

MONTHLY



Review

**FEDERAL RESERVE BANK
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ECONOMIC OUTLOOK BRIGHTENS

Introduction

BUSINESS ACTIVITY has strengthened in recent months. Despite the decline in total production of goods and services from the rate of \$503 billion in the fourth quarter of 1960 to just under \$500 billion in the first quarter of this year, output of the nation's factories in March was above the January-February levels. In April further improvement was noted.

Member bank reserves, which rose markedly during the summer and autumn of 1960, have changed little after adjustment for seasonal influences thus far in 1961. Bank credit and the money supply have expanded in recent months. Treasury debt management operations have contributed toward expanding the public's liquidity by increasing the quantity of short-term debt instruments. A rise in Government cash outlays relative to receipts has added to the demand for goods and services.

The balance-of-payments position of the United States has improved in the first quarter of 1961, reflecting continuing strength in exports, and a decline in the speculative activity which marked the deterioration of the United States payments position in the fourth quarter of 1960.

Economic conditions in the Eighth Federal Reserve District have improved during recent months. Total deposits at district member banks rose at an annual rate of about 4 per cent during the first three and a half months of 1961. Bank credit rose during the same period.

Bank Reserves

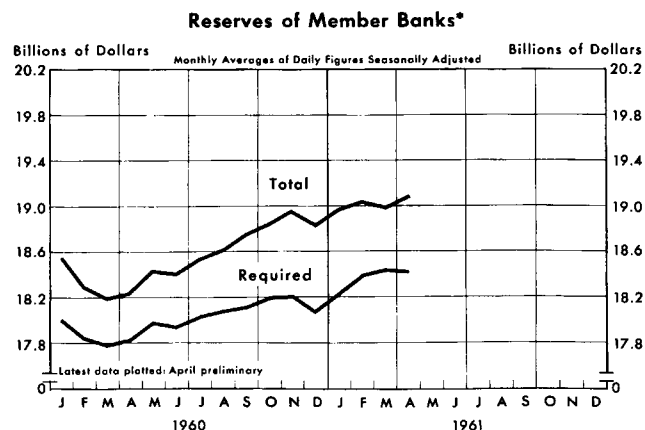
In the ten months ending with April 1961, total reserves of member banks rose markedly, as can be observed in the accompanying chart. From mid-1960 through April 1961, reserves rose at an annual rate of about 6 per cent, or more than double the average rate over the decade of the fifties. By contrast, member bank reserves declined in early 1960. Reserves, seasonally adjusted, rose sharply from last June through last November and have leveled off in recent months.

The growth in member bank reserves resulted primarily from central bank actions—large net purchases of Government securities in the open market and the granting of permission to count vault cash as reserves. Reduction in member banks' indebtedness to Reserve Banks, and large net sales of gold by the Treasury during the fall of 1960 partially offset System actions. In recent months, the Treasury has purchased a modest amount of gold on balance.

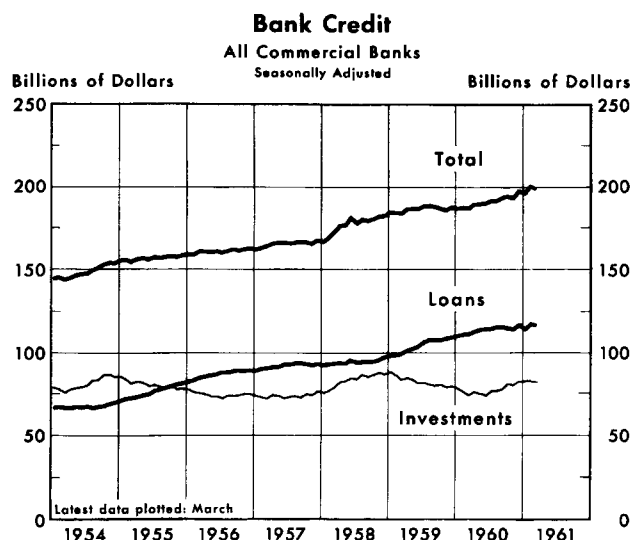
Bank Credit

With substantially more reserves available, banks were able to expand their loans and purchase securities as well as build up their excess reserve balances slightly. From the end of June 1960 to the end of March 1961, total loans and investments of all commercial banks (adjusted for seasonal influences) rose about \$9 billion, or at an annual rate of 6 per cent. Loans increased at an annual rate of 3 per cent, and investments at a rate of 13 per cent.

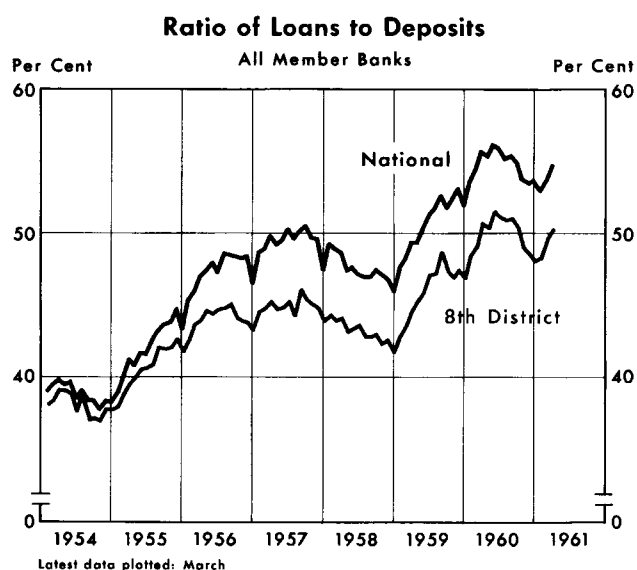
During the first quarter of 1961 total bank credit adjusted for seasonal influences expanded \$2 billion, as an increase in loans more than offset a decline in bank investments. In February and March banks decreased their holdings of securities by \$1.7 billion.



* Reserves of member banks adjusted for changes in the percentages of reserves required, sometimes referred to as "effective" reserves.



Changes in the composition of bank assets tend to follow a cyclical pattern. In periods of economic contraction, when loan demand is weak, banks increase their holdings of securities. As a result the liquidity position of banks improves, and the loan-to-deposit ratio falls (see Chart). In periods of boom, banks



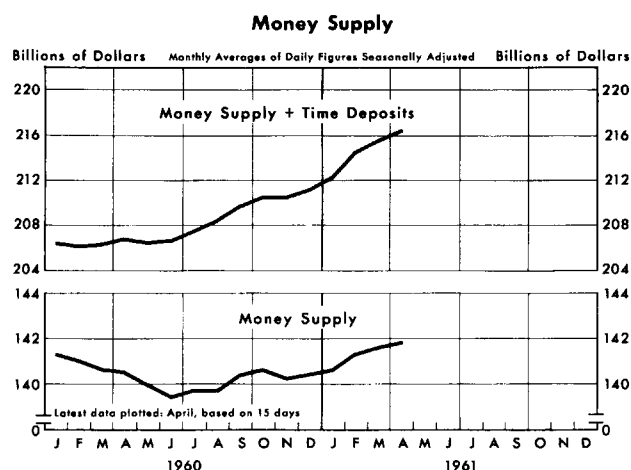
usually find it necessary to decrease their holdings of investments in order to satisfy strong demands for bank loans. As a consequence, bank liquidity diminishes and the loan-to-deposit ratio rises.

The usual pattern of bank behavior has been followed in the present cycle. From mid-1960 through January 1961 bank holdings of securities increased at a more rapid rate than bank loans or deposits. The loan-to-deposit ratio of member banks declined from 56 per cent to 53 per cent. More recently, banks

have sold securities on balance to meet loan demands, and by the end of March the loan-to-deposit ratio had increased to 54 per cent.

Money Supply

Reflecting the expansion in bank reserves and bank credit, commercial bank demand deposits and publicly held currency has been rising in recent months (see Chart). From the last half of June 1960 to the first



half of April this year the money supply (seasonally adjusted) rose at a 2.2 per cent annual rate. By comparison, in the ten years, 1951-1960, the average rate of expansion was about 2.0 per cent per year.

From last November to the first half of April this year the growth in the money supply was at an average annual rate of 3.6 per cent. In the June-November period last year the growth in the money supply was modest, but the gain contrasted markedly with a decrease from mid-1959 to mid-1960.

Money supply defined more inclusively to include time deposits has been rising quite sharply in recent months. From June 1960 to early April 1961, this measure of money (seasonally adjusted) rose at an annual rate of 6 per cent. In the four and a half months ending with the first half of April, money in this broader sense rose at an annual rate of 8.4 per cent. The only comparable increase in total deposits plus currency during the past decade occurred in the months from February to June 1958.

Short-term Government securities held by the non-bank public are also important liquidity instruments and, like time deposits, are close substitutes for money.¹ Reflecting a decline in the volume of short-

¹ See "Liquidity Developments in Three Business Cycles" in the April 1961 issue of this *Review*.

term Government securities (seasonally adjusted), the total of the money supply, time deposits, and short-term Government securities declined modestly from last June to last November. From last November to early April this year, however, this measure of the public's liquidity rose at an estimated rate of 7 per cent per year.

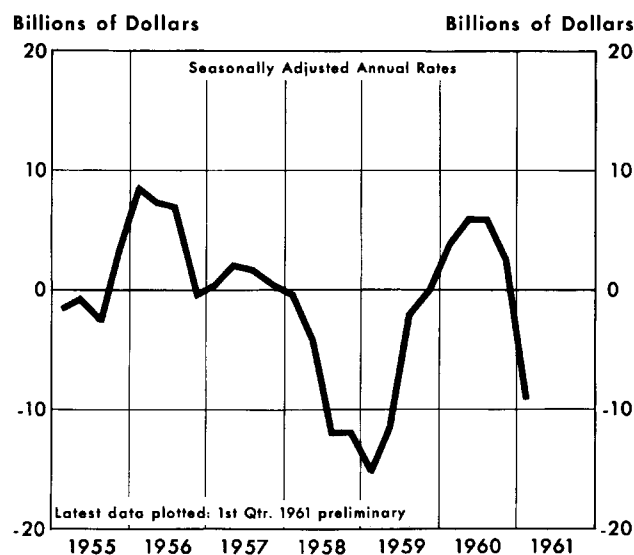
Fiscal Policy and Debt Management

The taxing, spending, and financing operations of the Federal Government have become somewhat more expansionary in recent months. Last year tax and other cash receipts of the Government exceeded expenditures, as shown in the accompanying chart, tending to reduce the demand for goods and services. Early this year a cash deficit replaced the surplus.

The cash deficit is estimated to have been about \$9 billion (seasonally adjusted annual rate) during the first quarter of 1961. The shift from a rather large surplus during the second and third quarters of 1960 to the recent deficit resulted chiefly from automatic decreases in receipts and increases in Government expenditures accompanying the decline in business activity last fall. The decline in receipts was due largely to a reduction in corporate profits. Increase in unemployment compensation and other transfer payments was a factor increasing the size of Government cash payments. Progressive change from a surplus to a smaller surplus and then to a deficit tends to increase total demand for goods and services.

Net Cash Receipts (+) and Payments (-)

U.S. Government

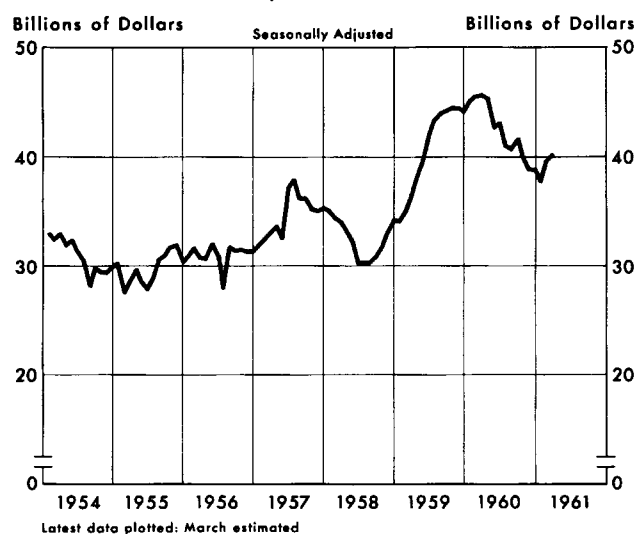


Source: Treasury Department and Bureau of the Budget.

Quarterly data on Government receipts from and payments to the public are now available on a seasonally adjusted basis.² In the past it has been difficult to distinguish between changes in the cash budget which were seasonal and those which were due to cyclical or other forces. Most receipt and expenditure items have pronounced seasonal patterns, and changes in laws and regulations cause new seasonal patterns to develop.

U.S. Government Securities Maturing Within One Year

Held by Nonbank Public



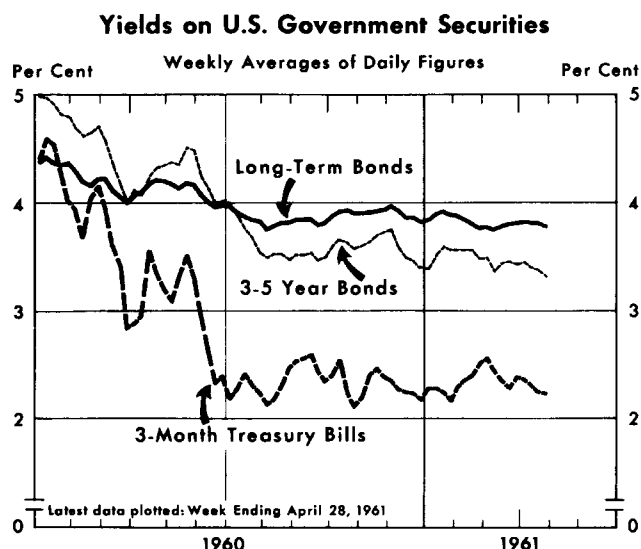
Recent debt management by the Federal Treasury has also been more expansionary than a few months earlier. Last year the volume of short-term Government securities in the hands of the nonbank public declined. This reduction reflected both the cash surplus and attempts by the Treasury to lengthen the average maturity of the Federal debt. During March and early April of this year the volume of short-term Federal debt held by the nonbank public (seasonally adjusted) expanded. About \$1.5 billion of September tax-anticipation bills were sold, and the Treasury increased somewhat its offerings of regular short-term bills.

Interest Rates

Interest rates on marketable securities have continued at about the same level in the first four months of 1961 as in the last five months of 1960. Yields on three-month Treasury bills remained between 2.20 per

² For a more complete discussion, see "Government Receipts and Payments, Seasonally Adjusted," *Federal Reserve Bulletin*, February 1961, pp. 137-39.

cent and 2.60 per cent (see Chart). Interest rates on 3-to-5 year Government securities declined moderately in March and April from a level above 3.50 per cent to roughly 3.30 per cent.



Interest rates on most longer term capital market issues have shown little net change in recent months. However, yields on municipal obligations rose in the first four months of 1961, reflecting in part a large volume of security offerings by state and local governments. It is estimated that \$3.0 billion of these securities were offered in the first four months of 1961 as against \$2.7 billion in the corresponding months last year. On the other hand mortgage rates declined about $\frac{1}{4}$ of 1 per cent from last December to April of this year.

Business Developments

Expenditures on goods and services during the first quarter of this year averaged somewhat lower than in the final quarter of 1960. A decline in consumer expenditures and a sharper rate of business inventory contraction were only partially offset by increases in Government expenditures and by an improvement in net exports.

Late in the first quarter, however, significant improvements in business activity developed. Industrial production strengthened slightly in March and April. Personal income, after declining for four consecutive months, turned up in March, with nearly half of the increase attributable to early payment of dividends to participants in the National Service Life Insurance program. Retail sales expanded in February and again in March, reversing a decline that had persisted since October of last year.

SELECTED FEDERAL RESERVE ACTIONS

Discount Rates on May 1, 1961. 3%

In effect since the August 12-September 9, 1960 period when rates were lowered from 3½%

Reserve Requirements on May 1, 1961

Bank Classification	Net Demand Deposits	Time Deposits
Central Reserve City	16½%	5%
Reserve City	16½	5
Country	12	5

In effect since December 1, 1960 when requirements were lowered from 17½% for Central Reserve City Banks.

Open Market Operations

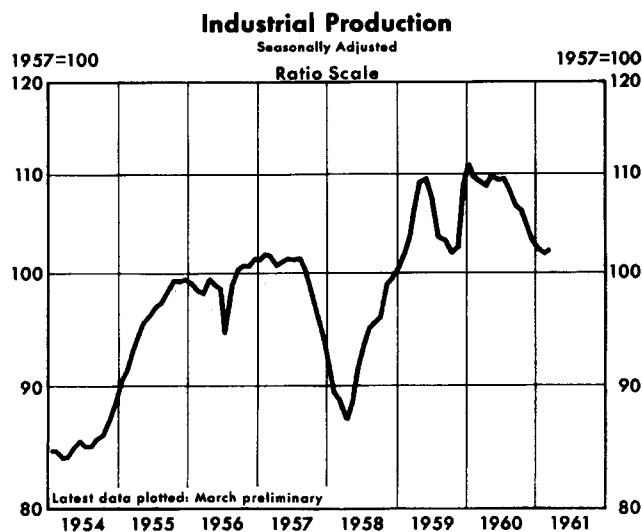
1961	Net Purchases (+) or Sales (-) Changes in Daily Average Figures (Millions of Dollars)	
	Actual	Seasonally Adjusted
January	- 306	+ 220
February	- 113	+ 480
March	+ 2p	+ 60p
April	- 155p	- 130p
Total	- 572	+ 630

p—Preliminary

Margin Requirements on May 1, 1961. 70%

In effect since July 28, 1960 when lowered from 90%.

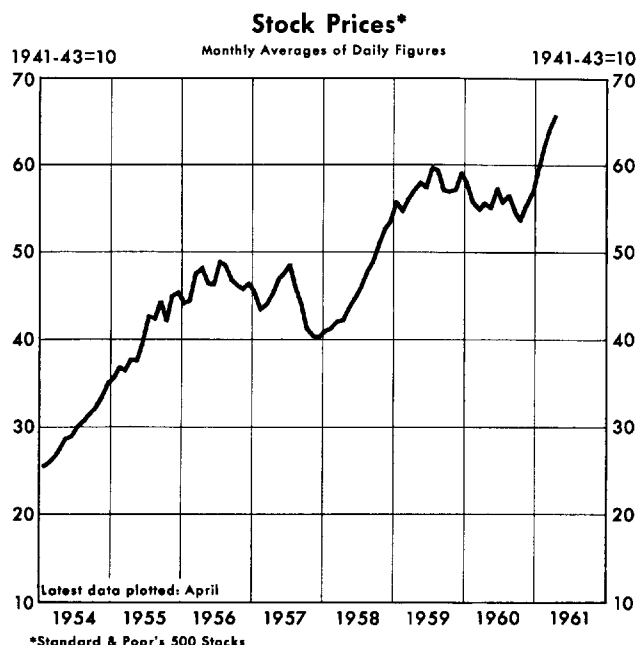
Business activity continued to show improvement in April. Steel production through the three weeks ended April 22 was up sharply over March, although well below the corresponding period in 1959 and 1960. Automobile production through the first three weeks in April was approximately 11 per cent over the average rate of the first quarter. The step-up in production schedules was preceded by substantial reduction in automobile inventories during the first quarter.



Source: Board of Governors of the Federal Reserve System.

Stock Prices and Corporate Profits

From the peak in business activity during the spring of 1960 through April 1961 average stock



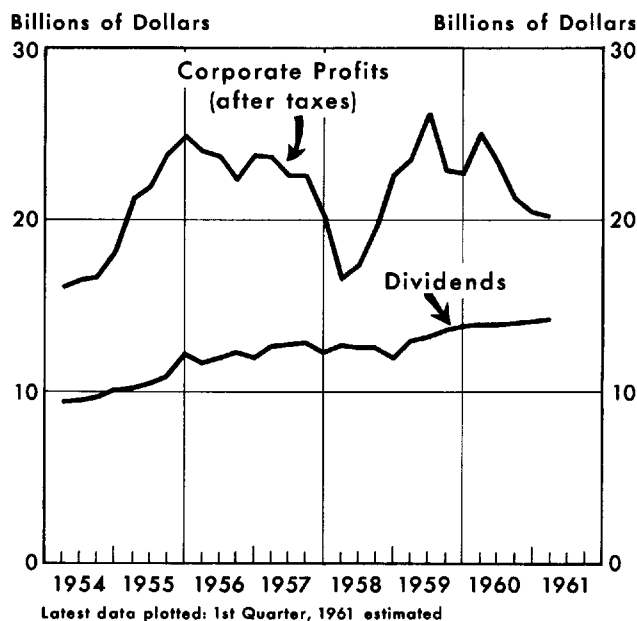
prices, as measured by Standard and Poor's 500 stock index, rose 18 per cent (see Chart). In contrast to the upward trend in stock prices, corporate profits, after taxes, registered a quarter-by-quarter decline during 1960, and in the fourth quarter of 1960 were about 22 per cent below the high reached in the second quarter of 1959 (see Chart). The decline in corporate profits probably continued in the first quarter of 1961.

During the recent business recession corporations have maintained dividend rates despite smaller profits. During 1960 and early 1961 dividend payments have held almost steady at a seasonally adjusted annual rate of approximately \$14 billion. Dividends were fractionally higher during the first quarter of 1961 than during the first quarter of 1960.

The dividend policy of many corporations during the recent recession has been to maintain a constant rate of dividend payments in the face of fluctuating profits. To accomplish this policy corporations retain more of their earnings during periods of prosperity and retain less (or even draw upon undivided profits of previous periods) during adverse times. This policy tends to stabilize personal income and consumer demand.

Corporate Profits and Dividends

Seasonally Adjusted at Annual Rates



Source: United States Department of Commerce.

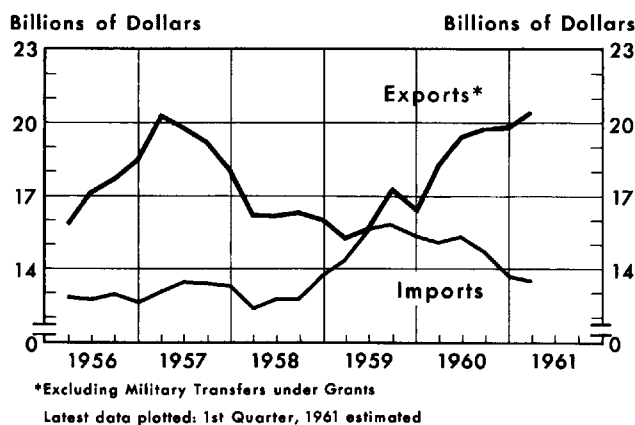
International Developments

International financial developments during the first four months of this year have placed the United States in a stronger position to meet the challenge of balance-of-payments deficits. The conditions which stimulated the unusually heavy outflow of short-term capital from the United States during the last half of 1960 were not so prominent during early 1961.

Preliminary indications for the first four months of 1961 point to continued strength in U. S. exports and

U.S. Merchandise Exports & Imports

Seasonally Adjusted at Annual Rates



Source: United States Department of Commerce.

a merchandise surplus equal to, if not greater than, the \$6 billion annual rate attained in the fourth quarter of 1960. More important, the speculative ele-

ments in the deterioration of the U. S. payments position during the fall of last year have subsided, although there were some movements of volatile capital following revaluation of the mark and the guilder.

In 1960, after the June increases in short-term interest rates in Germany and the United Kingdom and the decline in U. S. rates, there were strong incentives to transfer funds from the United States to other countries. In the second half of 1960 short-term rates in the United Kingdom generally exceeded those in the United States by more than one percentage point after allowing for the cost of covering the exchange risk.

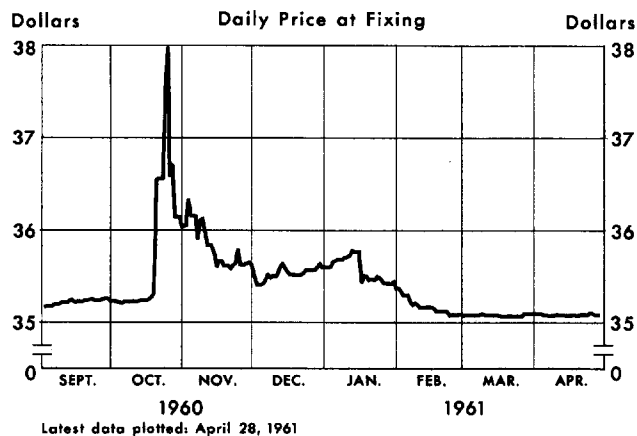
So far this year the net incentive to hold foreign treasury bills has diminished sharply. This reflected in part the firming of the short-term U. S. rate and an increasing discount on three-months sterling exchange, as well as a falling short-term rate in Germany.

The fourth quarter of 1960 and the first quarter of 1961 were marked by large movements of funds induced by anticipation of currency revaluation or devaluation. These capital movements appear to have subsided. The United States in early 1961 reaffirmed its determination to maintain the dollar's fixed relationship to gold. In March, West Germany and the Netherlands announced a 5 per cent upward revaluation of the mark and the guilder. Following these currency revaluations, there were substantial capital outflows from London into European centers, particularly Germany, Switzerland, and France, as further currency changes were anticipated. Great Britain was faced with the problem of capital outflows induced by rumors that the pound sterling was to be devalued. An agreement announced on March 13 by European central banks for close cooperation in the exchange markets reduced the pressure on British reserves. The firm stand taken by the United States with respect to the dollar and the promise of cooperative action among European central bankers to defend particular currencies has done much to reduce speculative pressures on the United States and the British balance of payments.

In the fourth quarter of 1960 a strong private demand for gold developed in the London bullion market. This upsurge in private demand reflected hoarding propensities generated by political crises and war rumors, and speculation with respect to the official value of gold. The price of gold bullion in London reached an official high of \$38 an ounce in October, and some trading took place at prices of about \$40 an ounce. Foreign central banks sold some of their gold reserves to meet the strong private demands.

These actions in turn put additional pressure on U. S. gold holdings as foreign central banks replenished their gold reserves.

Price of Gold on the London Market

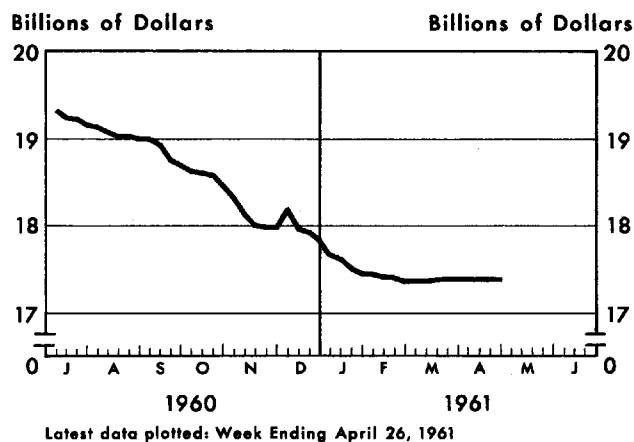


Source: Federal Reserve Bank of New York.

In the first four months of 1961 the private demand for gold has subsided. Since February of this year, the London gold bullion price has averaged slightly lower than the U. S. Treasury selling price of \$35.0875.

In recent months the flow of gold out of the United States has ceased. In March and the first three weeks of April the U. S. Treasury gold stock increased \$19 million. By contrast in the last half of 1960 transfers of gold to foreign ownership amounted to \$1.5 billion with \$900 million transferred in the fourth quarter.

U. S. Treasury Gold Stock



The ending of the rapid outflow of gold from the United States reinforces the impression that speculative threats to our balance of payments have been reduced, although it does not mean that the problem of the deficit has been removed.

(Continued on page 12)

Farm Prices and Income

During the Recent Business Decline

FARM COMMODITY PRICES and cash receipts from farm commodity sales moved counter to other segments of the economy during the recent downtrend in business activity. Farm prices were about 5 per cent greater in February of this year than in January of 1960, the peak of general business activity as measured by the industrial production index. The index of industrial production is used to indicate the trend of business activity in this article because the index is available on a monthly basis and permits the calculation of rates of change. Cash receipts from farm commodity sales, seasonally adjusted, rose about 13 per cent in the period. Nonfarm output of mines and factories during the same period declined 8 per cent and unemployment rose from 5.3 to 6.8 per cent of the labor force.

Agriculture also moved counter to general business conditions in the preceding recession (1957-58). In the two earlier declines since the end of the war (1948-49 and 1953-54), farm prices and receipts declined with nonfarm output in the first and held about steady in the second.

Failure of agriculture to parallel the trends in general business conditions can generally be traced to changes in the quantity of farm commodities produced. Domestic consumer demand for farm commodities apparently continued to increase at about the same rate as population growth in both recession and recovery periods. Government price-support programs also contributed to the strength in farm prices and the level of farm receipts during much of the postwar period.

Agriculture in Post-World War II Recessions

In January 1960, the beginning of the recent industrial production decline, farm prices and receipts were low compared to levels of the preceding two years (Chart 1). Prices received for farm commodities were about 8 per cent less than the average for 1958, and 4 per cent below the average for 1959. Cash receipts from farm commodity marketings of \$2.67

billion, seasonally adjusted, were also below levels of most months in the previous two years.¹

Both farm prices and receipts have increased substantially from January 1960 levels, while nonfarm output as measured by the industrial production index had declined about 8 per cent by February of this year. Farm prices in February averaged about 5 per cent above January 1960 levels and higher than in any of the intervening months. Cash farm receipts of \$3.0 billion in February of this year (preliminary data seasonally adjusted) were about \$350 million above January 1960 levels and the second highest for any month in recent years.

An upward movement in farm prices and receipts was also evident during the industrial output decline of February 1957 to April 1958 (Chart 1). Farm prices were again relatively low when industrial production was at a peak in February 1957, below the annual average for 1956, 1957, or 1958. Receipts of \$2.5 billion about equaled the monthly average for the previous year. Receipts declined in August and September with the later than normal harvest of crops but rose substantially near the end of the year while nonfarm output was in its steepest decline. Over the entire period industrial output declined 15 per cent while farm prices rose 12 per cent and cash farm receipts rose 13 per cent.

In the July 1953-March 1954 business downtrend little change occurred in the level of prices received by farmers. Cash receipts from farming rose in the early months of the downtrend, but such receipts were declining as industrial output leveled out. On balance during the period farm prices declined 1 per cent and farm receipts rose 2 per cent, while industrial production declined 10 per cent.

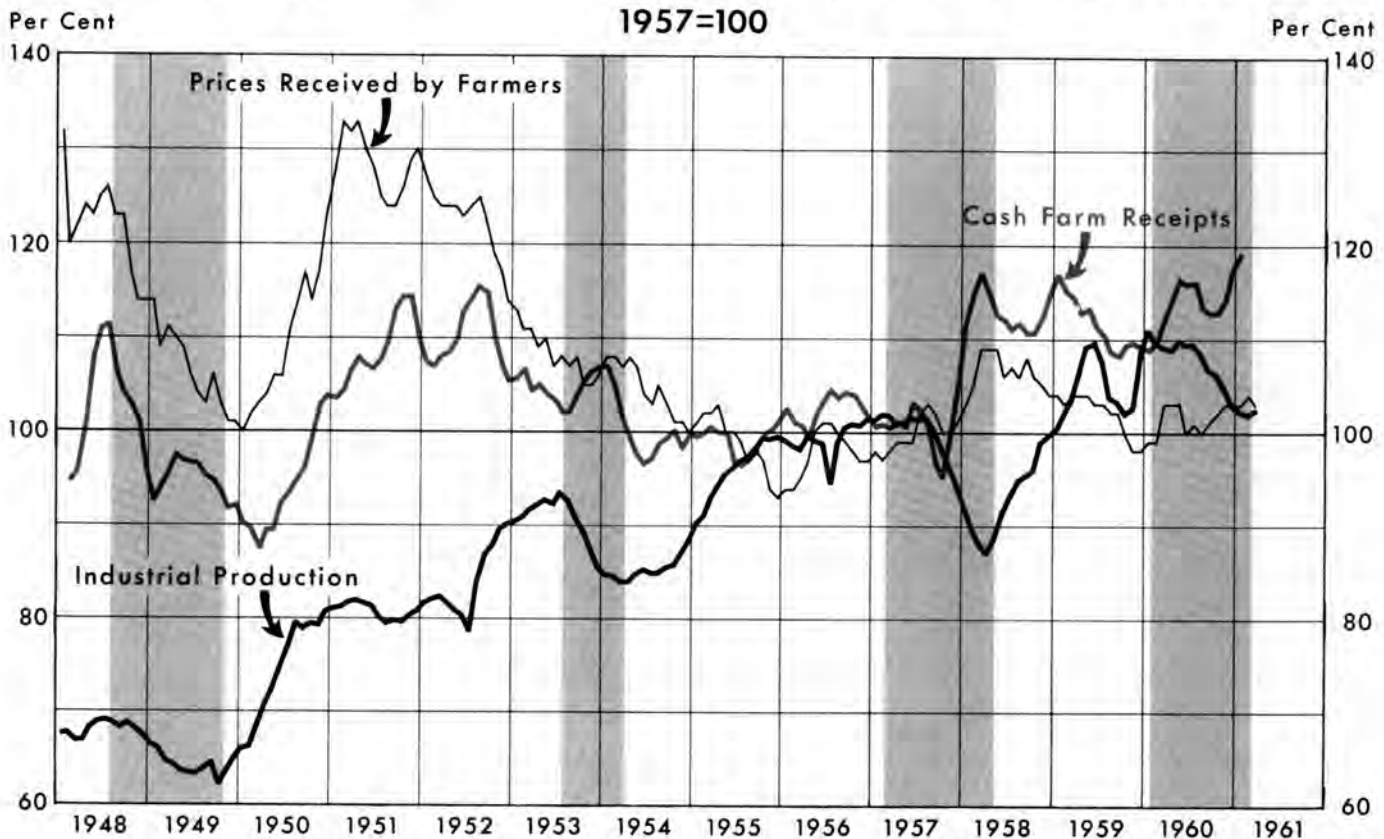
In contrast to the more recent recessions farm prices and income declined more than activity in the nonfarm sector in the July 1948-October 1949 downtrend. Industrial production declined 10 per cent in this period whereas prices received by farmers dropped 19 per cent and cash receipts from farming were down 18 per cent.

The behavior of farm prices and income in this recession more nearly approached the expectations

¹ United States Department of Agriculture data seasonally adjusted by the Federal Reserve Bank of St. Louis.

Chart 1

Cash Farm Receipts, Prices Received by Farmers and Industrial Production



Shading indicates periods of major postwar decline in industrial production. *Industrial Production*—seasonally adjusted. Latest data plotted: March, preliminary. *Source*: Board of Governors of the Federal Reserve System.

Cash Farm Receipts—three-month moving average of seasonally adjusted data. Seasonal adjustments by the Federal Reserve Bank of St. Louis. Latest data plotted: January, which includes February data. *Prices Received by Farmers*—15th of the month. Latest data plotted: March. *Source*: United States Department of Agriculture.

of students of agriculture. Possibly as a carryover from the more severe business downtrends of pre-World War II, some assumed that a decline in non-farm activity would be reflected in both greater farm commodity supplies and reduced demand for farm products. Many nonfarm workers who were laid off in the early thirties returned to agriculture, tending to increase the already ample supplies of farm commodities and further depress prices. Loss of income from such layoffs also reduced the demand for farm commodities. Quantity of food consumed per capita, for example, declined more than four per cent from 1930 to 1935.²

The Impact of Postwar Recessions on Agriculture

Apparently the chief explanation for the failure of agriculture to parallel general business activity in recent recessions lies in changes in amounts of agri-

² United States Department of Agriculture data.

cultural production. The timing of farm output relative to general business conditions has been fortuitous.

Farm commodity output does not parallel the trend in output from nonfarm sectors of the economy in the typically short business cycles of postwar years. The necessity for making decisions regarding the volume of farm commodity output well ahead of the time such output will be marketed precludes altering production in response to change in price over short periods of time.

For example, decisions with respect to the number of acres planted to crops for autumn harvesting are made prior to the spring planting season, often six months or more before the harvest. Also weather and other unforeseen factors may influence yields and total output after crops have been planted.

Decisions as to volume of most livestock products marketed are also made several months ahead of such marketing. In the case of hogs, the number of female stock to be retained for farrowing must be de-

terminated 10 to 12 months or more before the offspring is marketed and only limited changes in total marketings can be made economically after farrowing. It is generally believed that decisions relative to the level of hog production in the near future are based on current cost and price relationships and that most cycles are inherent in the industry rather than responses to outside influences. Decisions relative to cattle marketings must also be made several months ahead of the actual marketings and decisions relative to total marketings plus herd size must be made more than a year in advance of marketings.

In contrast, output of most nonfarm products may be changed quickly once the decision is made that market demand has changed.

Supplies of Farm Commodities in the Business Recessions

When gains in farm commodity prices have occurred in postwar business recessions they generally can be traced to reduced per capita supplies of major farm commodities. Price increases more than offset the reduced supplies, resulting in increased farm receipts. Gains in cash farm receipts in other instances can be traced to an increase in output of price-supported commodities.

In the recent business downturn, hog slaughter declined from year-ago levels and pork prices were substantially higher. Milk production per person in February was slightly below year-ago levels. Six per cent fewer eggs were produced in February than in the same month a year earlier. Winter vegetable production in 1960-61 was also down about six per cent from year-ago levels. Output of citrus fruits was down slightly. Higher prices more than offset the declines in per capita output of the above commodities, and cash income rose.

The increased cash receipts from farm commodity sales in the 1957-58 recession resulted from increased volume of Government price-supported crops marketed and reduced supplies of nonsupported livestock products and vegetable crops. A large part of the increased crop receipts reflected the heavy carryover of 1957-crop corn and cotton beyond the first of the year. Prices of these crops were supported by Government programs, and the increased marketings, having little impact on prices, brought greater returns. Cash receipts from meat animals, poultry, and eggs were also up substantially, as a decline in volume of livestock products marketed was more than offset by higher prices.

The fact that cash farm receipts failed to decline in the 1953-54 recession can be traced to large supplies of price-supported crops. The increased marketings occurred in the last five months of 1953, while the downward movement in industrial output was greatest. After nonfarm output leveled out in early 1954 cash farm receipts declined substantially, reaching a near postwar low by midyear. Since the data are adjusted for normal seasonal variations in marketings, the heavier than normal volume of price-supported crops marketed in late 1953 pushed cash receipts higher than average for these months. The post-World War II record cotton crop of 16.5 million bales was a major factor. A near postwar record spring wheat crop was also being marketed. In each instance the size of the crop was not reflected in price as the surplus (amounts which the market would not take at supported price levels) was taken by the Government. Unusually large quantities of cotton, corn, and wheat moved into the loan program.

Cash receipts from farm commodity sales generally declined with nonfarm business activity in the 1948-49 recession. Again, however the decline was probably caused by changes in supplies rather than a reduction in demand. Receipts from livestock and livestock products were down about 12 per cent. Output of such commodities was up, and depressed prices more than offset the greater output. Crop production was down somewhat and so were cash receipts. The very large crop in the previous year depressed average prices below early-1948 levels throughout most of the recession.

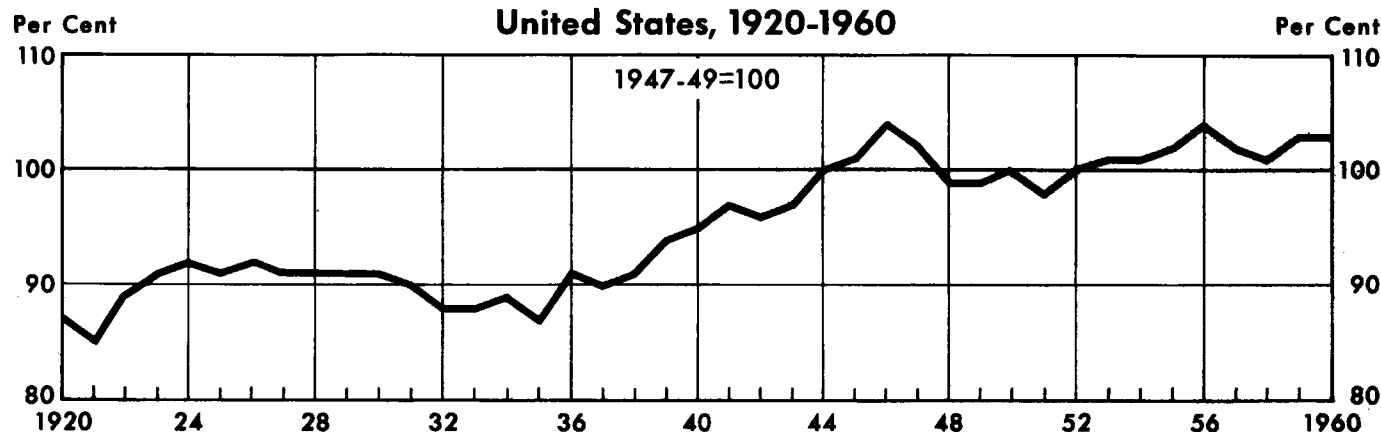
Postwar Demand for Farm Products

Demand for farm commodities in the postwar years may be subdivided into three categories, foreign or export demand, Government demand in price-support operations, and nongovernment domestic demand. The nongovernment domestic demand still provides the major market for farm products; nevertheless purchases by the Government through price-support programs are an important factor in maintaining domestic price levels and cash receipts. Government demand is also an important factor in maintaining exports under the various export subsidy programs.

Since Government demand is implemented by a constant support price in any given year, it may be looked upon as constantly shifting with changes in output of crops supported. Government purchases under the price-support programs shift sufficiently with output changes to provide the same price regard-

Chart 2

Index of Per Capita Food Consumption United States, 1920-1960



Derived from data on per capita consumption of individual foods, using estimates of retail weights multiplied by average retail prices in 1947-49. Civilian consumption only, 1941 to date.
Source: United States Department of Agriculture.

less of the amount offered by producers. Cash receipts from supported crops vary directly with the level of output.

The demand for farm commodities not affected by Government price supports is such that increased supplies generally produce less income. The decline in prices more than offsets the greater volume marketed. On the other hand, when supplies decline, total receipts generally increase.

In the postwar period most of the major storable crops have at times been affected by Government price support programs. On the other hand, most livestock commodities and perishable crops such as vegetables and fruits have been marketed under relatively free market conditions.

Nongovernment Domestic Demand for Farm Products

Nongovernment domestic demand for farm commodities apparently grew at about the same rate as population in the postwar recessions. Per capita consumption of food in both the 1949 and 1954 recession years remained at the previous year's level. In 1958 per capita consumption declined only one per cent from the 1957 level despite reduced output of many food commodities and a 4 per cent increase in food prices (Chart 2).

Throughout the postwar years food consumption per capita has been maintained at a level 10 to 15 per cent higher than in the 1920's and early 1930's. In the years 1910-14 per capita consumption of food was 88 per cent of the base period (1947-49 aver-

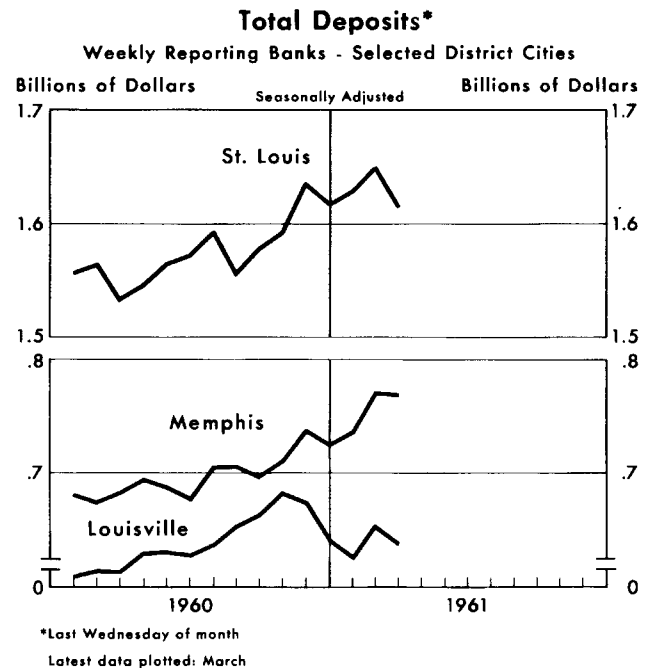
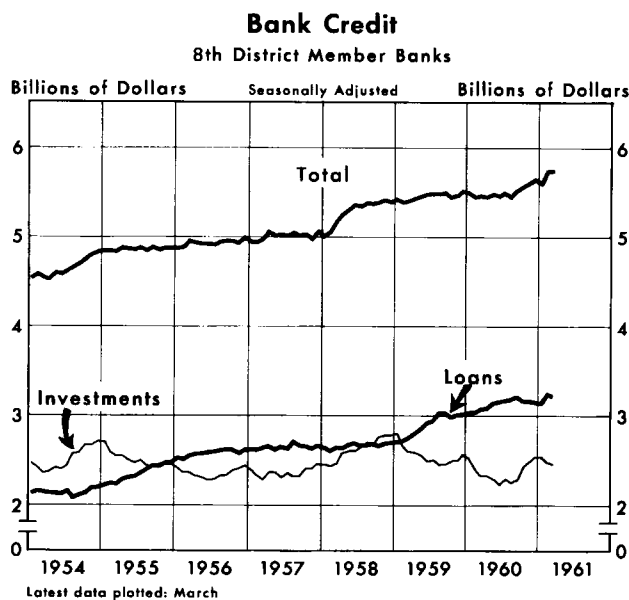
age = 100). Consumption moved up somewhat following the close of World War I and was maintained at 91 to 92 per cent of the base average from 1923 through 1930. Per capita consumption declined about 3 per cent in the early depression years but began to rise again about the middle of the 1930's and at the beginning of World War II had surpassed previous peaks, reaching 97 per cent of the 1947-49 average. By 1944 consumption per capita had reached the 1947-49 average and remained at about this level through 1960, with a low of 98 per cent of the base period in 1951 and peaks of 104 in 1946 and 1956.

Apparently, most appetites for food in the nation have been better satisfied throughout the post-World War II period than at any other time in history. The volume of food consumption per capita has not surpassed the 1946 total despite a substantial increase in real income per person in subsequent years, indicating that most individuals have been adequately supplied. Abundant food supplies have been available throughout most of these years at reasonable prices.

The fact that consumption failed to decline in recession years indicates that few additional unsatisfied desires for more food existed during these periods. One may conclude that we have probably passed the stage where more food production means appreciably more food for the hungry within this country. Apparently the nation has reached a level of consumption where the basic desire for food by most consumers has been met and any belt-tightening that occurs in recession periods is confined primarily to purchases of nonfood commodities and services.

District Banking Developments

Banking developments in the Eighth Federal Reserve District from the end of December 1960 through April 19, 1961 were generally expansionary. From the end of December to the end of March, total deposits at Eighth District member banks, adjusted for seasonal influences, rose at an annual rate of 4 per cent, but decreased 1 per cent during March. Time deposits rose markedly in most sections of the district during the first quarter, more than offsetting declines in demand deposits. A contraction in demand balances occurred in Louisville, in St. Louis, and in many of the smaller district cities. Memphis banks had an increase in these accounts. During the first quarter of



the year, total bank credit in the district, seasonally adjusted, rose at an annual rate of 7.6 per cent.

In the first three weeks of April, total deposits, seasonally adjusted, increased slightly at weekly reporting banks in the district. A reduction in demand deposits of Federal, state, and local governments was more than offset by increases in other types of demand balances and time accounts. Total loans, seasonally adjusted, declined, but investments rose. The loan contraction occurred primarily in commercial and industrial loans at Memphis banks and in "other," including consumer, loans at St. Louis banks.



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