, interbank balances rose to around \$11 billion in the mid-1950's and to about \$12 billion in the early 1960's. This increase of slightly over 30 per cent compares with a growth in total deposits at all commercial banks of over 125 per cent and a growth in total demand deposits of over 60 per cent. The relatively slow rise in correspondent balances is probably attributable to several causes. Since interest rates were extremely low and since banks had become very liquid, the level of interbank deposits after World War II was probably abnormally high. Over the postwar period, interest rates have trended upward, increasing the opportunity cost of holding noninterest earning assets

3/ Figures at large commercial banks which are available weekly tend to be more representative of the average level of correspondent balances than all bank statistics which are available only for call report dates. "Window dressing" on call report dates tends to cause large temporary movements in the amount of interbank deposits.

Table 2
DOMESTIC INTERBANK DEMAND DEPOSITS
December 31, 1969

	Bank Deposit Size (Millions)					
	Less than \$5	\$5 to \$10	\$10 to \$25	\$25 to \$50	\$50 to \$100 or more	
Average Demand Balances Held with Banks in the United States in Thousands of Dollars*						
All Commercial Banks in Survey Area	294	643	1,342	2,791	5,596	13,274
All Survey Banks	294	641	1,324	2,730	5,629	13,059
Average Demand Balances Held with Banks in the United States per \$1,000 Total Deposits*						
All Commercial Banks in United States	101.89	83.92	75.80	68.79	69.94	28.58
Banks in Region Surveyed						
All Commercial Banks	115.59	91.17	88.43	83.12	81.78	45.78
All Survey Banks	113.85	91.13	86.60	81.39	81.49	43.63
All Holding Company Banks	109.88†	136.56	73.26	85.68	106.52	36.63
All Member Banks	95.38	79.18	80.28	73.56	74.11	42.42
All Nonmember Banks	124.00	103.48	98.33	96.38	112.54	150.88†
Percentage of Survey Banks Maintaining Reciprocal Deposits	6.7	6.8	9.1	23.0	43.8	83.3
For Banks Maintaining Reciprocal Accounts						
Average Amount in Thousands of Dollars in Reciprocal Balances	41	59	68	121	185	4,041
Average Number of Banks with which Reciprocal Balances are Maintained	1	1	2	1	2	12

* Excludes balances at U. S. branches of foreign banks.

† Sample contains four or less banks.

in the form of correspondent balances. Rising rates also meant that the balances required to compensate correspondent banks did not need to rise as rapidly as the demand for services. A selective reduction in the average level of reserve requirements in some states may also have contributed.

Since 1966, however, interbank demand deposits have grown sharply, increasing from \$12.4 billion in late 1965 to \$18.1 billion in early 1970. By comparison, total deposits of insured commercial banks rose 31.4 per cent, or only about two-thirds as rapidly. The growth in correspondent accounts is remarkable because during this period interest rates rose to the highest levels in nearly a century and banks experienced very strong demands for loans. Contributing factors to the growth appear to have been the increasing need for correspondent services including loan participations, the general tendency for correspondent banks to analyze the profitability of individual accounts

more closely, and the sharp rise in float associated with Eurodollar transactions.

As might be expected, the average amount of demand balances kept on deposit with other banks varies directly with the size of the bank.⁴ Table 2 also shows, however, that for most banks the proportion of total deposits held with other banks declines as bank size grows. U. S. banks with total deposits of less than \$1 million maintain an average in correspondent demand accounts of \$221 for every \$1,000 of deposits, whereas banks with deposits in excess of \$1 billion average about \$15 per \$1,000 of total deposits. If the figures were expressed as a fraction of demand deposits only, the same general trends would have appeared. Correspondent balances per \$1,000 of demand deposits would have declined more rapidly as the deposit size of banks increased, reflecting

4/ Unless otherwise noted, the dollar amounts reported in this section are based on December 31, 1969, call report figures for all banks in the states surveyed.

the fact that demand deposits comprise a larger share of total deposits at larger banks.

In contrast with the overall averages, non-member banks appear to achieve economies in holdings of correspondent balances only to a total deposit size of about \$50 million. Relative correspondent balances of nonmember banks with deposits over \$50 million tend to increase with bank size. Since the figures for large nonmember banks are based on a relatively small sample and since the average deposit size of these banks in the larger deposit categories is below that of member banks, the figures must be interpreted with caution. Nevertheless, they imply that the benefits of Federal Reserve membership increase substantially after a bank has reached a sufficient size.

Member banks in all deposit size categories maintain smaller balances with correspondents than do nonmembers. This systematic difference undoubtedly reflects the fact that member banks are required to hold specified percentages of their net deposits on reserve and that the Federal Reserve performs some services for members which might otherwise be handled by correspondents. The amount held by survey non-member banks in correspondent balances, in addition to that held by member banks, varies between 2 and 11 per cent of total deposits. However, if the reserves of member banks were included in interbank accounts, member banks would hold a higher per cent of their funds with other banks.

The average number and amount of reciprocal balances also increases sharply with deposit size. Few small banks have accounts from banks with which they maintain balances, but over 83 per cent of the survey banks with deposits in excess of \$100 million have reciprocal accounts. At these large banks reciprocal balances amount to about 25 per cent of total interbank balances, indicating that the amounts involved are quite large.

Similarly, the average number of banks with which respondents maintain correspondent re-

lations increases with the deposit size of the respondent. Most small banks keep relatively large balances with one or two correspondent banks, generally located in the nearest regional city, and three or four smaller accounts with other banks. Some of these smaller accounts are based on bank credit card or traveler check operations, but a noteworthy number are held simply on the basis of friendship and tradition. The largest survey banks, by comparison, tend to average 30 or more correspondents. The average number of correspondents for different groups of banks is shown in Table 3. In all but the largest deposit size category, member and nonmember banks appear to maintain about the same number of correspondent relations. The smaller number for non-member banks with deposits in excess of \$100 million could reflect the fact that the average deposit size of banks in this category is only about half that of member banks.

One interesting observation which emerges from the comparative figures on interbank deposits is the amount of correspondent balances maintained by holding company banks. Holding company applications have occasionally argued that if a smaller bank is permitted to join a holding company in which the lead bank acts as a major correspondent, the smaller bank will be able to reduce (or at least not increase)

Table 3
AVERAGE NUMBER OF CORRESPONDENT BANKS

	Bank Deposit Size (Millions)					
	Less than \$5	\$5 to \$10	\$10 to \$25	\$25 to \$50	\$50 to \$100 or more	
Average Number of Correspondent Banks						
All Survey Banks	5	6	8	11	13	30
Member Banks	5	6	9	11	13	31
Nonmember Banks	5	7	8	10	12	12*
Holding Company Banks	2*	2	6	8	14	34

NOTE: Figures derived from survey banks only.
* Figure based on responses of four or less banks.

its correspondent accounts and will still be able to obtain the necessary correspondent services from the lead bank. Tables 2 and 3 indicate, however, that while smaller banks in holding companies tend to maintain fewer correspondent relationships, the average size of interbank deposits in all deposit categories either approximates or exceeds the average for all U. S. commercial banks. These figures suggest that holding companies have served as a means for lead banks to acquire correspondent accounts, but have not resulted on average in any overall reduction in balances maintained by the smaller banks.

CORRESPONDENT BANKING SERVICES

The percentages of banks utilizing selected correspondent banking services are shown in Table 4. The most common service performed for banks appears to be the initiation of check clearing. Over 90 per cent of all survey banks and 87 per cent of all member banks prefer to send checks drawn on nonlocal banks to correspondents rather than the Federal Reserve. Only banks with deposits in excess of \$100 million have a decided preference for clearing checks directly with the Federal Reserve. Although estimates of the percentage of nonlocal checks sent to correspondents by banks with total deposits less than \$100 million vary from about 70 to 95 per cent, these figures tend to overstate the net clearing performed by the correspondent network. Many correspondent banks send the checks received from respondents to the Federal Reserve. The number of checks cleared through the Federal Reserve, consequently, is greater than the figures might suggest. However, even large correspondent banks clear about one-fourth of their checks through other correspondents. Surprisingly, a significant difference does not appear to exist between the preferences of member and non-member banks in the methods of clearing preferred.

The most important reason survey banks listed for choosing to send checks to correspondents relates to the immediate credit correspondents offer. A noteworthy number of banks also indicated that the saving of sorts and more prompt clearance were advantages to clearing through correspondents. The most common "other" reasons given were that banks were not members of the Federal Reserve or that their clearing patterns were based on tradition. The immediate credit provided by correspondents appears to be a source of misunderstanding. Although many correspondent banks provide immediate credit for clearings on their books, the account analysis performed by correspondents usually makes a deduction from the average balance of a bank for uncollected funds in determining the earnings credit. Immediate credit, therefore, would assist a bank primarily in meeting state nonmember reserve requirements by increasing the total of its correspondent accounts. The larger correspondent banks reported that they had been forced to calculate the float for each respondent bank because many smaller banks were attempting to sell the uncollected balances in the Federal funds market.

Perhaps the second most important service performed by the correspondent banking system is loan participations. A majority of banks in all deposit size categories indicated that their correspondents had participated in loans. On the other hand, a significant proportion, which tended to rise with the deposit size of the reporting bank, indicated that correspondents had originated loans in which they had participated. For smaller banks, loan participations often arise because specific loan requests exceed the bank's legal lending limit. Participations in loans originated by correspondents, however, may occur for a variety of reasons. Participations may be arranged for small banks experiencing weak loan demands. These loans are normally sold outright, but correspondent banks generally stand ready to repurchase them

on demand. The return on these loans is often greater than can be earned on money market securities. The high proportion of large banks entering into participations on loans originated by their correspondents may be a reflection of the fact that many money market banks in recent years have not had the resources to assist larger regional banks in loan participations. Consequently, money market correspondents have often agreed to participate in loans only if the originating bank would participate in an equal amount of loans originated by the money market correspondent.

Considerable diversity exists among the survey states in the number of banks requiring loan participations. The proportion of banks requiring loan assistance ranged from a high of 82.7 per cent in Colorado to a low of 46.2 per cent in Missouri.⁵ Similarly, the number of respondents participating in loans originated by correspondent banks varied from 64.3 per cent in New Mexico to 29.8 per cent in Kansas.⁶ A detailed analysis of the types and dollar amount of loan participations will be considered in the second article in this series.

An additional method by which correspondent banks may obtain loanable funds is by selling respondent banks securities or participations in pools of securities under agreements to repurchase. Items 11(k) and (l) of Table 4 indicate that about 15 per cent of all survey banks have entered into such repurchase agreements. Large and small banks are the most common purchasers with the percentage of banks reporting such agreements declining for medium-sized survey banks. The average amount purchased per bank rose from a low of \$257,000 for banks with deposits less than \$5

million, to \$10.1 million for banks with deposits of \$100 million or more. The practice of selling shares of investment portfolios under agreements to repurchase appears to differ considerably among survey states. Over 31.5 per cent of the banks in Kansas hold such repurchase agreements but no bank in New Mexico indicated a transaction.⁷ Although only 7.1 per cent of the banks in Missouri entered into repurchase agreements, the average amount per purchasing bank was \$1.97 million, compared with averages of \$519,000 in Kansas; \$502,000 in Colorado; \$345,000 in Oklahoma; \$261,000 in Nebraska; and \$150,000 in Wyoming.

A surprisingly large proportion of banks maintain lines of credit and borrow directly from correspondent banks. Almost 17 per cent of the survey banks have credit lines with correspondents and over 70 per cent of the banks with lines have borrowed under them. Similarly, about 11 per cent of the survey banks reported borrowing directly from correspondents for short- or intermediate-term purposes. Since a large share of the borrowing for short- or intermediate-term purposes could have been included in borrowing under lines of credit, it is not possible to add these two amounts together to determine total borrowing from correspondents. Nevertheless, items 5(b) and 6(a) in Table 4 indicate that the amounts borrowed are quite sizable, particularly for large banks. Relatively few respondents obtained loanable funds by selling loans or municipal securities to their correspondents.

Correspondent banks provide numerous services relating to investment and money market management. A majority of survey banks reported that they had received investment advice from correspondents, had regularly sold Federal funds through correspondents, and had regularly

5/ The percentage of banks in other states requiring participations from their correspondents were: Kansas, 56.4 per cent; New Mexico, 71.4 per cent; Nebraska, 70.9 per cent; Oklahoma, 54.3 per cent; and Wyoming, 77.6 per cent.

6/ Corresponding percentages for other survey states were: Colorado, 41.8 per cent; Missouri, 35.5 per cent; Nebraska, 30.1 per cent; Oklahoma, 49.0 per cent; and Wyoming, 37.3 per cent.

7/ The percentage of banks in the other survey states reporting having purchased repurchase agreements in portions of correspondents' investment portfolios were: Colorado, 6.1 per cent; Missouri, 7.1 per cent; Nebraska, 15.4 per cent; Oklahoma, 11.8 per cent; and Wyoming, 6.3 per cent.

Table 4
PERCENTAGES OF BANKS UTILIZING SELECTED SERVICES OF CORRESPONDENT BANKS

	Bank Deposit Size (Millions)						All Banks
	Less than \$5	\$5 to \$10	\$10 to \$25	\$25 to \$50	\$50 to \$100	\$100 or more	
1. Per cent of banks preferring to clear checks drawn on banks which are located outside of the city or metropolitan area through correspondents rather than the Federal Reserve.							
ALL SURVEY BANKS	90.6	90.7	93.7	90.0	87.1	22.2	90.2
MEMBER BANKS ONLY	87.8	90.8	90.8	83.6	84.0	19.2	87.0
For those banks preferring to clear through correspondents, the per cent listing the following alternatives as the most important reason:							
(a) Saves Sorts							
ALL SURVEY BANKS	20.9	21.9	21.1	18.0	10.7	42.9	21.0
MEMBER BANKS ONLY	22.5	24.4	20.2	21.3	9.1	50.0	22.3
(b) Immediate Credit							
ALL SURVEY BANKS	49.5	51.5	49.9	51.0	53.6	—	50.0
MEMBER BANKS ONLY	56.4	54.7	58.4	57.4	63.6	—	56.2
(c) More Prompt Clearance							
ALL SURVEY BANKS	16.0	12.9	12.1	15.0	21.4	28.6	14.6
MEMBER BANKS ONLY	13.4	11.7	12.2	16.4	22.7	33.3	13.1
(d) Other							
ALL SURVEY BANKS	13.5	13.8	16.9	16.0	14.3	28.6	14.4
MEMBER BANKS ONLY	7.7	9.2	9.2	4.9	4.5	16.7	8.4
2. Within the past 12 months what percentage of the total dollar amount of your bank's clearings of out of town checks was processed through your correspondents?							
ALL SURVEY BANKS	94%	93%	92%	86%	77%	27%	92%
MEMBER BANKS ONLY	90%	92%	87%	78%	71%	25%	87%
3. Per cent of banks originating loans in which correspondent banks participated.	54.6	59.3	65.9	78.0	59.4	83.3	59.4
4. Per cent of banks participating in any loans which were originated by correspondent banks.	28.9	34.3	48.7	57.6	68.8	76.7	36.5
5. Per cent of banks having established lines of credit with correspondent banks.	18.6	13.5	17.0	17.5	12.9	16.7	16.9
FOR BANKS MAINTAINING ESTABLISHED LINES OF CREDIT							
(a) Average number of correspondents with which such agreements are maintained.	1	2	1	2	2*	2	2
(b) Average largest amount in thousands of borrowing under such agreements within the past 12 months.	186	686	513	1,236	1,934*	4,620*	
(c) Per cent of banks with credit lines not borrowing.	30.2	23.5	36.5	18.8	25.0*	20.0	29.3
6. Per cent of banks borrowing within the past 12 months for short- or intermediate-term purposes from correspondents (excluding Federal funds).	9.4	13.8	12.6	9.2	6.5	6.7	11.0
(a) For banks borrowing from correspondents, average loan amount in thousands.	112	271	505	1,061	1,900*	6,500*	
7. Per cent of banks obtaining within the past 12 months short- or intermediate-term funds by selling mortgages, obligations of state and political subdivisions, or consumer loans to correspondents.	3.0	3.8	3.7	3.1	9.7	3.3	3.4
8. Per cent of banks making new loans within the past 12 months due to referrals from correspondent banks.	3.9	7.0	12.0	16.8	16.1	37.0	7.3
FOR BANKS MAKING LOANS							
(a) Average number of such loans.	4	3	4	4	3	9	4
(b) Average amount in thousands of such new loans outstanding.	62	51	95	157	379	948	
9. Per cent of banks obtaining new depositors within the past 12 months due to referrals from correspondent banks.	4.4	10.5	19.4	30.5	29.0	48.1	10.7
(a) For banks obtaining new depositors, average number of depositors.	7	8	12	10	12	12	10
10. For safekeeping of securities, per cent of banks using:							
(a) Correspondent banks							
ALL SURVEY BANKS	97.0	95.9	95.6	94.0	90.6	89.3	96.1
MEMBER BANKS ONLY	89.9	93.2	92.7	91.8	88.5	88.9	91.7
(b) The Federal Reserve System							
ALL SURVEY BANKS	48.6	67.6	70.7	78.0	90.0	100.0	60.4
MEMBER BANKS ONLY	92.6	93.5	93.9	98.3	96.0	100.0	94.0

Table 4 (Continued)
PERCENTAGES OF BANKS UTILIZING SELECTED SERVICES OF CORRESPONDENT BANKS

	Bank Deposit Size (Millions)						All Banks
	Less than \$5	\$5 to \$10	\$10 to \$25	\$25 to \$50	\$50 to \$100	\$100 or more	
11. Per cent of banks receiving investment and money market advice and services from correspondents within the past 12 months:							
(a) Received advice on investment portfolio.	57.8	65.0	68.4	71.7	63.3	70.0	62.4
(b) Regularly bought Federal funds through correspondent banks.	26.1	26.8	29.4	46.5	68.8	76.7	29.2
(c) Regularly sold Federal funds through correspondent banks.	36.4	55.8	69.5	85.9	87.5	80.0	51.1
(d) Regularly bought, sold, or exchanged U.S. Government securities through correspondent banks.	82.2	81.4	79.2	83.0	83.9	80.0	81.5
(e) Regularly bought or sold obligations of states and political subdivisions through correspondent banks.	38.6	57.0	58.9	59.0	38.7	53.3	48.0
(f) Regularly bought or sold commercial paper through correspondent banks.	10.2	15.5	20.6	32.0	48.4	40.0	15.4
(g) Regularly bought or sold bankers' acceptances through correspondent banks.	0.9	0.6	2.3	3.0	3.2	16.7	1.4
(h) Regularly bought or sold negotiable time certificates of deposit through correspondent banks.	1.5	1.0	1.0	1.0	3.2	6.7	1.3
(i) Per cent of banks with correspondents which tailor negotiable time certificates of deposit to suit the investment needs of banks.	3.2	3.4	3.6	5.3	—	4.6	3.4
(j) For banks with correspondents which tailor such CD's, average amount in thousands of certificates currently held.	23	58	45	—	—	—	
(k) Per cent of banks acquiring from correspondents participations under repurchase agreements in any portion of the correspondent's investment portfolio.	19.0	12.9	11.0	7.1	3.2	23.3	15.3
(l) For banks acquiring such participations, average amount in thousands of participations currently held.	257	512	552	1,536	—	10,106	
12. Per cent of banks reporting the following banking services are made available to them by correspondent banks and, if so, the per cent utilizing the services within the past 12 months.							
(a) International banking services:							
Available	89.2	94.7	97.1	98.0	100.0	100.0	92.9
Used	19.5	39.8	60.9	74.2	90.6	96.6	37.7
(b) Bank wire:							
Available	89.4	96.8	98.4	97.9	96.9	89.7	93.5
Used	36.9	56.7	78.9	91.6	96.8	92.3	54.5
(c) Collections:							
Available	93.6	99.4	98.7	100.0	100.0	100.0	96.5
Used	62.0	79.6	87.0	95.9	96.9	100.0	73.9
(d) Advice on consumer credit activities:							
Available	88.0	92.0	89.9	85.9	83.3	82.1	89.1
Used	42.5	46.8	53.0	47.5	38.5	54.2	45.8
(e) Credit information:							
Available	91.4	95.7	96.5	98.0	96.9	96.7	94.0
Used	60.5	75.5	85.4	83.3	87.1	100.0	71.1
(f) Absorption of cost of currency and coin wrapping and shipment:							
Available	40.8	42.4	46.6	55.4	46.2	29.2	42.9
Used	51.4	52.1	53.4	67.3	50.0	15.4	52.4
(g) Data processing advice or services:							
Available	86.4	92.2	96.0	92.9	96.9	81.5	90.1
Used	29.1	55.6	69.1	65.9	32.3	52.0	45.7
(h) Group insurance or retirement plans for bank employees:							
Available	56.5	64.2	66.5	68.2	58.6	61.5	61.0
Used	23.8	37.5	33.9	26.9	10.0	—	28.8
Number of Survey Banks	1,053	516	384	100	32	30	2,115
Number of Member Banks	273	271	220	61	26	29	880

*Figure based on response of four or less banks.

bought, sold, or exchanged holdings of U.S. Government securities with correspondents. A slightly smaller proportion indicated buying and selling municipal securities through correspondents. Commercial paper transactions and Federal funds purchases were reported by a significant fraction of banks, but relatively few noted transactions with correspondents in bankers' acceptances or negotiable certificates of deposit. Only 3.4 per cent of the survey banks stated that correspondents would tailor negotiable CD's to suit their investment needs. With the exception of bank holdings of CD's which were concentrated entirely among smaller- and medium-sized banks, the percentage of banks receiving assistance or advice on different types of portfolio transactions generally tended to rise with the size of the reporting bank. Since it has generally been assumed that larger banks perform security evaluations and handle portfolio management problems for themselves and that smaller banks require greater assistance in this area, this result is relatively surprising.

Nearly all banks reported using correspondents for security safekeeping and 94.0 per cent of member banks also reported using the Federal Reserve. The Federal Reserve will perform safekeeping for nonmember banks only if the securities are pledged as collateral for Treasury tax and loan accounts or for other specified purposes.

The percentage of banks reporting new loans or depositors as a result of referrals from correspondent banks increased with the size of the reporting bank. Only about 4 per cent of the banks with total deposits under \$5 million acquired new customers from correspondent referrals, but around 48 per cent of the largest survey banks obtained depositors and about 37 per cent made loans on the basis of referrals. Large banks receiving referrals tended to acquire a larger number of deposi-

tors and borrowers than did small banks.

About 90 per cent of the survey banks indicated that their correspondents offered assistance with international banking services, collections, bank wire, advice on consumer credit activities, credit information, and electronic data processing. Over 60 per cent have group insurance or retirement plans for bank employees available and 43 per cent indicated that correspondents would absorb the cost of currency and coin wrapping and shipment. Of the survey banks with such services available, over 70 per cent used correspondents for collections and credit information; 55 per cent used the bank wire; over 40 per cent received advice on consumer credit activities, used correspondents for EDP, and permitted correspondents to absorb costs in the provision of currency and coin. Almost 38 per cent required assistance in international transactions, but only 29 per cent utilize group insurance or retirement plans.

CONCLUDING OBSERVATION

In recent years proponents of branch and holding company banking have increasingly maintained that the correspondent banking system is unable to provide satisfactorily for the needs of many banks. To study the performance of correspondent banks, a survey was sent to over 2,400 banks in seven midwestern states during September and October 1969. The survey results indicate that correspondent banks have been very active in providing a wide variety of services. Succeeding articles in this series will examine the need for loan participations and will consider the net flows of funds to and from correspondent banks. Comparisons of the magnitudes of dollar flows with those of an earlier survey will be made. Finally, the overall effectiveness of the correspondent banking system will be considered.

Outdoor Recreation

By Dan M. Bechter

Americans are spending billions of dollars for outdoor leisure this year. Just how many billions depends on what activities are classified as leisure and which are considered as "outdoor." Drawing the lines is not always easy. Lawn care, for example, satisfies the open-air requirement; but not everyone would call it recreation. Again, most people classify pleasure driving in an air-conditioned car, camping in a modern trailer, or watching a football game in a covered stadium, as recreation. But purists might not consider them outdoor activities.

Measurement problems, besides definitional ones, complicate any effort to estimate total expenditures on outdoor recreation. Logic suggests trying to determine how much is spent on all goods and services used for outdoor leisure. But while one can readily obtain some kinds of data, such as revenues from the sales of hunting and fishing licenses, certain other kinds of information simply do not exist. No one really knows, for example, how much clothing is worn out by outdoor play.

The Department of Commerce classification for consumer spending on recreational goods and services totaled \$36 billion in 1969. In recent years, this category has claimed a larger percentage of the consumer budget than ever before. Chart 1 shows that the upward trend in the relative importance of expenditures for recreation has been interrupted by recessions and by wars — conditions that understandably shift consumer spending away from luxury items.

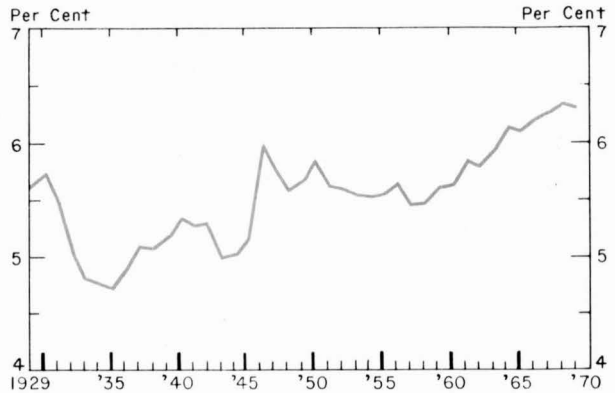
Outdoor recreation's share of the household recreation budget appears to be increasing. In 1929, consumers spent 5.1 per cent of their total recreation expenditures on wheel goods, durable toys, sports equipment, boats, and pleasure aircraft. This percentage grew to 6.6 in 1939, 8.4 in 1949, and 11.7 in 1959, where it stabilized.

Professor Richard Kraus believes that the Commerce Department estimates recreation expenditures far too conservatively.¹ To their figure he would add, among other things, a major portion of personal expenditures on transportation — a separate \$80 billion item in the Commerce accounts. He has a good case. A recent national travel survey shows that four-fifths of longer, out-of-town trips are taken for pleasure. And the U. S. Bureau of Outdoor Recreation reports that Americans choose driving for pleasure over most other outside leisure activities.

Special surveys of consumer expenditures on individual outdoor recreation activities give an idea of the amount of business these activities generate. The U. S. Fish and Wildlife Service estimates that 28 million persons 12 years old and over fished three or more days during 1965 — spending almost \$3 billion on this sport. Of this total, less than 5 per cent went for license fees and permits. Equipment accounted for 38 per cent, transportation for 14 per cent, and food and lodging for 15 per

¹/ "The Economics of Recreation Today," *Parks & Recreation*, June 1970, pp. 19-21, 51-53.

Chart 1
RECREATION EXPENDITURES
AS A PER CENT OF TOTAL
PERSONAL CONSUMPTION EXPENDITURES



SOURCE: Survey of Current Business.

cent. Anglers spent the rest on bait, guide fees, fishing magazines, and other miscellaneous items. Conservatively estimated, fishermen and hunters will spend \$5 billion this year.

National park visitors spend over \$6 billion a year on travel, according to one estimate.² National parks and other outdoor recreation opportunities attract tourists to several states. Visitors to Colorado, New Mexico, and Wyoming spend hundreds of millions of dollars every year, mostly during the summer vacation season. Outdoor winter recreation, however, is becoming increasingly popular, too. The Colorado State Commerce and Development Department estimates that its state's skiing industry is growing at a 25 per cent annual rate, and that skiers will spend well over \$50 million in Colorado this season — two-thirds of this amount by out-of-staters. It is not surprising that many states rank tourism as a major industry and highly prize their outdoor recreational resources.³

Finally, consider golf. The National Golf Foundation estimates that golfers will spend almost \$3 billion on equipment and playing privileges this year. A substantially higher sum would result if transportation costs and other expenses were included.

^{2/} *Parks & Recreation*, March 1969, p. 12.

^{3/} Tourism and outdoor recreation are not synonymous, of course. But the overlap is often considerable.

Consumer expenditures on outdoor recreation understate the country's outdoor leisure budget because much park-type outdoor recreation is financed largely by taxation. Appropriations for state park systems increased 50 per cent between 1950 and 1955, 60 per cent between 1955 and 1960, and 75 per cent between 1962 and 1967. The Bureau of Outdoor Recreation's request for \$357.4 million, to expand its fiscal 1971 Land and Water Conservation Fund activities by 270 per cent over fiscal 1970, was approved and fully funded. Municipal and county park acreage doubled between 1955 and 1965, and preliminary data for the 1970 Yearbook of the National Recreation and Park Association shows this rate accelerating. Expenditures by state and local governments for construction of new park and recreation facilities are now running 40 per cent above their 1969 pace. Americans are clearly paying to play outside — not just directly out of their discretionary incomes, but also indirectly by financing governmental outdoor recreation programs.

PARTICIPATION

Increased participation rates, as well as increased expenditures, document the growth of outside leisure activity. Since some types of outdoor recreation cost less than others, it is not surprising that far more people choose to walk or swim rather than to ride horses or

sail, as Table 1 shows. Of course, convenience and availability of opportunity count, too. These terms simply refer to part of the time-and-money cost of the recreational activity. For example, nature walks and hikes cost the city dweller more than the rural citizen — because of the added time and transportation involved.

Chart 2 shows the great increases in attendance at major outdoor recreation areas over the past 20 years. In some cases, new and expanded areas both stimulated and handled these increases. Army Corps of Engineers reservoir acreage, for example, increases every year. In

Chart 2
NUMBER OF VISITS TO MAJOR TYPES OF OUTDOOR RECREATION AREAS

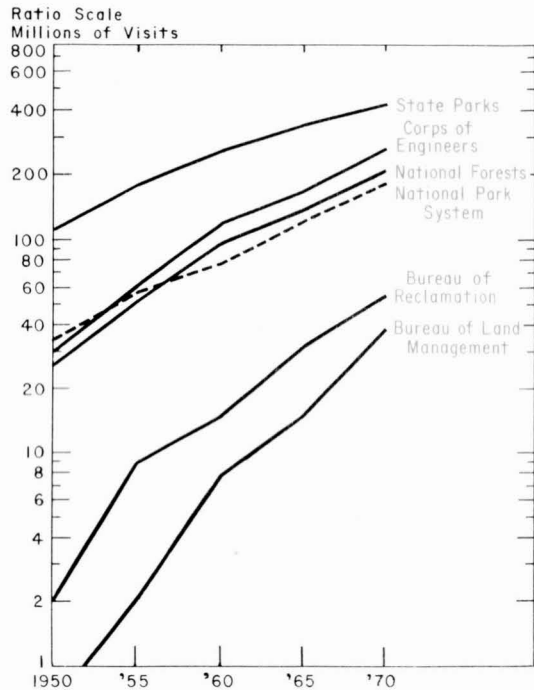


Table 1
PARTICIPATION IN SELECTED OUTDOOR RECREATION ACTIVITIES BY PERSONS 12 YEARS OF AGE AND OLDER DURING THE SUMMERTIME, 1970

	Millions of Occasions*	Millions of Participants	Percentage Increase in Occasions Over 1960
Walking for pleasure	1,300	80	130
Swimming	1,300	80	93
Driving for pleasure	1,200	88	38
Playing outdoor games or sports	1,200	68	153
Sightseeing	520	80	81
Picnicking	510	91	83
Bicycling	510	25	124
Fishing	350	48	35
Attending outdoor sports events	280	48	63
Boating (other than canoeing or sailing)	260	38	64
Nature walks	150	22	53
Camping	130	18	117
Horseback riding	85	13	55
Water skiing	70	10	79
Hiking	60	12	76
Attending outdoor concerts or plays	56	18	107
Sailing	30	5	n.a.
Canoeing	25	5	n.a.

NOTE: The 1970 participation figures are estimates based on 1965 survey data projected to 1980, as published in **Outdoor Recreation Trends**, Department of the Interior, Bureau of Outdoor Recreation (Washington: U. S. Government Printing Office, 1967). The total U. S. population 12 years old and over in 1970 is estimated at 160 million in "Population Estimates and Projections," **Current Population Reports**, Series P-25, No. 448, August 6, 1970, Bureau of the Census.

*Separate days upon which persons engage in activity during June-August.
n.a. Not available.

the upper Kansas-lower Nebraska drainage area alone — the major portion of the Kansas City Corps District — four new Corps reservoirs have been opened in the past 7 years, making a total of seven since the first one (Kanopolis) was opened in 1948. Total 1970 public attendance at these seven recreation areas will likely exceed six million visits — well over twice the number who enjoyed Kanopolis, Harlan County, and Tuttle Creek Reservoirs in 1963. An example of growing use of state and local recreation areas is provided by Lake Jacomo in Jackson County, Missouri, where visitors now number 1.3 million annually — over twice the number counted when the park was opened 9 years ago.

FACTORS EXPLAINING THE INCREASING DEMAND FOR OUTDOOR RECREATION

The demand for recreational goods and services depends on many factors such as the size

and composition of the population, amount of leisure time, income, mobility, tastes, and the prices of other goods and services. As such factors change over time, so too does the demand for outdoor recreation.

Population

Population growth explains part of the increase in demand for outdoor recreation. The number of individuals over 11 years old has increased by 23 per cent since 1960. Much of this increase has been in the very active, young adult age group. Participation in outdoor recreation is known to be positively related to educational level, and the population has become better educated over time. Urbanization of the population, by decreasing outdoor work and elbow room, may be partly responsible for stimulating outdoor recreation demand. There are many other factors such as these associated with shifts in the size and structure of population that affect the demand for outdoor recreation.

More Leisure

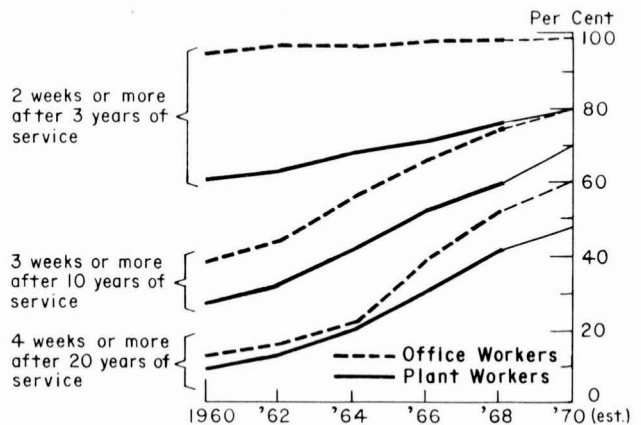
Decreases in the length of the workday, increases in the number of nonworkdays, longer

lives, and better health all mean more time available for outdoor recreation. Scheduled weekly hours of industrial plant and office workers have declined dramatically over the last century, although not significantly in recent years. The 40-hour workweek has remained the nonfarm standard for some time.

While the industrial workweek has remained relatively stable over the past decade, the industrial workyear has declined. Plant workers now receive, on the average, almost one paid holiday more than they received 10 years ago. Increasing percentages of employees are also enjoying longer paid vacations, as Chart 3 shows. Increases in nonworkdays provide individuals with the larger blocks of time often necessary for participation in certain kinds of outdoor recreation.

Retirement means more leisure time. The total number of retired workers has tripled in the past 15 years, reflecting the growth in the older age groups as well as declines in the working proportions of these age groups. In 1955, the labor force included 3.3 million individuals 65 years old and over, or one-fourth of this population age group. Today, labor force participants in this age group still

Chart 3
PAID VACATIONS, INDUSTRIAL WORKERS



SOURCE: *Handbook of Labor Statistics, 1969*, U. S. Department of Labor, Bureau of Labor Statistics (Washington: U. S. Government Printing Office, 1969), p. 267.

number about 3.3 million, but represent only one-sixth of the senior citizens.⁴ The increasing appeal of early retirement is reflected in the decline of the labor force participation of 60-to 64-year-old men, from 81 per cent in 1960 to 76 per cent in 1970.

Illness reduces both leisure and work. Between 1965 and 1968, the average number of days of restricted activity due to poor health fell from 16.4 to 15.3 days per person. Expanded medical care for the poor and the aged surely has added to the Nation's potential to enjoy outdoor recreation.

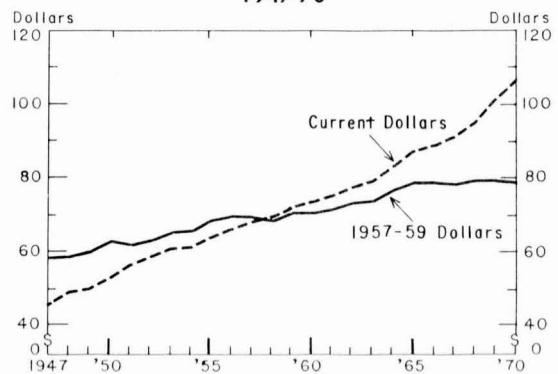
It should be noted that not all increases in discretionary time are spent in leisure. Shorter workweeks and longer vacations are used by some as opportunities for moonlighting. Also, more and more women, partly emancipated from household chores and from discriminating labor practices, are choosing to join the labor force. To a family that has opportunities for varying its income by more or less work, leisure clearly has a price. However, the additional income may enable the family to enjoy more outdoor leisure.

Higher Income

Increases in real income have accompanied increases in leisure — companion trends made possible by productivity increases. Output per man-hour increased 100 per cent between 1947 and 1968 — a 3.2 per cent annual rate. Real compensation per man-hour matched this rate of increase. Output per employed person, however, increased by a somewhat slower average annual rate of 2.8 per cent over this period. Thus, a 0.4 per cent potential increase in annual earnings was “spent” in additional leisure. With 30 per cent more purchasing power over 20 years ago (Chart 4), the rep-

4/ The labor force participation rate — the per cent of the noninstitutional population in the labor force — has declined from 45.8 in 1950 to 27 in 1970 for males 65 years and over. The participation rate of women in this age group is now back at 9.6, its 1950 level, but it has fluctuated between 9 and 11 in the interim.

Chart 4
SPENDABLE AVERAGE WEEKLY EARNINGS
INDUSTRIAL WORKER WITH THREE DEPENDENTS
1947-70



SOURCE: *Handbook of Labor Statistics, 1969*, U. S. Department of Labor, Bureau of Labor Statistics (Washington: U. S. Government Printing Office, 1969), p. 188.

resentative family can afford additional and more expensive outdoor recreation goods and services.

More Mobility

The number of miles of interstate highways open to traffic has more than doubled since 1962. States like Kansas, Nebraska, and Oklahoma, with their long stretches of interstate highways, are experiencing increased demand for outdoor recreation facilities as tourists pass through in increasing numbers. Since 1960, the percentage of U. S. families owning two cars has risen from 16 to 29, and the number of travel trailers produced annually has more than tripled. These and other statistics show an increasingly mobile population — one better able to go to the locations of distant outdoor recreation.

Increased mobility reduces the principal hidden cost of outdoor recreation — time. Just as a fall in out-of-pocket costs of outside leisure activities might be expected to increase quantity demanded, so too should a fall in the time required for participation. For this reason, faster planes and limited-access highways, even though more expensive than older forms of transporta-

tion, actually lower the cost of outdoor recreation to many people who value their time highly.

Changing Tastes

Much of the growth in outdoor recreation demand since 1960 was unanticipated by the U. S. Outdoor Recreation Resources Review Commission (ORRRC). Some unaccounted for factors, or unforeseen changes, evidently explain ORRRC's underestimate. People's tastes seem to have shifted toward more outdoor recreation. Emphasis on physical fitness — often associated with outdoor activity — might explain part of this shift. Increased congestion in urban areas may explain some of it, too. Perhaps the new ecological awareness has created a greater appreciation for nature including the desire to experience nature before it is spoiled.

On one hand, the quality of outdoor recreation can be said to have improved. Much of the increased demand for camping facilities, for example, is surely due to the advent of campers, camp trailers, and other modern equipment. On the other hand, the quality of outdoor recreation can be said to have declined as the air and water have become more polluted in some areas, and as population pressures crowd more people onto highways and into parks.

Changing Prices

Relative increases in the prices of goods and services that consumers regard as substitutes for outdoor recreation may have taken place, thereby increasing the demand for outside leisure activities. The evidence is sparse on this point. One recent study shows the index of relative recreation prices has remained fairly constant for the past 20 years.⁵ Many types of outdoor recreation, however, may have declined in price relative to other kinds of leisure activities. The price of picnics, for example, has gone

down relative to the price of restaurant meals. The cost of visiting a public park has declined relative to the cost of going to a movie. Camping has become relatively less expensive than staying in a hotel or motel. These and other examples partly reflect the rising cost of services, and the do-it-yourself response of consumers.⁶

SUMMARY AND CONCLUSIONS

Outdoor recreation is becoming increasingly important economically. Expenditures on goods and services used in outdoor recreation are claiming a larger share of the consumer budget, and public expenditures on outdoor recreation resources are accelerating. While estimates of total spending on outdoor recreation vary widely, reflecting definitional differences and measurement difficulties, there is no mistaking the rapidly upward trend. Increasing rates of participation in outdoor recreation activities, and rising rates of park attendance, provide added evidence of increased activity.

The increasing demand for outdoor recreation is largely explained by the growing population and its rising standard of living — more purchasing power and more leisure. Other contributing factors include the population's greater mobility, its increased urbanization, and its changed age composition. Some of the growth in demand for outdoor recreation may be attributable to changes in the relative prices of consumer goods and services, favoring substitution of outdoor leisure for other activities. In addition, many goods and services used in outdoor recreation have improved in quality. No list of factors can be exhaustive, for much of the increased demand for outdoor recreation may reflect changes in consumer tastes, and such changes are largely unexplainable, as are tastes themselves.

5/ John D. Owen, *The Price of Leisure* (Montreal: McGill-Queen's University Press, 1970), p. 85.

6/ This response is not, of course, limited to outdoor recreation. The most dramatic modern leisure development must be that voracious consumer of time: television.