

FEDERAL RESERVE BANK OF KANSAS CITY / SUMMER 2025

# TEN

## Uncharted Territory

The evolution of video game payments infrastructure



FOMC'S VOTING ROTATION | FOREIGN TRADE PARTNERS | OKC BOMBING: 30 YEARS LATER

# TEN

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*William Jewell College esports coach Conon Gillis. Photo by Gary Barber, design by Casey McKinley*



From the *President*

JEFF SCHMID

## Remarks on banking policy and the economic outlook

*(Kansas City Fed President and CEO Jeff Schmid delivered these comments on June 4, 2025, at “The Future of Banking: Navigating Change,” a conference hosted at the Bank.)*

As some of you know, I’ve spent my entire career in and around the banking industry. My first job out of college was as a Federal Deposit Insurance Corp. examiner right here in Kansas City. Before long, though, I transitioned from the public to the private sector.

For most of my professional life, I was a Nebraska banker. I served as president and CEO of a local community bank and a large enterprise with a national footprint. So, I have sat in the same seat as many of you. Later on, I was privileged to lead the Southwestern Graduate School of Banking Foundation at Southern Methodist University’s Cox School of Business. The focus of the school was to develop bank leaders and educate community bank directors. My experience across the industry ultimately led to my appointment in 2023 as president and CEO of the Federal Reserve Bank of Kansas City—a true servant leader opportunity.

So, throughout my career, I have worked in the banking sector as a regulator, as a banker, as an academic, and now as a policymaker. I really have seen banking from all sides, which I believe serves as a valuable foundation for my work today within the Federal Reserve System and, in particular, at the Kansas City Fed.

## The Federal Reserve

My time as a Tenth District community banker gave me a strong appreciation of the Federal Reserve’s unique regional structure. That appreciation has only grown in my current position. A cornerstone of the System’s design, which involves 12 regional Federal Reserve Banks and a Board of Governors in Washington, is that it ensures the entire country is represented in discussions around monetary policy. A little background on the history of the Federal Reserve is helpful to understand where the System is today.

The Federal Reserve System was created more than a century ago, in part because people in middle America demanded it. Before the Fed’s creation, community bankers in the Midwest had to rely on large money center banks in New York City and Chicago. A common complaint was that the supply of liquidity these banks provided was inelastic; that is to say it was not flexible enough to accommodate changes in credit demand.

Moreover, the pre-Fed banking system exposed credit-dependent households, farmers, and other business owners to the regular bank runs and financial crises that plagued the final decades of the 19th and the early 20th centuries. Financial instability in New York would spill over to the whole country. By providing flexibility in the supply of liquidity, the Fed met the economy’s demands for currency

and credit, while providing more stability in interest rates and less financial volatility (though, not without some significant exceptions).

Considering the Kansas City Fed specifically, the economy of our region is fundamentally distinct from other areas of the country. These differences underpin the Fed's design of 12 geographically defined regional Reserve Banks. The system was built around the idea that our nation is best served by a central bank that is directly engaged in communities across the United States, rather than one that is isolated in New York City or Washington, D.C. The system allows for policy decisions to be informed by conditions across the immense variety of industries and geographies that make up the American economy. It distributes decision-making power rather than concentrating it in Washington.

Events like this one play an important role in that decision-making process. The Kansas City Fed serves the Tenth Federal Reserve District, a seven-state region that roughly 20 million Americans call home. As president of the Kansas City Fed, I represent the people of this district on the Federal Open Market Committee, which sets monetary policy for the United States. In making my decisions on the FOMC, I depend on district bankers to give me "boots on the ground" information about the challenges you face and the opportunities you see to shape my perspective on the regional economy. (Learn about the history of the FOMC in "Looking Back" on page 5.)

## Perspectives on banking policy

Banking, especially community banking, has long been important to the Federal Reserve Bank of Kansas City, as this conference demonstrates. We are honored to host leaders from many of the nearly 700 community banks that call Kansas City's Tenth District home. And as president of the Kansas City Fed, I know just how vital your banks are to our local economies. As I travel around the district, I have the pleasure of speaking with many business leaders from across the region. From those conversations, it's clear how critical community banks are in providing credit and other financial services to so many of the region's small and family-owned businesses.

The Federal Reserve System is, and has historically been, attentive to the health of community banks. The Kansas

City Fed in particular has been vocal about community banks' unique role in the economy, as well as the competitive challenges they face. This focus has produced some important results.

For instance, in 2023 the Federal Reserve launched FedNow to support instant, 24/7 payment services for depository institutions of all sizes. To date, over 1,000 banks—most of them community banks—are already participating in this program. Why has this program been successful among smaller banks? Because at its core, FedNow is a secure platform that enables banks to build new, innovative products that provide households and businesses faster, easier, and lower-cost access to financial services. In other words, FedNow is an investment by the Federal Reserve to encourage innovation that might otherwise be too costly for small banks to create individually.

While progress has been made, it can sometimes feel that the deck is stacked against community banks. I believe there is still work to do. As a federal banking agency, the Federal Reserve has both supervision and rulemaking authority for state member banks, as well as certain other types of financial institutions. In fulfilling that responsibility, the Fed seeks to monitor and manage risks within the financial system without unduly limiting growth and efficiency within the banking system. While supervision and growth may sometimes seem to be at odds, I believe that confidence in the banking system and financial stability are essential to achieving long-term and sustainable economic growth.

With that being said, supervisors and regulators should take care to ensure that regulations and supervisory practices do not disproportionately or unfairly burden community banks in ways that unnecessarily stifle economic growth, innovation, or access to financial services.

In seeking to achieve this goal, it is also important that regulators recognize the significant differences in the business model, operations, and financial risks posed by banks of different sizes. While large institutions can benefit from greater geographic diversification and economies of scale, they also pose unique risks to the larger financial system related to their complexity, size, and inter-connectedness. On the other hand, while community banks may not achieve the same scale benefits as their larger counterparts, they often operate with less-

complex funding structures and balance sheets. As such, the behavior of depositors and borrowers can be quite different and, thus, the risks quite different for banks of varying sizes. Supervisory practices and rulemaking should properly reflect these differences in striking the right balance between risk management and growth.

Striking the right balance has been a perennial concern of bank regulators for many decades. Over that time, my 40-plus years in the banking sector has shown me again and again that while there may be substantial social and technological changes, many of the core principles of sound financial risk management have remained the same. Therefore, I believe it is important that banking supervision focuses on core financial risks.

In some ways, the stress on several regional banks in early 2023 may have looked like something new, because it involved elements of social media and the technology sector, but mostly it was a textbook case of weak risk management. The Federal Reserve Board of Governors' review of one failure agreed: Its report concluded that banks' "senior leadership failed to manage basic interest rate and liquidity risk."

Silicon Valley Bank (SVB), for example, had taken large, unhedged positions which went underwater once interest rates increased. Moreover, 94% of SVB's deposits were uninsured. To state the obvious, a bank funded overwhelmingly with uninsured deposits is an inherently risky business model. This is as true today as it was almost a century ago when federal deposit insurance was created. To me, the failures of 2023 only reinforce the need for supervisors to redouble their focus on core financial risks, including credit, interest rate, and funding risks.

Of course, even solvent, well-managed banks may need access to other sources of liquidity from time to time. Such banks can obtain funding from other financial institutions using the federal funds market or from the Fed's discount window. However, community banks often have more limited access to market-based funding sources, especially in crisis situations.

Regulators should focus on widening the availability of funding and liquidity to smaller institutions. SVB's heavy reliance on uninsured, unstable deposits—and the rapid flight of those deposits that ultimately led to the bank's

failure—shows the importance of banks maintaining diverse sources of funding, well-developed contingency funding plans, and operational access to emergency funding.

Since the Federal Reserve's adoption of the ample-reserves framework in 2019, domestic banks less frequently transact with each other in the federal funds market to fulfill their liquidity needs. Instead, they tend to borrow from the Federal Home Loan Banks in anticipation of liquidity needs, and in certain circumstances from the Federal Reserve through the discount window. Because large volumes of pledgeable collateral are not often readily available at smaller banks, this may put them at a disadvantage.

For this reason, the Federal Reserve has sought to modernize its discount window operations with Discount Window Direct, an online self-service portal that allows users to conduct Federal Reserve Bank Discount Window activities. And while real progress has been made in this respect, I believe there is more work that could be done to understand how the liquidity needs of smaller banks can be better served. The Federal Reserve should continue modernizing its discount window operations and working with banks and the Federal Home Loan Banking System to ensure funding is available quickly, where consistent with regulations.

Finally, regulators should let the market work. What do I mean by this? A healthy U.S. economy demands a dynamic banking system. To reach this goal, I see two necessary pieces that are intertwined: *de novo* chartering and mergers and acquisitions.

Mergers and acquisitions (M&A) are an integral part of market functioning and development because they allow firms to achieve new efficiencies. However, M&A activity in isolation leads to a more consolidated banking system and a potential loss of access to critical financial services, especially in rural areas such as those across our region. For that reason, streamlining the approval process of *de novo* applications is also essential. As existing banks grow, merge, or are acquired, new banks must be able to fill voids in the market and push the industry in new, innovative directions.

Starting any new firm is no easy task. It requires substantial fixed costs and is an inherently risky endeavor. Starting a new bank has all of these challenges and more. Bank charter applicants must raise a significant amount of

capital, seek out a set of specialized, high-skill professionals to manage operations, and must perform significant due diligence in developing a business plan and setting up a risk management framework. Though starting a bank is challenging under even the best circumstance, the fact that the number of new charters and charter applications are so low suggests to me that the approval framework may be getting in the way of a healthier banking industry. A holistic policy approach, including streamlining *de novo* applications and M&A reviews, are key to maintaining a dynamic banking system that will support strong U.S. economic growth.

To summarize: Community banks face challenges—challenges I fully appreciate and have faced myself. But community banks also serve a unique and crucial role in local economies across the United States. While safety and soundness are always at the forefront of our minds, I believe that regulators and supervisors must continue to keep community banks' critical role in perspective and ensure that community banks have the opportunity to succeed.

## The outlook

When setting the stance of monetary policy, the FOMC is guided by its congressionally directed dual mandate of price stability and full employment. The available data show that the Fed is as close to meeting its mandate as it has been for quite some time. In April, inflation was 2.1%, a level I view as being in line with the Fed's 2% inflation objective. April data had the unemployment rate at 4.2%, very close to many estimates of full employment.

However, lags in the effects of monetary policy suggest that the Fed should consider not only where the economy is when setting interest rates but also where the economy is going. And the outlook for the economy is currently very unclear, with many measures of economic uncertainty near historical levels. Speaking to business leaders and contacts in the Kansas City Fed's district, much of this uncertainty appears to be related to the trajectory and potential impact of changes in tariff policy. From my conversations, there is a general view that higher effective tariffs will lead to higher prices and lower activity and employment, but less

conviction over the magnitude and timing of these effects. However, on balance there is a view that the two sides of the Fed's mandate—inflation and employment—are likely to come into conflict and require careful balancing.

I am optimistic that economic activity can be sustained in part as the considerable momentum we have witnessed in recent years continues to push the economy forward. The economy has shown tremendous resilience during the recovery from the pandemic and has repeatedly brushed aside recession fears. This strength reflects in part a healthy labor market and the beneficial dynamic of more jobs, leading to higher incomes and more spending, which in turn supports more jobs.

As we saw during the pandemic, when strong demand growth runs into supply chain disruptions, perhaps as a result of tariffs, prices can increase rapidly. Though the recent inflation data has been subdued, the expectation is that tariffs will start to show through to prices in the coming months.

While theory might suggest that monetary policy should look through a one-time increase in prices, I would be uncomfortable staking the Fed's reputation and credibility on theory. So far, most measures of long-term inflation expectations remain anchored. However, this is not a signal that we should let our guard down. Inflation expectations should not be viewed as an input into Fed decision making, but rather as an output of the decisions that the Fed makes. Anchored expectations reflect the Fed's credibility and the public's trust in the Fed's willingness to make hard decisions when it has to.

Looking ahead, policy will need to remain nimble as the FOMC balances the two sides of its mandate. While the tariffs are likely to push up prices, the extent of the increase is not certain, and likely will not be fully apparent for some time. Likewise, the extent of the drag on growth and employment is also unclear. As the FOMC balances its mandate, I intend to remain focused on the importance of maintaining credibility on inflation.

# Looking Back

## **The Federal Open Market Committee and its voting rotation**

by TIM TODD

*TEN continues this series of articles exploring the history of the Federal Reserve and addressing some common questions about the central bank of the United States.*

The Federal Reserve's Federal Open Market Committee (FOMC) is responsible for the central bank's open market operations. Its decisions about interest rates are closely watched by the public, media and market participants because they eventually affect both short- and long-term rates as well as the availability of money and credit.

Congress gave responsibility for the nation's monetary policy to the Federal Reserve. The committee that guides those policy decisions has changed numerous times throughout the Fed's history before arriving at the modern-day structure with 12 voting positions on the FOMC comprised of the seven members of the Board of Governors and five of the 12 Federal Reserve Bank presidents.



Federal Open Market Committee participants, including Kansas City Fed President Jeff Schmid, gathered at the William McChesney Martin Jr. Building in Washington, D.C., for a two-day meeting in November 2024. *Photo courtesy of the Board of Governors*

This year, Kansas City Fed President Jeff Schmid is a policy voter for the first time since he was appointed Bank president in 2023. The Kansas City Fed president holds a voting seat one out of every three years on an annually-rotating schedule that is shared with the Minneapolis and San Francisco Feds. Eleven of the Reserve Bank presidents vote on similarly rotating schedules, while the president of the Federal Reserve Bank of New York, who serves as FOMC vice chair, is always a policy voter.

Regardless of voting status, all Reserve Bank presidents participate in policy deliberations and share their views of the economic outlook during FOMC meetings, ensuring that their regions have a voice in policy actions.

This was not always the case. For example, until the mid-1950s, participation in policy deliberations was most often handled by a smaller subgroup of Fed officials. As Allan Meltzer explained in Volume 2 of "A History of the Federal Reserve," as recently as the 1950s many of the Reserve Bank presidents did not hold strong policy views. Given that attending a meeting would have required a train ride, it may be understandable why presidents of Reserve Banks in the Midwest and West might have preferred to stay home.

## **Policy committee evolution**

The world today is far different from the one at the time of the Fed's creation in innumerable ways.

In the Fed's earliest days, the Reserve Banks conducted their own market operations independently. With many banks soon deciding to route their activities through New York as a matter of practicality, the New York Fed began trying to coordinate policy under the direction of New York Fed President Benjamin Strong Jr. Beginning in 1922, Strong chaired the Committee on the Centralized Execution of Purchases and Sales of Government Securities, which included Reserve Bank presidents from Boston, Chicago, Philadelphia and Cleveland. Participation by the individual Reserve Banks in the committee's actions was voluntary.



The Federal Open Market Committee met on Oct. 9, 1968, in Washington, D.C., with Chairman William McChesney Jr. and Kansas City Fed President George H. Clay in attendance.

The Board of Governors, in its oversight role, formally abolished Strong's committee in 1923 and created the Open Market Investment Committee with the same members and same rules as far as the voluntary participation by the other Reserve Banks, but the new committee operated under the "general supervision" of the Board. Soon, the Banks that did not have permanent seats at the committee table voiced their frustrations, leading the Board to once again remake the committee, establishing another iteration known as the Open Market Policy Conference in January 1930. This committee involved all Reserve Bank presidents in deliberations with the Fed's governors, which generally determined a broad direction of policy meeting far less frequently, perhaps as little as four times per year. The actual implementation, however, was handled by a smaller executive committee which met every few weeks and was composed of the same five Banks that had been on Strong's initial committee in 1922: New York, Boston, Chicago, Philadelphia and Cleveland.

Participation remained voluntary, which became problematic as Reserve Banks soon began to opt out of some open market transactions. In some cases,

although it may be difficult to believe, the actions that the Banks took regarding participation did not align with the views expressed by their presidents. The lack of coordination during this period is frequently noted in criticisms regarding the Fed's behavior and decision making during the Great Depression.

The Banking Act of 1933, then, sought to address the confusion, creating the first iteration of today's Federal Open Market Committee (FOMC) with all 12 Reserve Banks as members. The Act also essentially forced each of the Reserve Banks to participate in all open market operations, only allowing them to opt out with 30 days prior notice. The new structure also gave the Board a direct role in policy beyond contributing to deliberations, giving it veto authority over FOMC decisions. Policy, however, still remained primarily the purview of the Reserve Banks. The Fed governors, for example, could not initiate policy. This version of the FOMC met for the first time on July 20, 1933, and, among its first acts, it once again created an executive committee made up of the same group of Banks that Strong had organized more than 10 years earlier.

The FOMC structure was revised through the Banking Act of 1935, establishing the parameters for the structure that exists today. Under this system, the FOMC included the seven governors and five presidents selected by Reserve Bank directors who chose one representative from each of the following groups of Banks: Boston and New York; Philadelphia and Cleveland; Chicago and St. Louis; Richmond, Atlanta and Dallas; and Minneapolis, Kansas City and San Francisco.

Although the legislation did not call for a rotation of FOMC participation among the participants, it functioned that way within each group. There was, however, an exception in the New York/Boston group where Boston always deferred to New York, giving New York a de facto permanent position as an FOMC voter. This deference by the Boston Fed recognized New York's close connection to the markets and the apparent lack of interest and experience in market operations among some of the other Reserve Bank presidents during this period.

That status was formalized in July 1942 when Congress changed the FOMC groupings, making New York's status as a permanent voter official while placing Boston into a group with Richmond and Philadelphia. The action also moved Cleveland and Chicago into their own group, and put St. Louis with Atlanta and Dallas. The Minneapolis/Kansas City/San Francisco grouping did not change.

Once again, the FOMC created the executive committee structure, although with slight modification. This version of the executive committee was made up of three governors, including the Fed chairman, and two Bank presidents. Although the two Reserve Bank seats were not assigned to specific Banks, in practice one of the spots was filled by the New York Fed while the other seat was primarily held by Philadelphia (eight times) or Richmond (seven times). Similar to its previous incarnations, the executive committee was responsible for directing the executions of transactions “in accordance with the open-market policies adopted” by the FOMC.

## A new structure

In 1955, under the leadership of Fed Chairman William McChesney Martin Jr., the executive committee was abolished, with its duties handled by the full FOMC.

In explaining his desire to do away with the executive committee, Martin said he believed that the FOMC was the “heart and core” of the Federal Reserve and that the full committee should have responsibility for decisions related to open market policy and operations. In response to a question from Kansas City Fed President Gavin Leedy, Martin clarified that the non-voting Reserve Bank presidents were welcome to attend the FOMC meetings, which would occur about every three weeks.

Martin said his proposal was “intended to give everybody more participation...than they might have had in the past in all the decisions of the Open Market Committee.” He told the Committee that he felt there had been times when more input from the presidents and the governors would have been helpful. He was also concerned about “islands” developing within the System—a point sometimes made by members of Congress and others, especially about the New York Fed.

Soon after, Martin began to institute the meeting “go around” soliciting input from all of the presidents including the non-voters. As Meltzer notes, initially, this change did not make much of a substantive difference, but it did change the dynamic over time. Today, it is the standard process during the FOMC's eight scheduled meetings that it holds every year. Meanwhile, the public comments made by Reserve Bank presidents during speeches and other events are closely monitored by the financial press for insight on the economic outlook and signs about where interest rates may be headed.



### FURTHER RESOURCES

Learn more about the Bank's history in *From the Vault* on page 33, and go to [KansasCityFed.org/about-us/historical-publications](https://www.kansascityfed.org/about-us/historical-publications) for free historical publications.

# Making a CONNECTION

In founding the Federal Reserve more than a century ago, Congress recognized the importance of connecting the nation's central bank to the Main Streets of America. The Federal Reserve Bank of Kansas City carries out this role through its programs and activities throughout the Tenth District and beyond. Here is a glimpse at the recent activities of Kansas City Fed leaders and staff.

## KANSAS, MISSOURI and BEYOND »



### Conferring with Eighth District leaders and directors in northwest Arkansas

In May, President Jeff Schmid and members of the Oklahoma City Branch Board of Directors traveled to Bentonville, Arkansas, for activities with St. Louis Fed President Alberto Musalem and other Eighth District leaders (pictured above). Activities included a panel discussion with (lower photo, from left) Eighth District Senior Vice President Matuschka Lindo Briggs, Musalem and Schmid. Learn more about the Arkansas visit and an April visit to the Chicago Fed on page 15.





### **Tenth District leaders and directors visit the Federal Reserve Bank of Chicago**

In April, President Schmid and members of the Bank's Kansas City Board of Directors traveled to Chicago to exchange ideas with their Seventh District counterparts, including Chicago Fed President Austan Goolsbee. The visit included discussions on monetary policy, industry-specific challenges and other topics of common interest. Learn more about the Chicago Fed visit and the May visit to Arkansas on page 15.



### **Federal Reserve Governor Barr visits Tenth District**

President Schmid in June welcomed Federal Reserve Governor Michael Barr to the Kansas City Fed's head office for a conversation moderated by Group Vice President Judith Hazen of the Bank's Supervision and Risk Management division. Barr's Tenth District visit included participation in a "Fed Listens" panel discussion at the Omaha Branch that focused on trends in the agricultural economy.

## KANSAS, MISSOURI and BEYOND continued »



### **Delivering remarks at 'Future of Banking' conference in Kansas City**

(Above) President Schmid in June was a featured speaker at "The Future of Banking: Navigating Change," a conference hosted by the Kansas City Fed and attended by banking leaders from across the region. Schmid discussed the role of the Federal Reserve and shared perspectives on banking policy. Read his full remarks in the President's Message on page 1. During the event, Schmid was pictured (at left) with Mark Gould, chief payments executive, Federal Reserve Financial Services.

COLORADO,  
NEW MEXICO,  
WYOMING »



### Helping students form a foundation for sound decision-making

The Denver Branch in April hosted advanced-placement economics students from East High School for the Life briefED program, a one-day version of the Student Board of Directors program designed to inspire students to make strategic, lifelong personal and professional decisions. The day was packed with learning about the Federal Reserve, including cash operations, personal finance, career readiness, the regional economy as well as engaging with various Denver leadership.



### Sharing insight on the national economy with the Urban Land Institute

Nick Sly, vice president, economist and Denver Branch executive, was a guest speaker in two Urban Land Institute (ULI) council sessions in May. Sly discussed the national economy as part of ULI's 2025 Spring Meeting in Denver.

## OKLAHOMA »



### **Branch hosts Oklahoma City Economic Forum**

The Oklahoma City Branch hosted an Oklahoma City Economic Forum on April 3 in Oklahoma City. Cortney Cowley, assistant vice president and Oklahoma City Branch executive, presented an economic outlook to the approximately 200 attendees.



### **Stock market game award winners visit Branch**

The winning teams of the Oklahoma Council on Economic Education Stock Market Game were honored with an award and a visit to the Oklahoma City Branch. The Stock Market Game is a simulation of a real market, designed to involve students in the world of finance and investing as a means of helping them learn how a market economy works.



### **Student Board of Directors honored at pinning ceremony**

The Oklahoma City Branch held a pinning ceremony to honor the 13th class of its Student Board of Directors. The 2024-25 board comprised 25 students from 16 schools. The Student Board program prepares students to become knowledgeable citizens by increasing their understanding of economic, financial and occupational topics through collaboration with peers and business leaders.



### **Outstanding Economic Student award winners selected by Federal Reserve and OCEE**

The Oklahoma City Branch and the Oklahoma Council on Economic Education hosted the 15th annual Outstanding Economic Student Awards, honoring 12 students from Oklahoma high schools for their economic way of thinking. The program recognizes exemplary students and highlights the importance of economics in Oklahoma curriculum. Award recipients, their guests and school representatives were invited to attend a dinner and awards ceremony.

## NEBRASKA »



### Students compete in statewide Economics Challenge

The Omaha Branch in April welcomed the top economic students from across the state for the 2025 Nebraska Economics Challenge finals, coordinated by the Nebraska Council on Economic Education. Throughout the day, high school students demonstrated their economics knowledge by taking an exam, participating in a critical-thinking group presentation and solving economics-related challenges to unlock a backpack.



### Branch hosts 'stellar tellers' from area schools

The Omaha Branch welcomed more than 100 "stellar tellers" from area in-school savings programs in May. Senior Vice President and Omaha Branch Executive Nate Kauffman welcomed and congratulated the students for their roles as leaders within their schools. The stellar tellers program promotes financial literacy and aims to help young students develop sound savings habits and learn about banking.



### Director addresses Branch staff, provides update on aviation project

Dave Roth, chief executive officer of the Omaha Airport Authority and member of the Omaha Branch Board of Directors, spoke to Reserve Bank staff about his role on the board and the current Eppley Airfield expansion and modernization project during a branch-wide meeting in May. Learn more about Roth and his work on page 25.



### Touring brewing facility in Lincoln

Senior Vice President and Omaha Branch Executive Nate Kauffman in April toured the Zipline Brewing Co. in Lincoln and met with company officials to hear their perspectives on economic and business conditions.

# Notes from around the Tenth District



Photo by Getty Images

## Leaders of small businesses reveal conditions and challenges

Results from the Federal Reserve's 2024 Small Business Credit Survey (SBCS), released in April 2025, suggest that employment growth, along with expectations for revenue and employment growth, held steady between 2023 and 2024. But for the first time since the 2021 survey, firms were more likely to report that revenue decreased rather than increased in the previous 12 months.

The survey is a collaboration of all 12 Reserve Banks and provides in-depth information about small business conditions to policymakers and service providers. The 2024 survey was fielded from September to November and reached more than 7,600 small employer firms, collecting information about the performance, challenges and credit-seeking experiences of businesses across the United States.

Some of the feedback from business leaders in the 2024 survey:

- The rising cost of goods, services and/or wages was the most cited financial challenge for small businesses.
- Firms cited difficulty reaching customers and growing

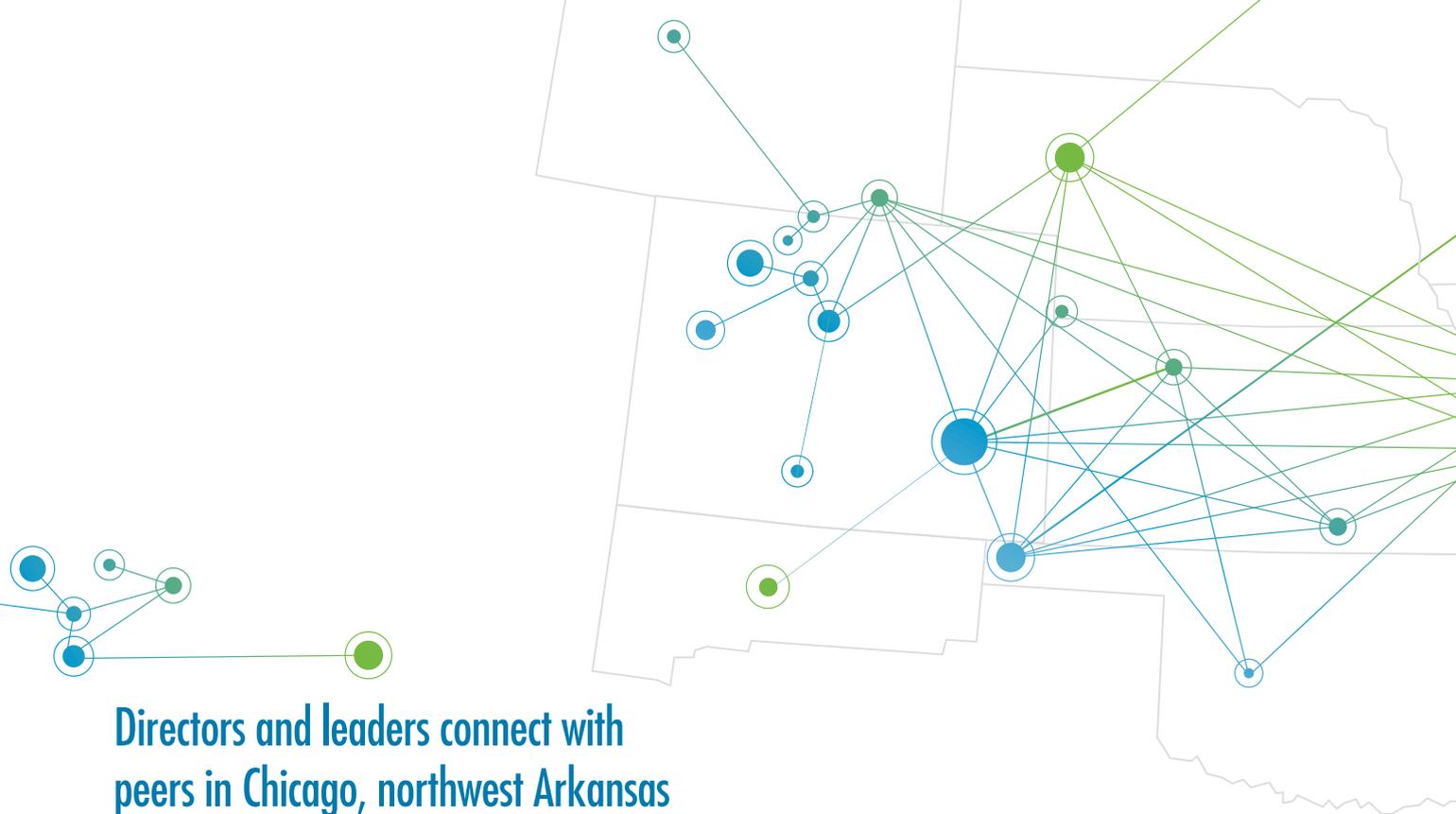
sales as the most common operational challenges.

- The revenue performance index, a component of the survey, declined for the second consecutive cycle as challenges with sales persisted for small businesses.
- The share of firms with more than \$100,000 in outstanding debt remained higher than pre-pandemic levels. Elevated levels of existing debt played an increasing role in the denial of financing applications.
- The 2024 survey showed a shift in the types of lenders from which small businesses sought financing, with a decrease in the application rate at large banks. Additionally, applicants' net satisfaction with their lenders fell. Applicants to online lenders reported the greatest decrease in satisfaction, citing high interest rates and unfavorable repayment terms.



### FURTHER RESOURCES

To read and download the full report go to [fedsmallbusiness.org/reports/survey/2025/2025-report-on-employer-firms](https://fedsmallbusiness.org/reports/survey/2025/2025-report-on-employer-firms).



## Directors and leaders connect with peers in Chicago, northwest Arkansas

At separate events during the spring, Kansas City Fed leaders and directors interacted with counterparts from the Federal Reserve Banks of Chicago and St. Louis.

In May, President Jeff Schmid and members of the Oklahoma City Branch Board of Directors joined St. Louis Fed President Alberto Musalem and directors from the Eighth District’s Little Rock Branch for a joint board meeting in Bentonville, Arkansas.

During the visit, Schmid and Musalem participated in a fireside chat and conducted a business roundtable. During those activities the presidents answered questions and engaged with individuals from northwest Arkansas communities, including members from five local chambers of commerce: Greater Bentonville, Fayetteville, Rogers-Lowell, Siloam Springs and Springdale. Additionally, the roundtable conversation included members of the Northwest Arkansas Council, a group of area business leaders. Directors and Fed staff also toured Walmart’s new headquarters.

In April, Schmid and the Kansas City Board of Directors traveled to Illinois to meet with directors from the Chicago Fed. The event began with a question-and-answer session during which Schmid and Chicago Fed President Austan Goolsbee discussed leadership style and other topics.

After the Q&A session, the directors exchanged



Pictured with President Jeff Schmid during Bentonville, Arkansas, activities (from left): Oklahoma City Branch Executive Cortney Cowley and Branch Directors Jason Garner, Brady Sidwell, Rhonda Hooper, Rebecca Thompson and Terry Salmon.

perspectives on the economic landscapes and industry-specific challenges in their districts. The directors also heard a presentation from Federal Reserve Financial Services leaders, focusing on how the Kansas City and Chicago banks are contributing to the success of Federal Reserve System payments work.



### FURTHER RESOURCES

Learn more about Reserve Bank leaders and directors at [KansasCityFed.org/about-us](https://www.kansascityfed.org/about-us).



## Federal Reserve launches updated education website

When teachers and students return to school this fall they can tap into an enhanced Federal Reserve Education website designed to better meet K-12 and college curriculum needs in economics and personal finance.

The upgraded website, which launched in June, is [www.federalreserveeducation.org](http://www.federalreserveeducation.org).

Over the last year, educators from across the 12 Reserve Bank districts provided input on the expanded resources that the website offers. Staff members from Reserve Banks and the Board of Governors who helped develop the enhancements see the website as

a comprehensive economic education destination and a place for teachers and students to find easy-to-use lessons about the Federal Reserve System, the economy and ways to manage personal finances.

“Federal Reserve Banks actively provide economic education outreach and offer the website as a resource when interacting with teachers and students,” said Gigi Wolf, economic education coordinator for the Kansas City Fed and a contributor to development of the new website. “We hope teachers and students see the Federal Reserve as a trusted, engaging and relevant institution.”

## 2025 Jackson Hole symposium

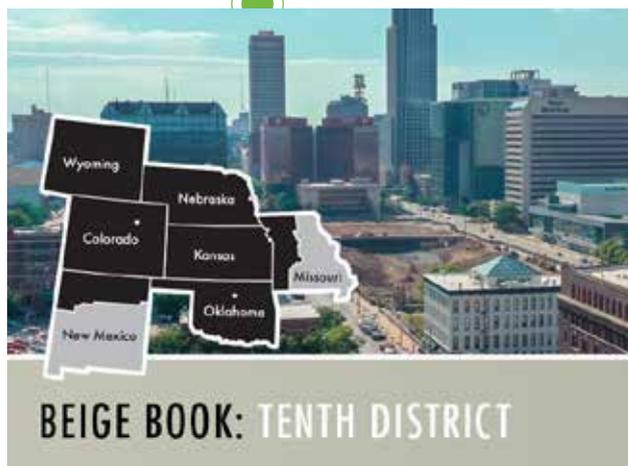
The Federal Reserve Bank of Kansas City will convene the 48th Economic Policy Symposium Aug. 21-23 at Jackson Hole, Wyoming. This year’s theme is “Labor Markets in Transition: Demographics, Productivity, and Macroeconomic Policy.”

Each year in late August the symposium brings together international central bankers, Federal Reserve officials, other policymakers and professionals from academia to discuss issues of mutual concern. The symposium is one of the longest-standing central banking conferences in the world.



### FURTHER RESOURCES

Learn more about the symposium and its history at [KansasCityFed.org/jacksonhole](http://KansasCityFed.org/jacksonhole).



## Slight decline in economic activity

Overall activity in the Tenth District declined moderately across several sectors of the regional economy in recent months, according to the Federal Reserve’s Beige Book summary released in June 2025.

Consumer spending fell, particularly on retail and other discretionary items. Contacts across the region indicated that they expected consumer demand to further weaken in coming months. Further, they expressed high levels of uncertainty about the outlook for household spending. Beige Book reports, based on comments from contacts across several industries and economic sectors, are made available to the public eight times a year. See the most recent Tenth District summaries and sign up to receive alerts at [KansasCityFed.org/surveys/beige-book](https://KansasCityFed.org/surveys/beige-book).

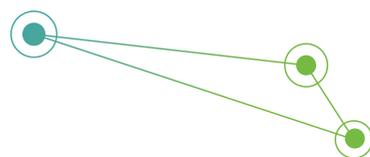
Businesses in consumer and industrial sectors described a cautious approach to capital expenditures, looking only to pursue “no regret” investments that have shorter payback periods, are smaller in scale and are less sensitive to policy developments. The near-term outlook for capital spending remained favorable, but contacts expressed greater uncertainty about investment activity for the coming years.

Similarly, businesses indicated that they took a cautious approach to staffing, making few changes to employment levels. New-home building slowed, and sales of existing homes fell.

## Bank Anniversaries

The following banks in the Tenth Federal Reserve District are celebrating one, five, 10, 20 or more years as Federal Reserve members in July, August, and September.

Uinta Bank	Mountain View	Wyo.	105
Wahoo State Bank	Wahoo	Neb.	93
Gunnison Bank & Trust Co	Gunnison	Colo.	85
Union State Bank	Clay Center	Kan.	83
Bank of Holyrood	Holyrood	Kan.	82
Security State Bank	Basin	Wyo.	77
State Bank of Burrton	Burrton	Kan.	28
Five Points Bank	Grand Island	Neb.	28
Farmers State Bank	Quinton	Okla.	26
i3 Bank (formerly Bank of Bennington)	Bennington	Neb.	26
Payne County Bank	Perkins	Okla.	26
All Capital Bank	Perkins	Okla.	26
First Priority Bank	Pryor	Okla.	25
Lakeside Bank of Salina	Salina	Okla.	25
Security Bank	Tulsa	Okla.	25
American Exchange Bank	Elmwood	Neb.	24
High Plains Bank	Flagler	Colo.	22
AllNations Bank	Calumet	Okla.	21
Chickasaw Community Bank	Oklahoma City	Okla.	21
First United Bank & Trust Co.	Durant	Okla.	1



# Uncharted territory:

Evolution of the video game industry's payments infrastructure



by ANNIE CLINKENBEARD

The ways that American households interact with video games are evolving every day. What originated as simple arcade games shifted to in-home consoles, then to personal computer and smartphone games and on to virtual reality entertainment.

As quickly as the technology used to play video games has changed, so have the industry's revenue models and ways that consumers pay to play—and that has worked to keep the industry relevant and make it a significant economic driver globally.

Sixty-one percent of Americans report spending at least one hour of their time each week playing a video game, according to the Entertainment Software Association.

In 2024, the gaming industry generated nearly \$190 billion in global market revenue, more than double the combined revenue of the global recorded music industry and the global movie industry, which brought in \$36 billion and \$32 billion in revenue in 2024, respectively.

But the gaming industry's rapid growth and success aren't without growing pains. Consumers and government bodies around the world are having to navigate a rapidly evolving digital economy in real time.

The Kansas City Fed examined the industry's changes and challenges in an April 2025 Payments System Research Briefing—"Game Changer: The Evolution of Video Games' Payments Infrastructure." The full



Sophomore Cyrus Hamilton, seated at a video game station, is a member of the William Jewell College esports team coached by Conon Gillis. Photo by Gary Barber

research article, authored by Senior Payments Specialist Julian Alcazar and Associate Payments Specialist Sam Baird, is available at [KansasCityFed.org/research](https://www.kansascityfed.org/research).

## Limited regulation, protections

What many gamers might not realize is that the payment systems within video games are more complex than in other forms of digital entertainment, such as paying for an online streaming service subscription. Some aspects of microtransactions within video games beyond the initial purchase of the game itself, particularly related to the exchange of in-game currency, have regulators concerned about consumer protection, data protection and potential for financial crime.

“The video game economy is an entire world within games where you can buy different characters, skins for those characters, weapons and upgrades.” Baird said. “Video games provide a unique challenge for regulators when players can convert fiat currency to in-game currency and trade game assets with other players.”

Conon Gillis is the head coach of the competitive esports team at William Jewell College in Liberty, Missouri. The college created its esports team in 2024, and it comprises about 20 student-athletes who receive scholarships to specialize in competition against other college teams in a variety of video games.

“I’ve been playing video games for most of my life,” Gillis said. “Data privacy and financial crime is a reasonable concern, but I think most people can take common sense steps to mitigate that risk. I instruct my students to change their passwords often, not leave their computers unlocked when they’re not in use and to use their best judgement. So many websites store our credit card numbers and financial information now, so for that reason video games don’t feel different than anything else.”

Cyrus Hamilton, from Klamath Falls, Oregon, is a sophomore on William Jewell’s esports team. At age 18, he identifies as a true digital native and said he picked up his first video game controller at just 2 years old. Hamilton said that he’s well aware of the risks within video game payment systems, but it doesn’t stop him from enjoying the hobby. He takes extra



William Jewell College esports coach Conon Gillis said that most people can take “common sense steps” to avoid risks in the video gaming experience. Photo by Gary Barber



Sam Baird

steps wherever he can to secure his accounts, like using multifactor authentication to log in and regularly changing his passwords.

“I don’t think there is adequate regulation or consumer protection in the video game industry,” Hamilton said. “If someone was able to guess my password and hack into my gaming account, I know there’s probably no way to get it back. That money would all be lost.”

“ IF I PUT \$100 OF MY OWN MONEY INTO A VIDEO GAME IN EXCHANGE FOR THE IN-GAME CURRENCY, AND THEN MY ACCOUNT GETS HACKED OR I GET SCAMMED, THE COMPANY IS NOT LEGALLY OBLIGATED TO REIMBURSE ME. ”

—Sam Baird, Associate Payments Specialist



Julian Alcazar

The exploration of regulating video game payment systems is, in many ways, still an uncharted frontier. Many countries have experimented with setting spending limits, playtime limits, in-game currency regulations and other regulations, all with varying degrees of success. In March 2025, the European Union passed legislation aimed at improving transparency around video game currencies, requiring games to clearly display the prices of in-game currencies in their legal tender equivalents. In the United States, the Consumer Financial Protection Bureau, a federal agency that oversees consumer protection in the financial services sector, also made efforts this year to expand the scope of existing federal law, including the Electronic Fund Transfer Act of 1978, to apply to video game currencies.

“For other areas of the U.S. economy, there are stronger consumer protection protocols in place,” Baird said. “If your bank account is taken over, you are allowed some recourse there. Credit card companies allow chargebacks if you don’t get the service or product you paid for. Video game payments systems in the United States aren’t as regulated. If I put \$100 of my own money into a video game in exchange for the in-game currency, and then my account gets hacked or I get scammed, the company is not legally obligated to reimburse me.”



## Stronger concerns

The risks of financial crime within the video games payments infrastructure run deeper than a hacked account. Another real concern for regulators is the potential for money laundering within the video game economy. The mix of anonymous usernames and players from around the world makes for a challenging environment to control.

“Third-party ‘exchanger’ companies enable consumers to exchange their in-game currency back into regular currency for a fee,” said Alcazar, co-author of the Bank’s research article. “It used to be that in-game digital currencies only existed within their native platform, but now this raises concern about the potential to launder money.”

According to Alcazar, criminals typically use stolen credit cards to purchase in-game currency, then sell the in-game currency at a discounted rate — essentially laundering the money. Unlike traditional banking systems, which require anti-money laundering screening and “know your customer” regulations, gaming platforms offer an appealing alternative for criminals to move across international borders with minimal oversight.

## More revenue streams

Because of the evolution of payments technology, video game publishers can pursue more sophisticated revenue models. In the earlier days of video games, consumers typically paid a larger lump sum up front for complete access to a game, possibly in addition to the sale of a console. If publishers wanted to make updates to a game, they would wait and release a new version of the game that required another equal-sized purchase. Now it’s more common to see lower barriers to entry.

One popular revenue model combines the sale from the initial game purchase with in-game microtransactions, and another, commonly called the “live service” model, offers the initial game download for free but features more in-game microtransactions for premium content.

“In some ways, I appreciate that I can try out a new game for free or for a cheaper price up front just to see if I like it before committing,” Gillis said. “But it does seem

like video game creators are releasing games that feel half-finished because they know they can charge more for very basic features down the line that should’ve been included in the base game. I think that’s a common frustration within the gaming community.”



As an esports competitor, Cyrus Hamilton appreciates the sense of community in video gaming but realizes the lack of consumer protection. Photo by Gary Barber

## Socializing through gaming

For many Americans, like Hamilton from William Jewell’s esports team, video games offer a way to socialize and build community—and they want a safe, regulated payments infrastructure to protect them along the way.

“Video games foster friendships like any other activity would” Hamilton said. “You can find community by discovering things you have in common with people and build from there. Since I’ve moved to Kansas City, I’ve met a lot of phenomenal people by going to esports tournaments and just playing the games I love online.”

### FURTHER RESOURCES



Read the full Payments System Research Briefing at [KansasCityFed.org/research](https://www.kansascityfed.org/research). Scan the QR code or visit the Bank’s YouTube channel for a video of Julian Alcazar and Sam Baird discussing the research.





# RESEARCH SNAPSHOTS

## *Office occupancy, consumer sentiment, rates*

Here are summaries of recent economic research published by the Federal Reserve Bank of Kansas City. Go to [KansasCityFed.org/research](https://www.kansascityfed.org/research) to read the full articles and follow the latest analysis in *Charting the Economy*, a stream of timely economic data curated by the Bank's research staff.

### **Accounting for changes in downtown office occupancy since the pandemic**

Since the COVID-19 pandemic, changes in occupied office space in metropolitan downtowns have varied widely across the United States. This variation in the change in occupied office space across downtowns could be due to variation in the composition of employment or the desirability of working in specific downtowns. Some occupations are better suited to remote work than others, and some industries have embraced remote work more enthusiastically than others. In addition, some downtowns may be less-desirable places to work because of a wide range of factors, such as the availability of public transit, parking, walkable amenities, public safety or the quality of existing office buildings.

—*Jordan Rappaport, April 2025 Economic Review*

### **Forecasting with feelings: The modest link between sentiment and spending**

Consumer sentiment—a measure of how consumers are feeling about the economy—draws consistent attention from policymakers and economic forecasters. Recent declines in consumer sentiment have prompted concerns about an impending slowdown in spending growth. However, the link between consumer sentiment and growth in real household spending has historically been modest, suggesting that changes in consumer sentiment are unlikely to significantly alter forecasts of household spending. Consistent with this interpretation, despite the downbeat tone from consumers, sentiment does not meaningfully alter near-term predictions of 2025 spending growth.

—*José Mustre-del-Río and Jalen Nichols, May 2025 Economic Bulletin*

## Community banks have maintained profitability in a high-interest rate environment

Benchmark interest rates in the United States, such as the federal funds rate and the 10-year Treasury yield, stand near two-decade highs following a period of monetary policy tightening that began in 2022. Higher interest rates can present challenges for many economic actors, including banks. A Kansas City Fed study shows that two-thirds of community banks have maintained their profitability—measured by net interest margins—since interest rates began increasing three years ago. More profitable banks have distinguished themselves by generating both higher asset returns and lower funding costs. Community banks with higher asset returns have achieved them primarily by rebalancing their asset holdings, while community banks with lower funding costs have more stable, low-cost deposit bases on average.

—*Mariia Dzholos, April 2025 Economic Bulletin*

## Smaller urban areas continue to gain population at the expense of the largest urban areas

Domestic migration between U.S. urban areas was greatly disrupted by the COVID-19 pandemic. Using high-frequency credit bureau data from Equifax, a Bank study shows that between 2020 and 2021, very large urban areas (over 4 million people) experienced large declines in net migration rates. Over the same period, the greatest increases in net domestic migration rates occurred in small (12,000–220,000 people) and medium-sized (220,000–1 million people) urban areas. As of late 2024, small urban areas continue to experience the largest increase compared with pre-pandemic levels.

—*Jason P. Brown and Colton Tousey, February 2025 Charting the Economy*



Photos (left and above) by Getty Images

## Poverty thresholds across the Rocky Mountain Region

The ability of households to purchase a certain amount of essential items can determine whether they are classified as being impoverished. These spending thresholds differ at local levels because the costs of reaching a specified consumption level vary from community to community. Poverty thresholds across the Rocky Mountain region often exceed national averages, with some counties having nearly 30 percent higher thresholds than the national level. Understanding such thresholds can help governments, civic organizations and community service providers gain insight about the incidence of poverty and help them evaluate the impact of programs targeting the issue.

—*Nicholas Sly and Juan David Munoz Henao, May 2025 Rocky Mountain Economist*



Photo by Getty Images

## U.S. card-not-present fraud rates after migration to chip cards

As consumers have shifted more of their economic activities online, their use of payment cards has also shifted from a “card-present” (in-person) to a “card-not-present” (remote) environment. As a result, addressing the risk of card-not-present fraud has become increasingly important. Unlike many other countries, the United States did not see a surge in the “card-not-present” fraud rate immediately after migrating to chip-card technology. Instead, the U.S. card-not-present fraud rate of non-prepaid debit cards has increased gradually over the last 10 years. Merchants’ and cardholders’ card-not-present fraud loss rates have increased for both dual- and single-message networks, while issuers’ card-not-present fraud loss rate has increased for single-message networks.

—*Fumiko Hayashi, May 2025 Payments System Research Briefing*

## Financial constraints among ‘buy now, pay later’ users

Buy now, pay later (BNPL) services have become increasingly popular in the United States over the last decade, especially among younger and financially vulnerable consumers. Although BNPL services might help some consumers manage financial constraints by breaking down purchases into smaller installments and providing access to interest-free credit, the smaller, interest-free installments might also lead some consumers to perceive purchases as more affordable than they really are, increasing the risk of overspending, debt accumulation and default. The Kansas City Fed examined the financial constraints and repayment behavior of BNPL users and found that BNPL users tend to be more financially vulnerable relative to BNPL nonusers. The findings also suggest a high correlation between consumers who make late payments on BNPL loans and those experiencing financial vulnerability or distress.

—*Fumiko Hayashi and Aditi Routh, May 2025 Economic Review*

# Meet Omaha Branch Director Dave Roth



Airport Authority CEO is leading extensive modernization project

Eppley Airfield in Omaha is buzzing with activity these days, and not just because of record-breaking passenger traffic that exceeded 5.2 million in 2024. Several hundred contractors are working on a \$1.1 billion modernization and expansion project that, when completed in 2028, will increase Eppley's space by more than 70%, create a unified concourse, centralize ticketing and security screening, add airline gates and international arrivals, and incorporate new dining and retail choices for travelers.

Literally in the middle of that activity is Omaha Airport Authority CEO Dave Roth, who joined the Kansas City Fed's Omaha Branch Board of Directors in 2024. Roth oversees operations at Eppley, Omaha's primary public airport, and at Millard Airport, a smaller public general aviation airfield in the city. Roth said he sees Eppley's massive project as embodiment of his organization's mission.

"Our specific mission is to provide premier customer service and airport facilities through operational excellence," Roth said. "With that, we equip our professional team to provide that premier service to the flying public and also the aircraft operators, the airlines and all of the tenants that operate out of the airport."

Roth, who has been part of the Airport Authority's executive team since 2003, said that his affiliation with the Kansas City Fed goes back several years.

"It's been a longstanding relationship working with the Omaha Branch," Roth said. "I've known several of the Board members, and the professional caliber of the

Boards and the Kansas City Federal Reserve staff has been second to none. For me, I find it very rewarding and inspiring to be able to contribute to that."

Compiling and sharing data from his industry have been key aspects of those contributions.

"Being with the airport, we collect very unique data at all times, and I think it's very relevant for the meetings with the Board and staff because we have very little lag time on our data," Roth said. "We can see labor trends, constructions costs and supply chain changes. We also see the business and leisure travelers and how they use discretionary spending."

Together with information from his fellow Board members, all of that data helps round out a broader economic picture for the Kansas City Fed, he said.

"First of all, for myself and my organization, my hope is that we can be an asset to the Federal Reserve as those larger decisions, especially for monetary policy, are made," Roth said. "Building these relationships with the Board and staff is incredibly important. I can gain knowledge from my peers on the Board about what they're seeing, and typically it confirms what we're seeing within our industry."



## FURTHER RESOURCES

Learn more about the Tenth District directors by scanning the QR code or visiting [KansasCityFed.org/about-us/board-of-directors](https://KansasCityFed.org/about-us/board-of-directors).





## Ask an **ECONOMIST**

Ty Kreitman

### Key agricultural trade partners are important for U.S. farm sector revenue and food prices

Trade is an important source of demand and supply for U.S. agricultural commodities and food products. According to the U.S. Department of Agriculture, in 2024 the United States exported roughly \$175 billion in agricultural products and imported \$215 billion. Trade in this sector of the U.S. economy is particularly concentrated among Mexico, Canada and China. Several major commodities and staple consumer food products rely heavily on exports to and imports from those countries.

Associate Economist Ty Kreitman explored those trade connections in an April 2025 Economic Bulletin. His analysis showed that major changes to those key trade relationships could lead to reduced farm sector revenue and higher food prices for consumers. The full article is available at [KansasCityFed.org/research](https://www.kansascityfed.org/research).

### What are some of the key characteristics of U.S. trade relationships with Canada, Mexico and China?

Mexico, Canada and China were the destination for about 50% of the total value of U.S. agricultural exports in 2024. Mexico and Canada also are important sources of agricultural product imports, accounting for more than 40% of all U.S. agricultural imports. Additionally, Canada is a major supplier of essential fertilizers used in crop production in the United States.

As for China, despite its relatively low importance as an exporter of agricultural products to the United States, the country is a particularly important destination for U.S. soybeans and other bulk farm commodities that rely heavily on export markets. The latest data available shows that 20% of U.S. soybean production is exported to China.

In addition to soybeans, roughly 55% of U.S. sorghum production, 20% of cotton production and 8% of U.S. tree nut production (including 18% of pistachios) are exported to China.

## Regarding agricultural exports to China, how did previous trade disputes play out?

China's relative importance as a destination for U.S. agricultural products made the sector more vulnerable during past trade disputes. In 2018, China implemented a 25% tariff on U.S. soybeans, which led to an immediate and sharp reduction in U.S. soybean exports and prices and a reshuffling of global exports.

The disruption also likely reduced the longer-term competitiveness of U.S. exports in world markets by contributing to expanded soybean production and exports in other countries.

## For U.S. consumers, what are some of the potential effects of trade fluctuations?

In addition to their roles as destinations for U.S. agricultural products, Mexico and Canada in particular also are primary sources of many staple food products consumed in the United States. About 20% of U.S. fruit, vegetable and tree nut consumption is imported from Mexico, and an additional 5% is imported from Canada. Those product categories account for about 17% of the "food-at-home" (grocery) basket of the Consumer Price Index (CPI), a common measure of food inflation. Canada and Mexico also supply about 13% of cereals and bakery products consumed in the United States, 13% of nonalcoholic beverages and 10%

of other processed foods, such as condiments, milled grain products, sweets and vegetable oils. Consumers could expect that tariffs related to many fresh fruits and vegetables—because they are imported from concentrated growing areas with limited substitutes—could contribute to modest increases in prices that persist for a longer period. For processed foods with flexible supply chains that could shift production, price increases could be modest but more temporary.

## How would farm revenue be affected?

The composition of U.S. agricultural exports and imports suggests that revenue in the agricultural sector is highly exposed to risks of disrupted trade with Mexico, Canada and China. Because these countries are key destinations for several agricultural products that account for a large share of farm revenue, tariffs on U.S. exports could lead to a reduction in aggregate farm revenue. The degree of effect on farm revenue and other components of the agricultural economic picture would depend heavily on the scope, level and duration of any tariffs or other changes in trading partnerships.



### FURTHER RESOURCES

To read and download the full *Economic Bulletin*, scan the QR code or visit [KansasCityFed.org/research](https://www.kansascityfed.org/research).





# 30 years later:

## TRAGEDY *and* RESILIENCE in OKLAHOMA CITY

by ANDREA GALLAGHER

Thirty years ago, the Kansas City Fed persevered through one of the most challenging times in its existence, when the Oklahoma City bombing tore through the Alfred P. Murrah Federal Building on the morning of April 19, 1995. The Oklahoma City Branch building was a block and a half away from the site and was not unscathed.

“There are so many things I would not remember from 30 years ago, but I don’t think I will ever forget that day,” said Lori Zuchnik, senior administrative assistant in Supervision and Risk Management, who worked in human resources at the time at the Oklahoma City Branch.

Despite orders to evacuate the building following the attack, the Oklahoma City Branch office remained operational. Keeping checks moving and ensuring a sufficient supply of cash to Oklahomans during the investigation and clean-up was central to the Bank’s mission.

“We are a bank that will not be left unguarded,” then Public Affairs manager Stan Mengel told *The Kansas City Star*.

### April 19, 1995

Zuchnik was on the phone with an employee talking about benefits when the bomb exploded. She not only remembers feeling the blast, but so did the person on the phone who lived on the south side of town.

“She said her plates fell off her wall, and I knew she lived at least 10 miles away,” Zuchnik said. “The HR staff was working on the third floor at the time, and we could tell there was some type of explosion based on the amount of heavy, black smoke.”

Earlier that morning Michael Combs, now a vice president in Supervision Product Management, had parked his car on the south side of the Murrah building and walked by it around 7:30 a.m. on his way to the

Branch, where he was a bank examiner. It was about 90 minutes later when the whole building shook.

“To me it felt like a reverberating boom...Ceiling tiles got thrown around me...a lot of chaos,” Combs said.

Combs and other staff members were quickly marshaled to the stairwells by the designated floor wardens and headed downstairs. He remembered that there was glass everywhere, and a bank law enforcement officer was standing with a rifle to protect them.

“We started to hear trickling information about what was happening,” he said, adding that back then there were no smartphones or ways to quickly find out what was happening.

Josias Aleman, now executive vice president of the Payments and Strategy Division, was working on the second floor of the Branch, where he was an analyst in the check collection department. Suddenly, he said, the whole building shook, and ceiling tiles were falling to the floor.

“We were doing construction at the time, so my first thought was the crane fell on the building,” Aleman said. “We went outside, and you saw people streaming out of buildings. It was pretty much pandemonium downtown.”

## ‘The Fed is open’

During this time of uncertainty, one thing remained the same: the Federal Reserve stayed open. The cash operations and check processing functions continued the important business as usual, even when it was anything but usual.

“The statement that day was the Fed is open and operating, and it’s a boost of confidence to the public that we are open in times of crisis and stress,” Combs said.

“When you have a tragic event befall the country, pretty quickly our mind turns to how can we promote stability in this time of uncertainty?” Aleman said. “You recognize anything can happen anywhere, but what strikes me is the way our employees rise to the moment.”



After the bombing, an armed Reserve Bank law enforcement officer stood guard at the Oklahoma City Branch.



On April 19, 1995, damage from the bombing could be seen at a building across the street from the Branch. Photos from Bank archives



At the Oklahoma City National Memorial & Museum, 168 chairs represent the lives lost on April 19, 1995. Photos by Gary Barber

Combs and Zuchnik continue to work at the Oklahoma City Branch, while Aleman is in Kansas City. All agree the quick thinking of management attributed to everyone getting out of the building safe while continuing to do the important work of the Federal Reserve. Employees were sent to an external staging site and then sent home. Meanwhile, only designated employees could access the building with a letter from the FBI. Aleman was one of them and still has that letter to this day.

“We spent the next two to three days driving a van and shuttling checks to continue to support payments processing,” he said.

Because Combs’ vehicle was parked by the Murrah building, it was still part of a crime scene, and he didn’t get it back for weeks. In addition, he was questioned by the FBI as they tried to piece things together. They wanted to know if he saw anything when he walked by the Murrah building early that morning.

“I had no idea how they found me, but I received a call on my home line; I had no time to prep,” Combs said. “They wanted to know what I saw as I walked by the building at 7:30 a.m. It was a little intimidating as a young professional being interviewed by the FBI.”

Zuchnik recalls the usual jovial law enforcement officer being very serious, and she was grateful that they had law enforcement at that time. She went outside. The

air was covered in heavy, black smoke and people were covered in soot. She vividly remembers the community coming together afterward.

“I was so proud of Oklahoma,” she said. “People really came together and really showed the heart of Oklahoma.”

Combs added: “To be in such close proximity to a tragedy, it is definitely impactful for the Oklahoma City community and how everyone pulled together to support each other.”

In 2014 the Oklahoma City Branch moved to its current location in Leadership Square. In 2017, the Kansas City Fed received two American elm saplings from the Oklahoma City Survivor Tree, which endured the bombing and remains standing today. The saplings have grown, and the trees now stand in Kansas City and Omaha. The Oklahoma City Branch does not have one for lack of green space. The saplings were grown from seeds harvested from the tree, which is now part of the Oklahoma City Memorial and Museum.



#### FURTHER RESOURCES

Learn more about the Oklahoma City National Memorial & Museum at [memorialmuseum.com](http://memorialmuseum.com). Follow the work of the Oklahoma City Branch at [KansasCityFed.org/oklahomacity](http://KansasCityFed.org/oklahomacity).

# kcFED SOCIAL SEEN



Social media highlights of our engagement across the region.



3



1



4



2



5

1 **COLORADO BANKERS ASSOCIATION** We held our 2025 Membership Meeting...heard an economic update from Nicholas Sly, Vice President, Economist, and Denver Branch Executive at the Federal Reserve Bank of Kansas City. [in](#)

2 **@MARTYNA\_MARCZAK** It was a great pleasure to present my work and represent @tcdeconomics and @imtcd at the Midwest Macro Meeting at @KansasCityFed. Many thanks to @BiHuixin and @Therealjmustre for organizing this fantastic conference! [X](#)

3 **KANSASBANKERS** The 2025 Bank Leaders of Kansas Class... at their visit to the Kansas City Fed...learned about the history of the Fed, heard an economic outlook from economist Lee Smith, and had a great discussion with

Abby Wendel (President and CEO of Landmark National Bank) and Scott Coup (President at Security Bank of KC) on leadership and banking in Kansas. [Instagram](#)

4 **KANSASCITYFED** When there is an opportunity to give back to the Tenth District, employees at the Kansas City Fed roll up their sleeves and get to work! Our employee-led Community Involvement Program organized a spring blood drive with the help of a mobile unit from @KCommunityblood. [@](#)

5 **KANSASCITYFED** For National Coin Week we're sharing some of our favorite rare coins from the Harry S. Truman Coin Collection in our Money Museum. This unique coin is the 1836 Seated Liberty Silver Dollar. Read about the 450-coin exhibit here: [bit.ly/3BUUK7Z](https://bit.ly/3BUUK7Z). [Instagram](#)

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# Tenth District *by the numbers*

ECONOMIC INDICATORS, FACTS AND TRENDS FROM THE SEVEN STATES



# 1,001,010

Number of people living in the eight-county Omaha metropolitan area in 2024, marking the first time the area's population reached 1 million.

Source: U.S. Census Bureau



# \$30.78

Average hourly wage for the Kansas City area across all occupations in 2024, compared with \$32.66 nationally.

Source: U.S. Bureau of Labor Statistics

# \$1.2 billion

Value of Oklahoma's manufacturing sector's exports for the first two months of 2025, an 11.4% rise from same period in 2024.



Source: U.S. International Trade Administration



# 1.7%

Projected 2025 increase in real Kansas Personal Income (KPI), a measure of economic well-being of state residents.

Source: Kansas Division of the Budget

## MORE ECONOMIC DATA

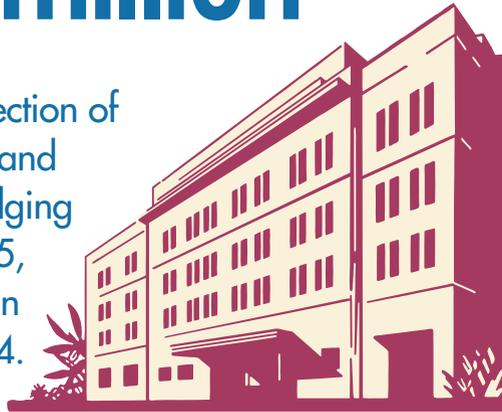
The Bank regularly publishes data about regional and national economic conditions at [KansasCityFed.org/research/indicatorsdata](https://www.kansascityfed.org/research/indicatorsdata).



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# \$2.3 million

Wyoming's collection of the state's sales and use tax from lodging in January 2025, 3.8% higher than in January 2024.



Source: Wyoming Department of Administration & Information



# No. 1

Colorado's national rank at the end of 2024 for sales of electric vehicles, making up more than 25% of new vehicle sales statewide.

Source: Northeast States for Coordinated Air Use Management and Colorado Automobile Dealers Association

# \$70.7 million

Matched taxable gross receipts in New Mexico's agriculture, forestry, fishing and hunting sector for Q2 of the state's 2025 fiscal year, up 17% year over year.

Source: New Mexico Economic Development Department

## FROM THE VAULT

### *Kansas City Fed History*



Messengers and guards at the head office in 1922 Bank archives

### Professions from the past

Over the Kansas City Fed's 111 years, numerous roles in its workforce were created to serve the needs of an era before eventually giving way to time, technology or progress in general. Here are a just a few of those bygone professions:

**Messengers** – Their duties included delivering documents, mail and supplies to offices.

**Telegraph operators** – They sent and received teletype "wires" to manage funds transfers and other business through a Reserve Bank network.

**Food coupons staff** – Before the start of the Electronic Benefits Transfer (EBT) program, they verified, counted and ultimately destroyed coupons (also known as food stamps) that had been redeemed for grocery purchases and processed by Fed member banks.

**Elevator operators** – These "push button chauffeurs," as they were described in a 1955 Bank newsletter, were uniformed employees in charge of passenger elevators at the Bank's longtime headquarters at 925 Grand.

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JACKSON HOLE ECONOMIC POLICY SYMPOSIUM

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UPDATES AND MORE: [KansasCityFed.org/jacksonhole](https://www.kansascityfed.org/jacksonhole)



# LABOR MARKETS IN *TRANSITION*:

Demographics, Productivity and Macroeconomic Policy