

# MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions  
FEDERAL RESERVE BANK OF MINNEAPOLIS

Vol. 8

OCTOBER 31, 1945

Serial  
No. 46

## SPECIAL ARTICLE

### Liquid Assets Stimulate Postwar Economy

**A**N examination of the forces in the war economy which led to the unprecedented expansion in liquid assets provides some insight into the effect these assets may have in the peace economy during the next few years.

Held by individuals and businesses principally in the form of currency, bank deposits, and government securities, these assets in the immediate years ahead may have an important bearing on the volume of business transacted, for if a fairly stable price level is maintained they will tend to raise the scale of spending and investment.

Vast quantities of materials and the services of millions of men and women required for the prosecution of the war forced the Federal Government to raise taxes sharply, but taxes, nevertheless, fell far short of the total expenditures for war. For example, in 1944 the Government collected 45.7 billion dollars in revenue and spent 86 billion dollars in fighting the war. Thus, the total revenue collected covered less than one-half of the total military and non-military outlay.

#### WHY LIQUID ASSETS EXPANDED DURING THE WAR

The additional funds needed by the Government were secured by the sale of securities. Because a large part of the production in the war economy consisted of materials which were consumed on the war fronts, only a part of the total output was available to the civilian economy. Individuals and businesses, however, derived income from the production of all materials at a time when the amount of civilian products on the market was reduced. Thus, under a system of price controls, excess purchasing power accumulated. In an endeavor to relieve the pressure which surplus purchasing power exerts on prices, the sale of bonds to the nonbanking public and particularly to individuals through payroll deductions and special drives was stressed continuously. When the sale of bonds to individuals and other nonbanking groups did not provide the Government with sufficient funds, the banks were called upon to purchase such securities.

In effect, the purchase of government securities by banks creates new deposits. Payment for such securities is made by increasing the deposit account of the U. S. Treasury by the amount of the securities. The Treasury, in turn, draws on these deposits to pay contractors for the materials delivered and the per-

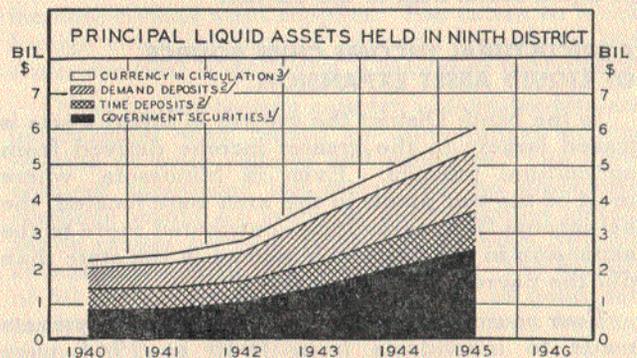
#### Surplus Funds in Hands of Spending Classes to Create Strong Demand for Goods; Plant Expansion Encouraged by Accumulated Assets of Business

sonnel of the armed forces for the services they have rendered. Contractors, again, use the greater part of their receipts to pay their labor and the producers of raw materials. In this manner the newly created deposits are quickly diffused through the economy and become a part of those owned by individuals and businesses. Thus, the expansion in liquid assets has stemmed from the extension of bank credit to the Federal Government.

#### LIQUID ASSETS IN NINTH DISTRICT

The accompanying chart depicts the approximate amount and the trend of the principal types of liquid assets held by individuals and businesses in the Ninth Federal Reserve District since the beginning of World War II.

As only national figures are compiled on the amount of currency in circulation, and prior to the war only national figures were compiled on the amount of government securities held by individuals and businesses, the figures presented for this district are estimates. (Continued on Next Page)



<sup>1</sup> The amount of government bonds held by individuals and businesses on June 30, 1940, was multiplied by the ratio between the 1940 income payments in the Ninth District and in the nation to arrive at an estimate of the amount of such securities held in this district.

<sup>2</sup> The time and demand deposits were taken from the June call reports.

<sup>3</sup> The amount of currency in circulation was multiplied by the ratio between the amount of Federal Reserve Notes in circulation issued by the Minneapolis Federal Reserve Bank and by all Federal Reserve Banks to arrive at a figure of the amount of currency in circulation in the Ninth District.

## AGRICULTURE

**Corn Hard Hit by Frost; Hog Production Up**

**K**ILLING frosts and heavy rains since late September diminished crop prospects to some extent in Ninth District states.

The first killing frost on September 28 caught a substantial part of the corn in southern Minnesota and southeastern South Dakota in an immature stage. There is considerable difference of opinion as to the extent of the damage. Present prospects are that about 50 percent of the corn crop on low or "heavy" ground will be marketable as grain. On the lighter or sandy soils most estimates indicate a 75 percent marketable crop.

If wet and cold weather prevails this fall, considerable immature corn will mold and be unfit for feeding. On the other hand, if the weather stays warm and dry most of the "soft" corn will dry out and make satisfactory feed.

Fortunately, the corn crop in important growing areas farther south and east was largely undamaged by the late September frost. The Government's October 1 corn crop estimate was for a crop in excess of 3 billion bushels for the country as a whole.

Harvesting and threshing of wheat and other small grains in the Ninth District was delayed to some extent by fall rains in early October. As a result, some of the late threshed grain suffered in quality. However, the desired improvement in soil moisture conditions more than offset the disadvantages.

For the United States as a whole, crop prospects during the late summer and early fall have, in general, remained favorable in spite of the frosts, excessive moisture, and extremes in temperatures. The Department of Agriculture estimates that aggregate total crop production is expected to equal or exceed the bumper crops of recent years. Production is said to exceed the "big" year, 1943, by about 6 percent and the 1923-1932 "pre-drought" average by 24 percent. Food grain production is the largest on record, and feed production the second largest according to the estimates.

**Estimates of Crop Production in the Ninth District<sup>1</sup>**

Crop	(Thousands)		1945	1945 in percent of 1944
	1943	1944	October 1 Estimates	
Corn, bu. ....	342,268	453,060	383,213	85%
Winter Wheat, bu. ....	26,240	30,411	35,989	118
Spring Wheat, bu. ....	252,933	265,502	262,748	99
Oats, bu. ....	328,779	377,205	526,310	140
Flax, bu. ....	39,741	19,771	.....	.....
Barley, bu. ....	142,204	120,129	.....	.....
Tame Hay, tons. ....	11,332	10,408	10,600	102
Potatoes, bu. ....	58,085	45,816	51,055	111

<sup>1</sup>Data derived from United States Department of Agriculture October 1 "Crop Production" report. District estimates by Federal Reserve Board.

## SUMMARY

**S**MALL grain crops are larger than last year; corn crop is 15 percent less. Much soft corn a probability.

**Narrow price margins and uncertainty about future cattle prices and the extent of corn damage are factors that have delayed filling of feedlots.**

**Livestock numbers should be adjusted to normal pasture and feed potentialities to avoid marketing at a less opportune time.**

**Farmers have been holding back hog breeding stock in 1945; more pigs are expected in 1946.**

**Farm product prices are down seasonally, but increased marketings have increased cash farm income to last year's levels.**

**Cattle feeding** in the feeding areas of the Ninth District has been slow to get under way. Farmers have delayed buying feeder cattle because prices have been high and because of the uncertainty surrounding the corn situation. The average cost of steers to the country in recent weeks has been around \$11.75, which is about \$1.60 higher than last year's average cost at this time of the year. It is the highest average price for the season since the war started.

Some choice two-year-old feeders sold in mid-October at \$14.00 top, but \$12.50 to \$13.50 took the bulk of good grade steers.

Cattle feeders are cautious about buying because they realize that high feeder cattle prices and a near record number of cattle on farms and ranges may sooner or later result in price adjustments, especially since cutbacks in meat orders from the military will increase civilian meat supplies. The extent to which foreign countries demand and will be able to buy American beef is, of course, a matter of uncertainty.

Other factors causing concern among feeders are uncertainties with regard to Government actions relating to price ceilings and subsidies. The Government announced last spring that no downward revisions would be made in the maximum stabilization ranges for beef cattle, except bulls, without at least six months notice in advance. The subsidy of 50 cents a hundred paid to sellers of good and choice cattle under certain conditions is to be continued to June 30, 1946.

Withdrawal of subsidy payments to slaughterers would result in lower prices for cattle unless demand is strong enough to increase present retail prices for beef for the full amount of the subsidy.

The amount of beef that domestic consumers will take during the reconversion period is uncertain.

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Large supplies of competing meats such as poultry and pork will affect beef sales. The demand for meat depends considerably on the amount of money that people, particularly in the lower income groups, have available.

Developments in the cattle feeding situation to early October indicate that the volume of cattle feeding during the coming winter season for the country as a whole may be little different from the previous year, according to a recent Department of Agriculture report. It is true that the movement of grass cattle from the western ranges has been slow up to this time because of exceptionally fine grass and feed conditions. A heavy movement of stocker and feeder cattle from this area during the next several months is expected as a normal course of events. Farmers in southern Minnesota and southeastern South Dakota probably will be in the market for these cattle on a big scale in order to utilize their soft corn.

In the April issue of the Monthly Review a special analysis of the beef cattle situation was made. The summary of that analysis is as applicable now as when it was written and is repeated here as it indicates in a brief way some of the important aspects of the beef cattle situation in the district:

- Beef cattle numbers in the Ninth District are at peak levels—60 percent above the 1939-1941 average compared with an increase of 28 percent for the entire country.

- The feed situation appears favorable at the present time. Ranges are in excellent condition and feed supplies are at record levels.

- Cow prices are about double the average for the 1939-1941 period. Slaughter steer prices are about 50-60 percent higher.

- The seasonal high price for cull stock is usually in the spring of the year. Common grade cattle and most cattle off grass are at seasonally low price levels in late summer and early fall.

- Cattle slaughter next summer and fall could be at new peak levels should dry weather hit the Midwest.

- Livestock experts agree that reducing indebtedness, shaping up the ages of the cow herd, and culling out old and undesirable types of cows appear desirable in the next several months.

- Emphasis should be put on feeding and marketing cattle as good quality. Feeding to choice or prime grade is not as profitable under existing price regulations.

- Livestock numbers should be adjusted to the feed available so that drouths or other conditions will not force liquidation at a less opportune time.

**Hog production** is on the increase in the Ninth District. Hog marketings at South St. Paul during recent months have been only about half as large as a year earlier. The proportion of marketings in 1945 that are sows have been substantially less compared with the previous two years, indicating that farmers

have been holding back sows for breeding purposes.

The June 1 pig report indicated farmers in Minnesota and South Dakota, important hog producing states in the district, intended to farrow 364,000 sows between June 1 and December 1. This number is an increase of 34 percent over that of 1944 and 29 percent above the 10-year, 1934-1943, average. For the United States as a whole, 12 percent more sows were to be farrowed this fall compared with a year ago and 13 percent more than the 10-year average.

Hog prices have remained at ceiling levels in recent months. At the present time, the ceiling price is \$14.55 for good to choice barrows and gilts, and \$13.80 for sows at St. Paul. Based on Chicago prices with regional differentials applying, the support price, or floor, at St. Paul would be \$12.80 for good to choice barrows and gilts up to 300 pounds. This floor price is guaranteed until September 1, 1946. It also has been indicated that the ceiling price will not be lowered before next September.

With increases in hog production in prospect plus cutbacks in military requirements, it would appear that larger quantities of pork would soon be available for civilians.

The quantity of meat that will be shipped from this country to Europe is still uncertain. Lend-lease shipments were terminated in late August, but some countries formerly receiving lend-lease meat are getting it under other financial arrangements, and relief shipments to some countries may be made.

One question that is giving concern to hog producers is the disposition of the subsidy payment of \$1.70 per hundredweight which is paid to packers. This subsidy was designed to keep hog prices high so that production would be encouraged but at the same time consumer retail prices would not be raised. This subsidy will be removed sometime in the future, and its removal will either raise prices of pork to consumers or lower hog prices to producers, depending on the relation of demand to the supply available when the subsidy is removed.

Hog prices probably will continue at ceiling levels this fall and winter, except for a possible temporary decline when marketings reach a seasonal peak in December and January, according to a recent Department of Agriculture release.

The seasonal increase in marketings has been slow getting under way this year. One reason is that most producers have felt that prices would remain at or near ceilings and there is no incentive to market earlier. Another is that a large quantity of soft corn will encourage farmers to feed to heavier weights in order to utilize the unmarketable corn. There is some advantage in delayed hog marketings this year, as otherwise it may coincide with large cattle marketings. Large supplies of both beef and pork would then compete in the retail markets.

Prices received by farmers in the Ninth District were down slightly compared with a month earlier. Potatoes and eggs, particularly, were sharply lower,

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labor permits. This is evidenced by the rise in the dollar volume of building permits issued during the past six months in representative cities over the district.

In the accompanying table is compiled the dollar valuation of permits for new construction and for

repair and modernization. The dollar value of permits for the former exceeds the latter in most of the cities.

With the large demand for construction now in prospect, this industry will provide employment

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**BANKING**

**Crop Money Continues to Swell Deposits**

DEPOSITS continue to rise in the Ninth Federal Reserve District. During September all of the expansion was concentrated in the country banks. Due to the heavy withdrawal of U. S. Government deposits, deposits in the city banks declined.

In the country banks, deposits during the latter half of September averaged 59 million dollars more than for the same period of the preceding month. This represented an increase of 42 million dollars in demand and 17 million dollars in time deposits.

The expansion in deposits was quite general over the district, with the exception of the Upper Peninsula of Michigan and the northwestern part of Wisconsin. In the former area, banks reported no change in deposits. In the latter region, banks reported an increase of 2 million dollars in time deposits and no change in demand deposits.

In the 20 reporting city banks, total deposits were 23 million dollars lower on October 17 than on September 12. Most all of the contraction in de-

**SUMMARY**

**ALTHOUGH U.S. Government deposits have declined sharply, deposits of individuals and businesses continue to expand.**

**Country banks' deposits average 59 million dollars more.**

**Some shift from short-term to long-term government securities is noted.**

posits was concentrated in the U. S. Government account, which showed a decline of 36 million dollars over the five-weeks period. The deposits of individuals and businesses actually increased by 20 million dollars over the same period. Thus, the deposits derived from agricultural and business pursuits in the district continue uninterrupted on the upward trend.

The contraction in total deposits is reflected in a number of the asset accounts. Investments in U. S. Government securities declined 2 million dollars; loans declined 6 million dollars; and cash and the amount due from banks declined 6 million dollars. Investments in private securities, on the contrary, increased 1 million dollars.

In the past five weeks there has been a pronounced shift from short-term government securities to long-term. The amount of U. S. Treasury bills and certificates of indebtedness held by the 20 reporting city banks decreased 40 million dollars. The holdings of notes and bonds, on the other hand, increased by 1 and 37 million dollars respectively.

The reserve position of all Ninth District member banks during the last half of August is shown in the accompanying table.

**Assets and Liabilities of Selected Ninth District Member Banks**

(In Million Dollars)

Assets	9/12/45	10/17/45	Change
U. S. Treasury bills.....	\$ 23	\$ 9	\$-14
U. S. Treasury Certificates of Indebtedness .....	199	173	-26
Other U. S. Government securities .....	719	757	+ 38
<b>Total U. S. Government securities .....</b>	<b>941</b>	<b>939</b>	<b>- 2</b>
Other investments .....	49	50	+ 1
Loans .....	232	226	- 6
Cash and due from banks.....	407	401	- 6
Miscellaneous assets .....	16	14	- 2
<b>Total .....</b>	<b>1,645</b>	<b>1,630</b>	<b>-15</b>
<b>Liabilities</b>			
Deposits of U. S. Government.....	215	179	-36
Deposits of individuals and businesses .....	872	892	+20
Other deposits .....	466	459	- 7
<b>Total deposits .....</b>	<b>1,553</b>	<b>1,530</b>	<b>-23</b>
Borrowings .....	1	9	+ 8
Miscellaneous liabilities .....	8	8	0
Capital accounts .....	83	83	0
<b>Total liabilities and capital.....</b>	<b>1,645</b>	<b>1,630</b>	<b>-15</b>
Excess reserves .....	-2	8	+10

**Daily Average Reserve Position for All Ninth District Member Banks for the 15-Day Period Ending September 30, 1945**

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Reserves Excess (000)
Reserve City Banks.....	\$170,542	\$165,942	\$ 4,600
Other City Banks.....	28,587	24,149	4,438
Total City Banks.....	199,129	190,091	9,038
Total Country Banks.....	162,548	128,483	34,065
Total Ninth District—1945 .....	361,677	318,574	43,103
Total Ninth District—1944 .....	304,484	269,741	34,743

## AGRICULTURE

(From Page 270)

reflecting current market surpluses in both of these commodities. This is the season of heavy marketing for many of the Northwest's principal products, wheat, oats, potatoes, feeder and stocker cattle, hogs, chickens, and turkeys.

During the war, farm product prices have tended to push against ceilings, and seasonal price changes, reflecting changes in supplies, have been slight or nonexistent. As prices break away from ceilings or price controls are removed, more normal seasonal price movements may be expected.

Wheat prices have held up remarkably well in view of the record crop this year. Wheat marketings this year (1945-1946) are expected to total about 1,112 million bushels—530 million for food, 82 million as seed, 50 million as alcohol, 120 million for feed on farms where grown, and 360 million for exports and purchased feeds.

Average Prices Received by Farmers<sup>1</sup>

Commodity and Unit	Ninth District		Sept. 15 1945	Parity Prices <sup>2</sup> United States Sept. 15, 1945
	Sept. 15 1937-1941 Avg.	Sept. 15 1944		
<b>Crops</b>				
Wheat, bushel .....	.72	\$ 1.30	\$ 1.42	\$ 1.54
Corn, bushel .....	.57	1.01	1.01	1.12
Oats, bushel .....	.25	.51	.49	.694
Potatoes, bushel .....	.47	1.24	1.32	1.27
<b>Livestock and Livestock Products</b>				
Hogs, 100 lbs.....	8.53	13.50	13.92	12.60
Beef Cattle, 100 lbs.....	7.73	11.26	11.69	9.43
Veal Calves, 100 lbs.....	9.22	12.99	13.18	11.70
Lambs, 100 lbs.....	8.15	11.42	12.32	10.30
Wool, lb. ....	.27	.43	.42	.318
Milk, wholesale, 100 lbs.	1.60	2.72	2.75	2.86
Butterfat, lb. ....	.30	.52	.52	.455
Chickens, live, lb.....	.133	.212	.229	.198
Eggs, dozen .....	.198	.312	.318	.404

<sup>1</sup> Data compiled from "Agricultural Prices," United States Department of Agriculture.

<sup>2</sup> The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-1914.

The longer term view on wheat prices from a demand and supply viewpoint is not too optimistic. Unless wheat production is controlled, this country may again have the problem of disposing of large wheat stocks. With normal crop conditions and the recovery of food production in importing countries, the export requirements are likely to be considerably reduced from wartime levels.

Potatoes are one of the commodities entitled to postwar price support under existing legislation. Potato prices in recent weeks have declined as a result of the marketing of one of the largest crops on record. To meet price support commitments, two types of potato loans have been made available:

(1) The regular loan on farm or warehouse storage, and (2) an emergency loan that will be available on potatoes stored in pits.

The first type may be handled through local lending agencies, providing they have signed a Commodity Credit Corporation contract to purchase. The second type of loan is available only through the Commodity Credit Corporation, according to recent information from the United States Department of Agriculture.

The Department of Agriculture has announced that the five cents per pound subsidy for processors would be removed around the first of November. The ceiling price on butter will be increased to compensate for the removal of the subsidy. In other words, it is expected that prices to consumers will advance approximately five cents a pound in early November, while the prices paid to producers will remain about the same.

Cash farm income in the Ninth District for the first seven months of 1945 is now almost the same as a year earlier during the same period of time. Earlier in the year, cash farm income was running about 10 percent less compared with a year earlier. June and July cash farm income was up sharply from June and July, 1944, indicating an accelerated movement of grain and livestock to market.

For the United States as a whole, cash farm income during the first seven months was 3 percent larger compared with the same period in 1944.

It now appears probable that district cash farm income during 1945 will exceed 1944 record high levels. Crops, except corn, were larger this year for the most part, and livestock numbers have been maintained or increased. Marketings, therefore, may be larger unless wheat farmers and others delay marketings into 1946 as much as possible in order to take advantage of an expected decrease in income tax rates.

Prices of agricultural products are at or near ceilings and, in spite of military and lend-lease cutbacks, are expected to remain near present levels for the rest of 1945, according to recent estimates of the Department of Agriculture.

January-July Cash Farm Income<sup>1</sup>

State	(Thousands of Dollars)			1945 in per- cent of 1944
	1935-1939 Average	1944	1945	
Minnesota .....	\$ 180,401	\$ 474,432	\$ 453,817	96%
North Dakota ...	44,916	150,481	168,445	112
South Dakota .....	54,320	181,796	181,515	100
Montana .....	32,037	91,708	97,341	106
Ninth District <sup>2</sup> ..	355,582	1,014,660	1,014,782	100
United States.....	4,100,168	10,759,000	11,060,000	103

<sup>1</sup> Data from "The Farm Income Situation," United States Department of Agriculture.

<sup>2</sup> Includes 15 counties in Michigan and 26 counties in Wisconsin.

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM, OCTOBER 26, 1945

OUTPUT and employment at factories producing war products declined further in September, but production and incomes in most other sectors of the economy were maintained or increased somewhat. Retail buying in September and the first half of October continued above year ago levels.

**Industrial Production:** Industrial production declined eight per cent in September, reflecting mainly the continued rapid liquidation of output for war purposes, and the Board's seasonally adjusted index was 172 per cent of the 1935-39 average, as compared with 187 in August and 210 in July.

Reduced activity in the machinery and transportation equipment industries continued to account for most of the decline in the total index. Output in these industries during September was about one-fifth below the August average and one-half of the rate at the beginning of the year. Steel production, on the other hand, was five percent larger in September than in August. In the first three weeks of October, however, steel mill operations declined substantially owing largely to a temporary reduction in coal supplies. Output of nonferrous metals, lumber, and stone, clay and glass products decreased somewhat in September.

Production of nondurable goods, as a group, showed little change in September, as further reductions in output of war products in the chemical, petroleum, and rubber products industries were offset by increases in output of most civilian-type products. Output of textile yarns and fabrics, shoes, meats, beverages, cigarettes, and paper products increased.

Output of minerals declined in September due mainly to an eight percent decrease in crude petroleum production. Coal production increased in September but in the first three weeks of October dropped sharply as a result of work interruptions at bituminous coal mines.

Contracts awarded for private construction, according to the F. W. Dodge Corporation, increased further in September, reflecting the largest volume of awards for nonresidential building in many years. Private residential awards showed little change and publicly-financed construction declined further.

**Employment:** Employment at factories showed a decline of about 600,000 during the month of September, as compared to a decrease of 1,600,000 workers during August, reflecting a much smaller reduction of munitions employment in September and some increases in other industries. Employment in most nonmanufacturing lines, except Government

service, was maintained or increased slightly, after allowing for seasonal changes.

**Distribution:** Department store sales in September showed about the usual sharp seasonal increase and the Board's adjusted index was 199 percent of the 1935-39 average. This was at the same high level as the average for the first half of 1945 and was seven percent above that for September 1944. In the first two weeks of October, sales were 11 percent larger than in the corresponding period last year.

The total volume of railroad revenue freight was maintained in September at the August rate and was only eight percent lower than last year's high level. In the early part of October, shipments of coal and coke declined substantially as a result of the drop in coal production.

**Commodity Prices:** Prices of cotton, grains, and most other farm products increased somewhat from the middle of September to the middle of October, following decreases in the previous six weeks. Prices of most industrial products continued to be maintained at Federal maximum levels.

**Bank Credit:** Rising reserve requirements, resulting from expanded deposits of businesses and individuals, and an increase in currency in circulation accounted for continuing needs for reserve funds by banks between the middle of September and the middle of October. These needs were supplied through decreases in Treasury and nonmember deposits at Federal Reserve Banks.

The amount of Reserve Bank credit outstanding showed little change in the period. Money in circulation increased by 175 million dollars during the four weeks ended October 17; this was a smaller growth than has been customary in recent years, reflecting in part some currency inflow following the mid-September tax date. Holdings of Government securities and member bank borrowing at the Reserve Banks increased fairly substantially in the latter part of September concurrent with a temporary rise in Treasury deposits. But both were later reduced. This reduction in security holdings was in Treasury bills and accompanied an increase in member bank holdings of bills.

At reporting banks in 101 leading cities, loans for purchasing and carrying Government securities declined by 550 million dollars during the four weeks ended October 17; commercial loans increased somewhat, and holdings of securities showed little change in the aggregate. Loans on Government securities remained well above amounts outstanding immediately prior to the Seventh War Loan.

## LIQUID ASSETS STIMULATE POSTWAR ECONOMY (From Page 268)

and to their dependents and the federal payroll to civilian employees in the state have been relatively more important in boosting the income than in the other three states.

### GROWTH OF LIQUID ASSETS MAY CONTINUE

Since the growth in liquid assets is traced to the extension of bank credit to the Federal Government, such assets may continue to grow for some time. Fred M. Vinson, Secretary of the Treasury, has made the statement that the federal budget may be balanced by June, 1947. In the intervening period there is a likelihood that it will be necessary to issue more government securities than the public will choose to purchase or to hold. In such a case, the banks will be called upon to purchase some securities in order to provide the Treasury with the needed funds. As more bank credit is extended the Government, the volume of liquid assets will continue to grow.

The future growth of liquid assets in the Ninth District will depend upon the balance of funds flowing in and out of the district. The flow of funds into this area during the war years has been traced in large part to the expanding net income derived from agriculture. If the present level of prices on farm products is maintained and the crop yields continue large, agricultural pursuits will continue to pull more funds into this district and swell the aggregate volume of liquid assets.

The civilian goods, especially durable goods of all types, which are now appearing in markets, on the other hand will cause more funds to flow out of the district, for most of the industrial production is carried on in other areas of the country. Accordingly, the future trend of liquid assets in the Ninth District will depend upon the balance of payments between this and other districts.

### SIGNIFICANCE OF EXPANSION IN LIQUID ASSETS

If a relatively stable price level is maintained, the growth in liquid assets may create a strong demand for consumer goods for a number of years ahead. A substantial part of the larger volume of such assets is held by individuals who are in the lower income classes. These individuals ordinarily do the bulk of the spending and do very little of the saving. Thus, the expenditures for goods and services in the postwar years may be more independent of the fluctuations in consumer incomes; that is, the accumulated funds will supplement the current earnings.

Business is also holding a greater volume of liquid assets. If a high volume of production is achieved after the reconversion period, a large share of these funds will be used to build up inventories and maintain sufficient cash balances.

The growth of these assets, nevertheless, will serve as a stimulus to capital outlays. The expenditures for such outlays are usually financed in part at least from current undistributed profits and from funds provided through depreciation, depletion, and other business charges. The larger the funds accumulated, the more willing business executives are to make definite commitments for capital outlays. Thus, the large volume of liquid funds held by business will tend to encourage plant expansions as soon as materials and labor become available.

—Oscar F. Litterer.

## BUSINESS (From Page 273)

opportunities for some time to come. Normally, it is the nation's largest nonagricultural activity and provides employment for about 12 out of every 100 individuals gainfully employed.

### Northwest Business Indexes Adjusted for Seasonal Variations—1935-1939 = 100

	September 1945	August 1945	September 1944	September 1943
Bank Debits—93 Cities.....	221	185	184	207
Bank Debits—Farming Centers.....	225	210	189	204
City Dept. Store Sales.....	186	198	161	144
City Dept. Store Stocks.....	159	172	155	147
Country Dept. Store Sales.....	188	174	164	149
Country Lumber Sales.....	138	110	91	130
Miscellaneous Carloadings.....	110	109	119	114
Total Carloadings (excl. Misc.)....	129	119	131	141
Farm Prices—Minn. (unadj.).....	170	183	164	169

### Sales at Department Stores

	Number of Stores Showing		% Sept., 1945 of Sept., 1944	% Jan.- Sept., 1945 of Jan.- Sept., 1944
	Increase	Decrease		
Total District .....	194	72	110	112
Mpls., St. Paul, Dul.-Sup....	17	7	110	115
Country Stores .....	177	65	110	108
Minnesota .....	58	19	109	108
Central .....	7	2	111	118
Northeastern .....	1	5	96	95
Red River Valley.....	4	1	109	107
South Central .....	16	4	112	112
Southeastern .....	10	6	102	104
Southwestern .....	20	1	120	108
Montana .....	32	4	115	112
Mountains .....	10	0	118	113
Plains .....	22	4	113	112
North Dakota .....	38	11	114	108
North Central .....	8	2	108	97
Northwestern .....	4	1	119	110
Red River Valley.....	14	4	111	110
Southeastern .....	10	4	117	109
Southwestern .....	*	*		
Red Riv. Val.-Minn. & N.D.	18	5	111	110
South Dakota .....	23	3	117	112
Southeastern .....	5	0	123	108
Other Eastern .....	10	2	118	112
Western .....	8	1	105	107
Wisconsin and Michigan.....	26	28	100	103
Northern Wisconsin .....	7	7	101	103
West Central Wisconsin .....	12	20	98	100
Upper Peninsula Mich....	7	1	108	115

\* Not shown, but included in totals. Insufficient number reporting.