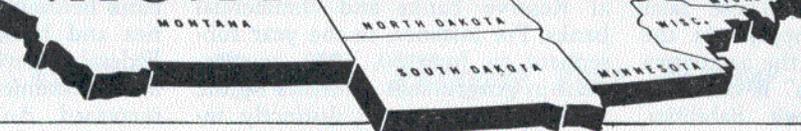




MONTHLY REVIEW



9th DISTRICT
AGRICULTURAL AND BUSINESS CONDITIONS

Vol. 10

OCTOBER 31, 1951

Serial No. 22

BANKING

Taxes, Savings Are Keys to Stability

THE record peacetime quarterly deficit of \$2.6 billion reported by the Treasury for the first three months of the new fiscal year (ending June 30, 1952) points up once again the problems associated with large scale deficit finance. Not since 1945 has the Treasury been faced with such a large deficit.

The joint committee on the Economic Report estimated in August that under then existing legislation budget expenditures would exceed receipts by \$7 billion.

On October 20 President Truman signed a tax bill designed to add \$5.6 billion to Treasury revenue over a 12-month period. The joint committee's estimated deficit will be reduced by a lesser amount, since four months have already elapsed in the present fiscal year.

The prospect for continued Treasury deficits raises some questions with regard to the relative desirability of alternative methods of Treasury finance. Basically, there are three sources of Treasury revenue:

- (1) Receipts from taxes;
- (2) Receipts from sale of securities to nonbank investors;
- (3) Receipts from sale of securities to the banking system.

Inflation being the chief economic problem in America today, it seems appropriate to consider the alternative methods of Treasury finance with a view to appraising the inflationary consequences of each.

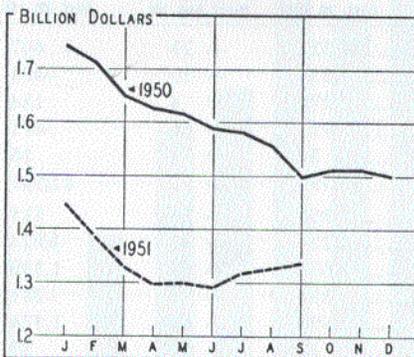
Although popularly thought of simply as rising prices, inflation in the technical sense refers to an increase in the level and use of the money supply relative to the stock of goods and services available for pur-

chase (by government, business, consumers, and the rest of the world); this being the case they are inflationary to the extent that various methods of government finance increase the money supply or decrease the stock of goods and services.

Receipts from taxes: Taxes do not add to the money supply; they only change the ownership of money already in existence. Taxes are inflationary only to the extent that high tax rates discourage production that otherwise would have occurred (including the decline in the value of production arising from the misallocation of resources by businessmen in an effort to reduce excess profits tax liability). It is possible that taxes even encourage production by people anxious to maintain "take home pay."

- ▶ **Two sources of revenue afford least inflationary mechanism for diverting goods and services to military.**
- ▶ **Civilian economy must temporarily forego consumption of goods at pre-Korean rate.**
- ▶ **Treasury reports record peacetime deficit for first quarter of 1952.**
- ▶ **Wartime level of taxation not yet reached.**

GOVERNMENT SECURITY HOLDINGS OF 9TH DISTRICT MEMBER BANKS, 1950 AND 1951



LIQUIDATION of government securities at Ninth district member banks, which had continued throughout 1950 and early 1951, halted in March when government securities declined to less than par. (See Banking Developments, Page 223.)

In the final year of World War II, net* federal tax receipts amounted to 21% of total production in the economy. A return to this level of taxation calls for an increase of approximately \$3 billion in federal taxes.

Receipts from sale of securities to nonbank investors: The purchase of government securities out of savings, either directly or through savings institutions such as insurance companies, savings banks, etc., is not inflationary. The money supply is not increased (only ownership changed), nor is there any destruction of incentive to produce.

Conceivably, in the long run, the flow of savings to government rather than to business for the improvement of plant might cause the productivity of labor to improve less rapidly, but this is a remote consideration. Granting a constant money supply, it means only that there would be less deflation than otherwise.

Receipts from sale of securities to the banking system: The sale of

*Exclude appropriations to trust funds and refunds.

securities to the banking system is of course inflationary. These sales add to the money supply. At the banks, the increase in the asset item "government securities" is offset by an increase in deposit liabilities, which deposits constitute most of the money supply.

Also of great importance is the distribution of government securities within the banking system—distri-

bution, that is, with respect to Federal Reserve banks and commercial banks. For instance, in the year subsequent to June 30, 1950, transactions in government securities by the banking system were distinctly inflationary in spite of the fact that, on balance, government securities were shifted out of the banks.

The reason for this apparently paradoxical situation lies in the re-

lationship between Federal Reserve bank holdings of government securities and bank reserves. When the Federal Reserve banks buy governments, commercial bank reserves are increased. An addition to bank reserves permits an expansion in commercial bank credit (loans and investments) between four and five times as great as the increase in reserves.

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Receipts from Agriculture Swell Ninth District Bank Deposits

Deposits at Ninth district member banks increased faster in September than in any other month this year. This to a large extent reflects the seasonal increase in cash farm income arising from the marketing of agricultural commodities. Department of Agriculture estimates indicate that Ninth district farm income reaches the peak for the year in September and October. In contrast, a seasonal decline in Ninth district bank deposits occurs in the early part of the year as farmers withdraw deposits in order to finance crop production.

Demand and time deposits increased \$67 million and \$2 million

respectively. Most of the increase in demand deposits occurred at country banks, whereas the addition to time deposits was evenly divided between city and country banks.

Government security holdings in the aggregate were increased during September at Ninth district member banks. While country banks added \$12 million to their holdings, city (weekly reporting) banks liquidated \$2 million in governments.

Permitting a substantial increase in all types of assets at country banks was a large inflow of deposits. At the city banks, a lesser increase in

deposits together with considerable borrowing provided funds for an expansion of loans and an addition to balances at other banks.

The loan breakdown for the city banks indicates that the increase in loans represents an addition of \$16 million to the commercial, industrial, and agricultural type of credit. This was only partially offset by a decline of \$7 million in other (largely consumer) types of loans.

Borrowing by banks, all of which were city banks, was at \$37 million at the end of September, up \$24 million from the end of August. Credit extended to banks in the form of discounts and advances at the Federal Reserve Bank of Minneapolis increased \$15 million during the period.

END

Assets and Liabilities of Member Banks in the Ninth Federal Reserve District
(In Millions of Dollars)

ITEM	All Member Banks		City Banks (weekly reporting)		Country Banks (non-weekly reporting)	
	Sept. 26, 1951	Change Since Aug. 29	Sept. 26, 1951	Change Since Aug. 29	Sept. 26, 1951	Change Since Aug. 29
Loans and Discounts.....	\$1,222	+ 23	\$ 607	+ 8	\$ 615	+ 15
U. S. Government Obligations.....	1,335	+ 10	493	- 2	842	+ 12
Other Securities.....	278	+ 4	134	+ 2	144	+ 2
Cash and Due from Banks.....	927	+ 56	491	+ 42	436	+ 14
Other Assets	34	- 1	16	- 1	18
Total Assets	\$3,796	+ 92	\$1,741	+ 49	\$2,055	+ 43
Due to Banks.....	366	+ 25	315	+ 17	51	+ 8
Other Demand Deposits.....	2,234	+ 42	1,024	+ 6	1,210	+ 36
Total Demand Deposits.....	2,600	+ 67	1,339	+ 23	1,261	+ 44
Time Deposits.....	896	+ 2	235	+ 1	661	+ 1
Total Deposits.....	3,496	+ 69	1,574	+ 24	1,922	+ 45
Borrowings.....	37	+ 24	37	+ 25	- 1
Other Liabilities.....	29	21	+ 1	8	- 1
Capital Funds.....	234	- 1	109	- 1	125
Total Liabilities and Capital Accounts.....	\$3,796	+ 92	\$1,741	+ 49	\$2,055	+ 43

Reporting bank data are from balance sheets submitted weekly. Non-reporting bank data are in part estimated. Data on loans and discounts, U. S. government obligations, and other securities are obtained by reports directly from the member banks.

Balances with domestic banks, cash items, and data on deposits are largely taken from semi-monthly reports which member banks make to the Federal Reserve bank for the purpose of computing reserves.

Reserve balances and data on borrowings

from the Federal Reserve banks are taken directly from the books of the Federal Reserve bank. Data on other borrowings are estimated. Capital funds, other assets, and the other liabilities are extrapolated from call report data.

AGRICULTURE

Damaged Grain Spoils Hope for New Records

ALTHOUGH unusual weather conditions have made 1951 a difficult year for Ninth district farmers, the farm income picture is a favorable one.

Over-all grain production appears to be near a record, and if it were not for price discounts because of poorer grain quality, farmers' cash income might approach the all-time record of 1948. Actually, they will handle substantially more cash this year than in 1950.

Responsible for these favorable prospects are larger crop production, increased livestock production, and higher prices for farm products.

With regard to the weather this season, there was so much snow and rain last spring that farmers got off to a late start with much of their seeding. Later, the cool nights were not conducive to best corn development.

The most unusual weather phenomena, however, occurred in late summer and late fall, starting in the first week of August and lasting until the heavy frosts in early October.

Weather over much of the district may be described as follows: Temperatures were below normal. Drenching rains of record-breaking proportions occurred in many areas. Heavy and continuous clouds obscured the sun for days at a time. The number of cloudy days during August in the Minneapolis area was a record. Hail damage was severe in many areas. Relative humidity was extremely high, heavy dews were the rule morning after morning, making it difficult for combines to get in the field.

Harvesting Was Delayed

All this added up to one of the most difficult and frustrating harvesting periods many in the Ninth district had ever experienced. Farmers have found it discouraging to have a big crop of small grain practically in the bin and then see its quality partially ruined as it stood in the shock, lay in the swath, or even

stood ripe in the field. Reports were received of standing grain sprouted in the head—the wet hulls acting as a blotter.

Farmers of North Dakota and northwest Minnesota were hit hardest by the inclement weather conditions. Probably two-thirds or more of small grain in this area was swathed or ricked this year. After swathing, much of the grain lay on the ground for weeks before it could be picked up and threshed.

As a result, much of this grain coming to market in recent weeks shows heavy sprout damage, discoloration, and high moisture content. Price discounts on such grain, particularly durum wheat and malting barley, have been heavy. Only the existence of a strong regional cash and futures market at Minneapolis and at other marketing centers has prevented more serious price discounts.

▶ **Total grain production near record, but inclement weather causes deterioration in quality.**

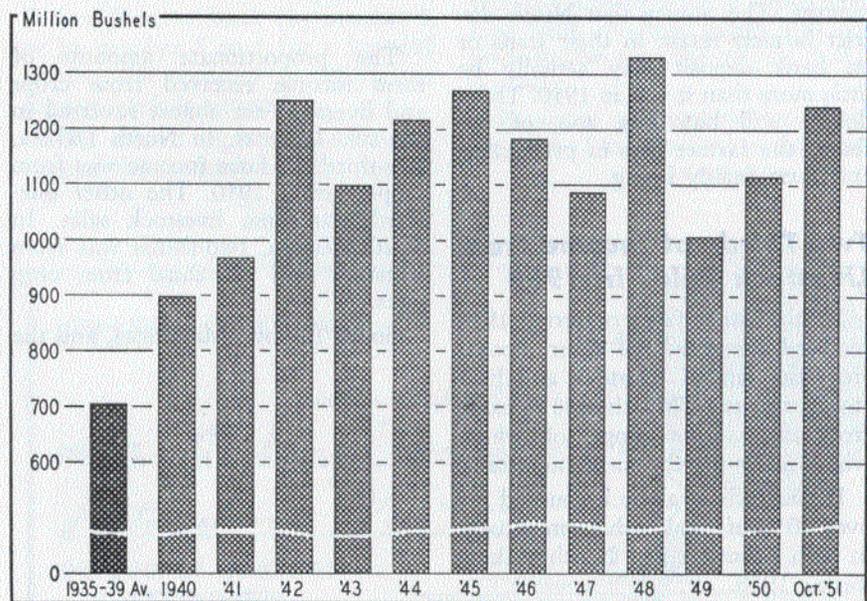
▶ **Large crops, more livestock, and higher prices boost cash income to near-record levels.**

▶ **Two-thirds of district cash farm income during 1950 came from sale of livestock and livestock products; only one-third from crops.**

Grain Production Near Record

It has also been a difficult season for growing corn. The spring was late and the soil was wet from excessive snows last winter and spring. The growing season was unusually cool, especially the nights. Fortunately the frost held off until late September, but there are many fields

TOTAL GRAIN PRODUCTION IN FOUR NORTHWEST STATES, 1935-1951*



THE TOTAL quantity of all grains produced in the Ninth district this year will be the largest since 1948, and the fourth largest crop production on record.

* Minnesota, Montana, North Dakota, and South Dakota. Source: USDA—Crop Production.

where the corn is only partially mature. Current guesses are that from 20% to 30% of 1951 corn in Minnesota and South Dakota may be of inferior quality.

In spite of deterioration in quality of small grain and corn in the district during August and September, over-all production will be near a record, according to the October government crop estimate. Wheat and oats production particularly are large compared with 1950. Corn production also is estimated larger than last year by over 40 million bushels.

Large crops, as well as increased livestock production and higher prices for farm products, undoubtedly will mean a high level of farm income.

For the first half of 1951, cash farm income probably will be approximately a fourth higher compared with the first half of last year. Complete data for the last half of the year will not be available for several months, but if it were not for price discounts because of poorer grain quality, farmers' cash income might approach the all-time record reached during 1948.

Farmers will handle substantially more cash this year compared with 1950, but the costs of farming have also risen substantially in recent months. The money that Ninth district farmers retain in their jeans or on bank deposit may actually be little more than it was in 1950. These dollars will buy less, too, of the things the farmer uses in production and farm family living.

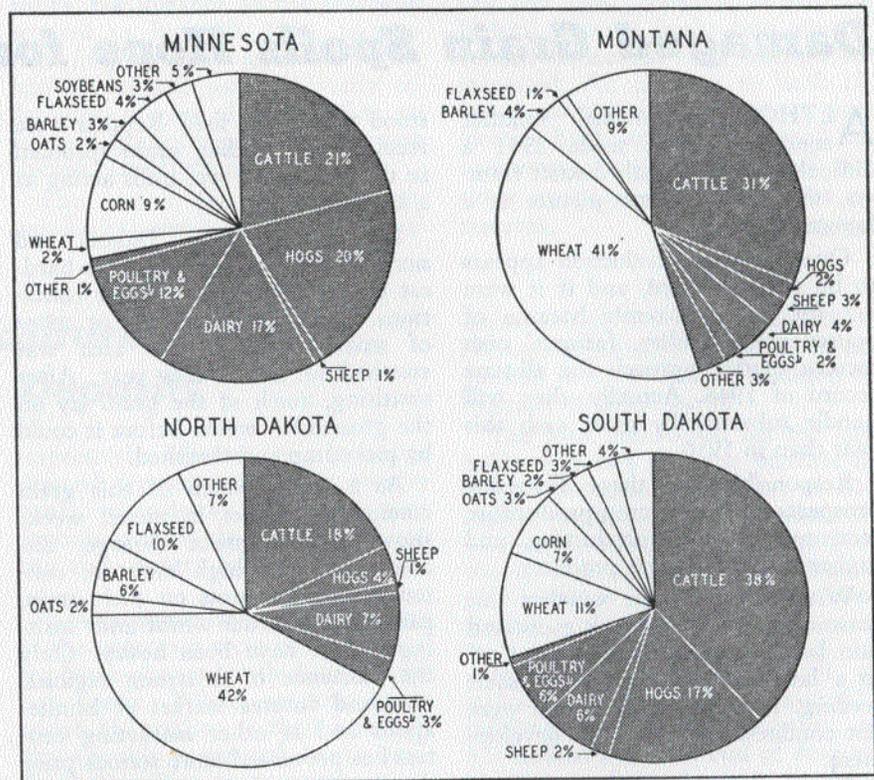
Two-Thirds of Income from Livestock Sales in 1950

Ninth district farmers during 1950 received two-thirds of their income from the sale of livestock and livestock products. The other 33% came from the sale of crops, of which wheat is by far the most important.

In fact, wheat alone accounted for over 40% of total cash farm income in both Montana and North Dakota during 1950.

A graphical presentation of important sources of cash farm income by district states is given by the accompanying pie chart.

PROPORTION OF CASH FARM INCOME DERIVED FROM VARIOUS FARM PRODUCTS IN NINTH DISTRICT STATES, 1950



APPROXIMATELY two-thirds of district cash farm income is derived from the sale of livestock and livestock products. Farm income from crops is more important in the states of Montana and North Dakota.

Source: "Farm Income Situation," June 1951.

The proportionate amounts of farm income received from crops and livestock are almost reversed in the two Dakotas. In North Dakota, two-thirds of farm income was from crops during 1950. The other one-third was from livestock sales. In South Dakota, two-thirds was from livestock and one-third from crop sales.

South Dakota, Minnesota, and the

Ninth district section of Wisconsin and Michigan derive two-thirds or more of total cash farm income from the sale of livestock and livestock products. In the western part of the district, beef cattle are especially important as a source of income. In the east, dairying is relatively much more important. In fact, about half of Wisconsin's farm income is from the sale of dairy products alone. END

IT'S ANOTHER ADVANCE IN CHECK COLLECTION TECHNIQUE

Check Routing Symbol Boosts Efficiency

BANKS in this country handle approximately 5,000,000,000 checks each year. Of prime importance in check collection, therefore, are speed, efficiency, and the lower costs that these factors can bring.

Any reduction in time required for sorting or for checks reaching their destination can result in substantial savings, both in terms of dollars and effort.

One way in which such benefits are to be derived is from use of a check routing symbol developed by the Bank Management commission of the American Bankers association and the Committee on Collections of the Federal Reserve System.

Although the check routing symbol has been adopted by an increasing number of banks in states comprising the Ninth Federal Reserve district, studies of its use show that some states have been slow to take advantage of the benefits to be derived.

What is a check routing symbol? It is the denominator of a fraction that appears in the upper right-hand corner of checks drawn on banks that are collectible through the Federal Reserve banks. The numerator of the fraction is the particular bank's ABA transit number.

The routing symbol is particularly useful to banks that handle a large number of checks drawn on banks outside their own state or Federal Reserve districts. (Many of our states are divided by Federal Reserve district lines.)

Symbol Saves Time

It is easy to appreciate how the symbol speeds check handling. The symbol enables clerks to see at a glance the Federal Reserve bank to which the check should be forwarded for collection—and when the symbol is correctly placed near the dollar amount, clerks can also see instantly the amount to be listed.

Oftentimes, because of the complexities of our banking system—par

and nonpar banks, states divided by district lines, special collection arrangements, etc.—it is necessary for bank clerks engaged in sorting of checks to refer to a manual to determine where a check can be sent to ensure fastest collection.

Use of the routing symbol eliminates this time-consuming step, since it provides all the information necessary for correct sorting.

The illustration shows the correct position of the symbol, in the upper right-hand corner above the dollar amount. This is the correct position regardless of where the bank's name appears on the check.

How to 'Read' Symbol

Each of the 12 Federal Reserve districts in the country is assigned a number from 1 to 12. The first digit (or first two in a four-digit symbol) identifies the district in which the drawee bank is located.

The second digit (or third in a four-digit symbol) designates the Federal Reserve bank (by number 1, or by number 2 to 5 for a branch) serving the territory in which the drawee bank is situated.

The second digit of the routing symbol for a bank in this district

must necessarily be either 1 or 2, since the Minneapolis Federal Reserve bank has only one branch, at Helena.

The last digit of the symbol serves two purposes; first, it identifies the state in which the drawee bank is located, and, secondly, it indicates whether an item is receivable at the Reserve bank or branch for immediate or for deferred credit.

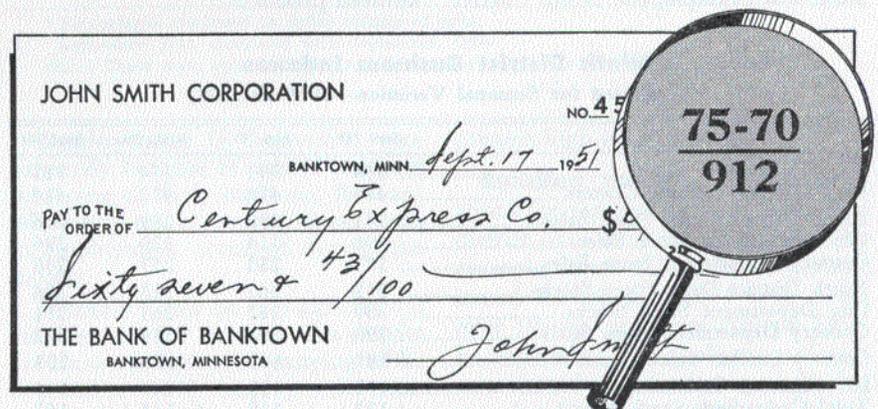
If the drawee bank is located in a Federal Reserve head office or branch city, the last digit of the routing symbol will be "O," indicating immediate credit. Any number other than "O" indicates deferred credit. (The number of days credit is deferred will, of course, depend on the time schedules of the various Reserve banks.)

Denotes Par Bank

Since a routing symbol appears only on checks which are cleared through the Federal Reserve banks, the presence of a symbol indicates that the drawee bank is a par remitting bank. Nonpar banks will continue to use only the official A.B.A. number.

Examples of symbols for checks drawn on banks located in the Ninth

Continued on Page 229



IF THE SYMBOL is properly located in the upper right-hand corner near the dollar amount, check listing and sorting operations are appreciably facilitated.

BUSINESS

General Business Displays Little Change

NO SIGNS of improvement in the business picture in the Ninth Federal Reserve district were clearly evident in September and early October, and anticipated expansion in activity because of seasonal factors failed to materialize.

Department store sales continued below last year's dollar volume, employment in manufacturing industries declined again, and construction activity continued to fall gradually. High inventories and relatively slow sales also led to downward price adjustments in some lines.

Retail sales usually pick up after Labor day with reopening of schools and colleges and return of colder weather, but this year consumer buying remained sluggish.

Ninth district department store sales, which began to fall below the 1950 monthly dollar volume beginning last June, during September continued at a level comparable to that prevailing during the summer months. Preliminary figures for October indicate this trend unchanged.

While higher prices have masked a part of the decline in physical volume, the slump in consumer buying would appear to be less severe, however, than is indicated by percentage change in sales from a year ago.

Actually, department store sales in this district have remained above the 1949 level since the slump (compared with 1950 volume) began last June. For example, the Ninth district

index of department store sales for August 1951 was 298 per cent of the 1935-39 base period, while the index for August 1949 was only 269 per cent of the same base period.

For September, 1951, the index stood at 283 per cent as compared with 276 per cent for September 1949.

Employment Declines Further in September

The heavy consumer buying in mid-1950 and at the beginning of 1951 was a signal to manufacturers to produce at maximum capacity. With postwar expansion of industrial plants and facilities, inventories in retail and wholesale channels were quickly rebuilt.

In soft goods lines, such as textiles, furniture, shoes, and floor coverings, the high inventories on the one hand and relatively slow sales on the other have led to downward price adjustments in recent weeks.

Although the decline in prices has been concentrated in the soft goods lines, a few downward price adjustments also have occurred in hard goods, such as television sets.

In some states of this district, employment in manufacturing concerns began to decline somewhat in August, and in other states in September. Some of this reflects the seasonal slackening in processing of food and kindred products.

▶ **Continuing the trend since June, department store sales in the district during September were below the 1950 dollar volume. Usual post-Labor day pickup did not develop.**

▶ **High inventories and slower sales have brought downward adjustments in some lines.**

▶ **The decline displayed by manufacturing employment in some district states in August spread to others in September.**

▶ **Construction, down since July, continued to decline.**

In the soft goods lines, especially textiles and apparel, high inventories resulted in some cutbacks in production. Smaller allocations of strategic raw materials have caused some cutbacks also in hard goods lines.

Construction Activity Recedes Gradually

Since last July, construction activity has declined slowly, as reflected by the number of workers employed on construction projects. During fall months such activity may contract faster than usual due to the approach of inclement weather. New housing starts reached a peak in June and have declined noticeably in subsequent months.

Industrial and commercial building has fallen off materially. In many instances, plant expansion, which is essential for defense, has been spaced out for lack of steel, copper, or aluminum. In contrast, construction of educational and other public buildings continues at an impressive rate.

The employees released by manufacturing and construction have been absorbed by other industries. Consequently, urban employment has remained high.

During the current year, the high economic activity can be traced to a large output of civilian goods, a growing output of defense materials, an

Ninth District Business Indexes
(Adjusted for Seasonal Variation—1935-39=100)

	Sept. '51	Aug. '51	Sept. '50	Sept. '49
Bank Debits—93 Cities	354	391	354	313
Bank Debits—Farming Centers.....	476	476	472	414
Ninth District Dept. Store Sales.....	281	298	289	276
City Department Store Sales.....	306	314	320	296
Country Department Store Sales.....	257	282	257	256
Ninth District Dept. Store Stocks.....	353	362	323	296
City Department Store Stocks.....	307	327	285	251
Country Department Store Stocks.....	390	391	354	333
Country Lumber Sales.....	145	147	178	202
Miscellaneous Carloadings	152	133	144	145
Total Carloadings (excl. Misc.).....	122	119	115	102
Farm Prices (Minn. unadj.).....	257	262	239	228

p—preliminary.

industrial plant expansion program, and heavy residential and other types of building.

CURRENT BUSINESS DEVELOPMENTS

Department store sales after Labor day did not pick up as many retailers hoped might occur. In this district, September 1951 sales were down 2 per cent as compared with the dollar volume of September 1950. Preliminary figures for October indicate that sales were still below last year's volume. Sales in the four large cities—Duluth, Minneapolis, St. Paul, and Superior—for the first two weeks in October were down by 3 per cent.

Department store stocks have been liquidated somewhat since last April, when stocks were at an all-time high total. However, stocks remain high in relation to sales. At the end of September, the adjusted index was 353 per cent of the 1935-1939 base period, whereas the adjusted index of department store sales for September was 283 per cent of the same base.

Index of Department Store Sales by Cities
(Unadjusted 1935-39=100)

	Sept. 1	Percent Change 2 Sept. Jan.-Sept.	
MINNESOTA			
Duluth-Superior ..	324	- 8	- 1
Fairmont	292	-15	- 6
Mankato	308	+ 2	+ 1
Minneapolis	354	- 6	- 0
Rochester	222	-15	- 7
St. Cloud	300	-15	- 9
St. Paul	280	-11	- 6
Willmar	303	- 6	- 1
Winona	284	- 9	- 0
MONTANA			
Great Falls	368	+ 3	+ 8
NORTH DAKOTA			
Bismarck	380	+ 5	+ 6
Grand Forks	361	+ 3	+ 3
Minot	355	+ 2	+ 4
Valley City	252	- 7	+ 3
SOUTH DAKOTA			
Aberdeen	410	-11	+ 1
Rapid City	442	+ 7	+ 6
Sioux Falls	393	- 0	- 1
Yankton	320	+ 3	+ 8
WISCONSIN			
La Crosse	295	+ 2	+10

¹ Based on daily average sales.
² Based on total dollar volume of sales. Percentage comparison is with the same period a year ago.
Note: There were 24 trade days in the month this year against 25 last year.

Non-Agricultural Employment in Ninth District

	September	August	1951		1950
			July	June	September
MICHIGAN ¹		80,600	80,500	79,100	82,300
(Upper Peninsula)					
MINNESOTA ²	830,650	810,375	810,180	823,899	825,100
MONTANA ³		155,400	154,700	154,400	156,800
NORTH DAKOTA ⁴	*	*	115,700	116,100	117,100
SOUTH DAKOTA ⁴	*	*	124,800	125,000	121,700
WISCONSIN ⁵		1,066,400	1,073,900	1,054,300	1,048,200

* Not available.
Source: ¹ Michigan Employment Security Commission.
² Minnesota Division of Employment and Security.
³ Division of Unemployment Compensation Commission of Montana.
⁴ Employment and Payrolls, U. S. Department of Labor.

Sales at Ninth District Department Stores*

	% Sept. 1951 of Sept. 1950	% Jan.-Sept. 1951 of Jan. Sept. 1950	Number of Stores ¹ Showing	
			Increase	Decrease
Total District	95	100	194	211
Mpls., St. Paul, Dul.-Sup.....	92	98	10	22
Country Stores	98	103	184	189
Minnesota (City & Country)....	92	98	60	84
Minnesota (Country)	94	98	51	65
Central	87	91	9	9
Northeastern	105	102	6	4
Red River Valley.....	90	93	4	7
South Central	97	100	9	13
Southeastern	90	98	6	12
Southwestern	95	99	17	20
Montana	100	105	23	25
Mountains	97	106	7	9
Plains	101	105	16	16
North Dakota	99	105	30	37
North Central	94	106	4	10
Northwestern	103	106	6	3
Red River Valley.....	96	101	8	16
Southeastern	103	107	9	7
Southwestern	114	117	3	1
Red River Valley-Minn. & N. D.	94	99	12	23
South Dakota	99	101	37	29
Southeastern	100	101	10	8
Other Eastern	96	101	21	19
Western	103	103	6	2
Wisconsin and Michigan.....	100	106	43	33
Northern Wisconsin	102	105	13	7
West Central Wisconsin.....	99	106	19	16
Upper Peninsula Michigan....	101	106	11	10

* Percentages are based on dollar volume of sales.
¹ September 1951 compared with September, 1950.
Note: There were only 24 trade days in the month this year against 25 last year.

Employment in September rose primarily because of school teachers returning to their positions. In manufacturing and construction, cutbacks in employment occurred during the month.

Monthly totals on non-agricultural employment for states in this district are shown in the accompanying table. September 1951 employment compared with employment during the summer months and in September 1950 provides perspective on the

present high employment.

Building permits: Dollar valuations for representative cities in this district have declined since June. For example, total valuation of permits issued for August 1951 was down over 50 per cent from August 1950. In September, total valuation of permits issued again was up, but this was due almost entirely to an exceptionally large permit issued to the University of Minnesota. END

TAXES, SAVINGS KEY TO STABILITY

Continued from Page 223

In the year after June 30, 1950, although the banking system as a whole disposed of governments, the Reserve banks were actually net purchasers, thus adding to the commercial banks' loan-making ability, which in turn influences the size of the money supply.

It is obvious that any monetary

policy which necessitates the purchase of government securities by the Reserve banks is inflationary; that is, such a policy permits an increase in the money supply.

CONCLUSIONS—Regardless of government financial policies, the civilian economy must forego the consumption of goods and services consumed by government.

To the extent that the large government expenditures for defense are financed with funds derived from taxes and savings, the inflationary potentialities inherent in this program are held to a minimum.

On the other hand, financing government through bank credit is highly inflationary, since it increases the money supply.

Civilian consumption is reduced by price increases rather than by limiting funds available for civilian expenditure.

At present there is a good possibility that federal taxes will not be sufficient to cover federal expenditures. It is therefore important that every effort be taken to induce non-bank investors to finance as much of the forthcoming deficits as possible.

END

CHECK ROUTING SYMBOL BOOSTS EFFICIENCY

Continued from Page 226

district are:

<u>17-1</u>	A.B.A. transit number
910	Routing symbol (Mpls. & St. Paul)
<u>74-565</u>	A.B.A. transit number
911	Routing symbol (Michigan)
<u>75-820</u>	A.B.A. transit number
912	Routing symbol (Minnesota)
<u>77-229</u>	A.B.A. transit number
913	Routing symbol (North Dakota)
<u>78-907</u>	A.B.A. transit number
914	Routing symbol (South Dakota)
<u>79-395</u>	A.B.A. transit number
915	Routing symbol (Wisconsin)
<u>93-29</u>	A.B.A. transit number
920	Routing symbol (Helena, Mont.)
<u>93-514</u>	A.B.A. transit number
921	Routing symbol (Montana)

Survey Shows Average Of 82% Use Symbol

In June the Federal Reserve banks made a survey to determine the extent to which the check routing symbol was being used. The survey disclosed that the routing symbol appeared in the approved location on an average of 82%—from 69% to 91% for the various states—of all checks handled by the Federal Reserve banks.

Needless to say, the higher the percentage of checks bearing the routing symbol the more advantageous it will be for banks to use the symbol extensively in sorting and listing operations.

At present the first six and last six states are:

FIRST SIX		
1.	Maine	93%
2.	New York	91%
3.	Wyoming	91%
4.	Oregon	90%
5.	Colorado	90%
6.	Maryland	90%

LAST SIX

43.	Iowa	68%
44.	Wisconsin	68%
45.	Minnesota	67%
46.	North Dakota	66%
47.	Arkansas	63%
48.	California	60%

The combined percentage of routing symbol use in Ninth district states is 69%. South Dakota leads with 77%. The Reserve city banks, Twin Cities and Helena, are at 64% and 77% respectively.

Bankers, in their own self-interest, should promote the use of the check routing symbol. Many customers have their checks printed independently, and bankers therefore should call their attention to the desirability of placing the routing symbol on their checks.

By use of the check routing symbol, needless waste and inefficiency can be eliminated—through a reduction of float time on checks in process of collection, and through an increase in speed and accuracy of sorting and listing operations. END