1914 – 1992

# UPON A STRONG FOUNDATION

A HISTORICAL PERSPECTIVE AND A FUTURE OUTLOOK FOR

THE FEDERAL RESERVE BANK OF DALLAS

1914 – 1992

# Upon a Strong Foundation

A Historical Perspective and a Future Outlook for

the Federal Reserve Bank of Dallas

# PRESIDENT'S MESSAGE

As we open the doors of the new headquarters building of the Federal Reserve Bank of Dallas, it is an appropriate time to review and reaffirm our role in the nation's economy and in our local communities. With this in mind, we have prepared this special publication highlighting the history of the Dallas Fed and describing who we are and what we do. Its premise is that a better and broader understanding of the nation's central bank and the issues it confronts will contribute to a more receptive environment for sound and responsible policies.

The Federal Reserve System was structured by the Congress as a uniquely American version of a central bank, established to carry out the Congress' own constitutional mandate to "coin money and regulate the value thereof." Part of its uniqueness is that it is a *decentralized* central bank, with Reserve Banks and Branches in 12 Districts across the country coordinated by a Board of Governors in Washington.

The Federal Reserve is part public and part private, with the Washington Board—appointed by the President and confirmed by the Senate—representing the public or governmental side and with the private sector represented by local citizens serving on the boards of directors of the Reserve Banks and their Branches. The Banks are self-supporting, with capital coming from member banks and with the Banks' operations financed out of their own earnings. Federal Reserve Banks do not receive taxpayer funds, although the public has a stake in their efficient operation because the Banks contribute their excess earnings to the U.S. Treasury.

The modern-day equivalent of "coining money" is the financial infrastructure that the Fed provides for the nation's monetary system. Originally, that referred to the provision of a unified and "elastic" national currency and a nationwide check collection system. Today, those important functions have been expanded to include more exotic electronic means of transferring money, securities, and information. The majority of the employees at the Reserve Banks are engaged in such operations, which are provided as services to financial institutions and to the U.S. Treasury.

Another important function of the Federal Reserve is our role as a federal bank supervisor, which we share with the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Many of our employees are engaged in the examination of state-chartered Fed member banks, the inspection of bank holding companies, and, more recently, the examination of local entities of foreign banks. The regulatory policies and standards pursued in these supervisory activities are formulated in legislation by the Congress and in regulation form by the Board of Governors in Washington.

If bank operations are the modern-day equivalent of coining money, then "regulating the value thereof" is the task of contemporary monetary policy. The most important tool of monetary policy today is open market operations, which are directed by a committee of Governors and Reserve Bank presidents. It is through my participation as a member of the Federal Open Market Committee that this region has its most important voice in the conduct of monetary policy. Of course, regional economic conditions and concerns are also considered by the members of our local board of directors in their biweekly recommendation to the Board of Governors on the discount rate.

Because of our decentralized regional structure, with both private-sector and public representation, monetary policy is not made exclusively inside the Washington Beltway. Through our directors and other local contacts throughout the Eleventh Federal Reserve District, I am able to get good grass-roots information on the state of our economy and on problems and issues unique to our Southwest region and take it to FOMC deliberations. Our regional structure also allows the Dallas Fed to have a research staff to study theoretical issues—as well as to formulate independent judgments and forecasts on the local, national, and international economies—to complement the research of the staff in Washington.

Aside from our regional structure and local private-sector participation, the key to the ongoing success of the Federal Reserve has been the high caliber of the people attracted to the challenges faced by the organization. From the policymakers to the individuals charged with daily operations, the people of the Fed are consistently impressive in their dedication and enthusiasm for public services. The following pages tell the stories of some of these people in words and in pictures. Additionally, we salute the private citizens who have served as our directors. These individuals are models of public-minded citizens who give willingly of their time to contribute to the economic well-being of all.

As we look to the future, we hope to continue to contribute to the prosperity of our region. Many changes have been wrought in our District over the years. Seventy-five years ago, cattle and cotton dominated, and oil was ascendant. Though still important in today's regional economy, agriculture and oil have been eclipsed by the growth of the service sector and the rising importance of commerce and trade. Today, the Southwest stands at the crossroads of North–South international trade and promises to benefit from the important moves toward free trade made by Mexico and other neighbors to the South.

One important way in which Reserve Banks have contributed is through economic education. As the economies of the Soviet Union and Eastern Europe have fallen, too many of our citizens do not understand and appreciate the nature of the economic system that won the ideological war. Too many do not really understand how capitalism works and how capitalism and freedom are so intimately tied. If we can be a force for clarifying the benefits of a free enterprise system, we can make a tremendous difference.

Finally, I want to express my appreciation to the individuals who gave their personal best in envisioning, designing, and constructing this new building. It was a massive undertaking, and their efforts are visible in every corner. I especially want to thank former President Robert Boykin, former Chairmen of our board of directors Bobby Inman and Hugh Robinson, and our current Chairman, Leo Linbeck, for their vision and persistence in getting the project started. Mr. Linbeck has also served as chairman of the Building Committee throughout the planning and construction phases. Other directors who have served as members of the Building Committee are Henry Cisneros, Ted Enloe, Humberto Sambrano, Dickie Williamson, and Peyton Yates.

To the bankers in the District, I hope the tasks performed within these walls serve your needs and enhance the efficiency of the nation's financial system. And to the staff of the Federal Reserve Bank of Dallas, welcome to our new offices.

Robert D. McTeer, Jr.

Robert D. McTeer, Jr.
President and Chief Executive Officer

*Each season has its memories. Each journey, its roads traveled. Whenever a history is told, a collection of people, dreams, and events weave together to form a tapestry. For nearly 80 years, the Federal Reserve Bank of Dallas has worked to provide quality financial services to the Eleventh Federal Reserve District. It also has monitored the performance and regulated the activities of state member banks and bank holding companies. Finally, it has worked closely with the other Reserve Banks and the Board of Governors of the Federal Reserve System in Washington, D.C., to formulate monetary policy for the United States. These are all important functions for the Federal Reserve Bank of Dallas and its Branches as they perform their work for the citizens of the United States and provide the strong foundation upon which the financial system and the economy rely for strength, integrity, and protection.*

*Captured here in photographs and words are some thoughts and places characterizing the history of the Federal Reserve Bank of Dallas and its role within the Federal Reserve System. As part of the nation's central bank, the Dallas Fed has a history filled with ties to national political and economic events as well as events in the region it serves. This story brings many perspectives into view—those of political leaders who shaped the creation of the Federal Reserve System, the first leaders of that System, and employees of the Federal Reserve Bank of Dallas. While it is a history, it is also a framework for the future.*

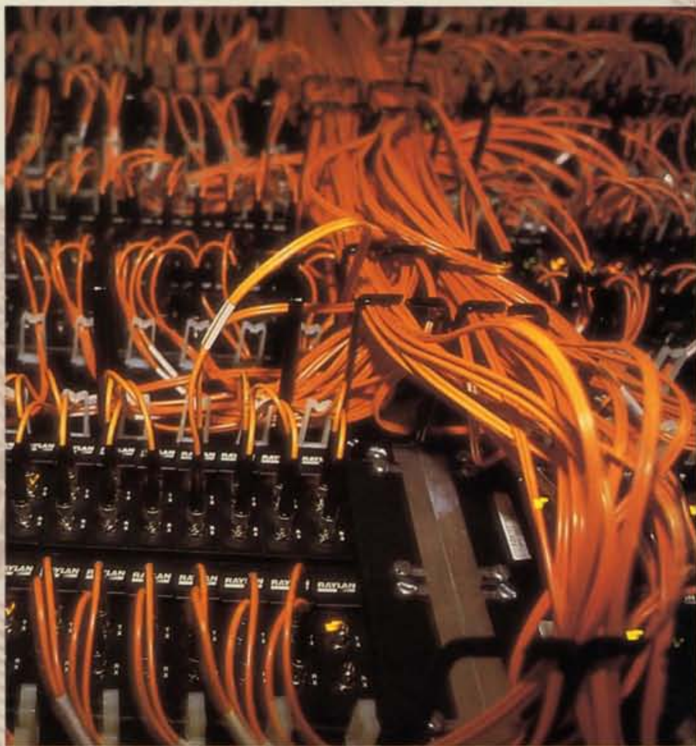
*This book covers almost 80 years of history and ends with a beginning. The opening of the new headquarters building for the Federal Reserve Bank of Dallas is a time for celebration and for reflection.*

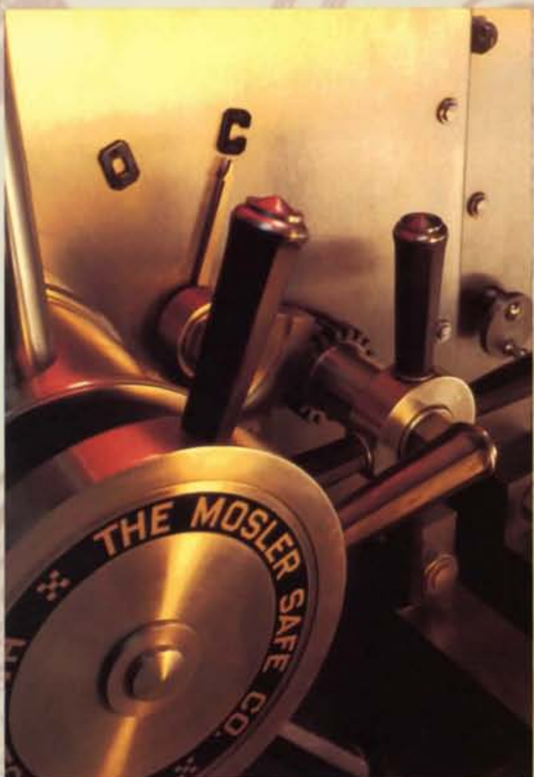
*The employees of the Federal Reserve are frequently asked to*

*explain what they do and what the Federal Reserve is all about. It is easy to explain that the Dallas Fed is one of 12 regional Reserve Banks in the United States and that, together with the Board of Governors in Washington, D.C., they form the nation's central bank. It is easy to explain that each Federal Reserve Bank and Branch has a board of directors that represents local business and the public. It may also be easy to explain a job within the Fed in terms of the work performed—checks sorted, data analyzed, cash counted, banks visited, speeches given. Perhaps the most difficult aspect to explain is that while we work under the one name "Federal Reserve," we are part of several different types of businesses—each influencing the other but each a separate operation.*

*The activities of the Federal Reserve can be broken down into three distinct functions. The first involves providing services for financial institutions and serving as the bank for the U.S. government. The second function performed by the Federal Reserve involves examining the financial soundness and management of certain banks and bank holding companies. This supervision and regulation of the nation's banking industry helps ensure that banks are operating in a safe and sound manner and in compliance with banking laws and rules. The final, and perhaps most important, function of the Federal Reserve is setting monetary policy for the country. Monetary policy is designed to expand or contract money and credit in the economy, depending on whether that economy is facing inflationary pressure or stagnation.*

*Together, these three functions form the daily operations of the Federal Reserve System and contribute to the smooth functioning of banking and business operations in the United States.*






Top: Checks are processed around the clock.

Middle: Miles of fiber-optic cables allow faster electronic payments and increased security for financial transactions.

Left: The vault at the Dallas Fed is the size of a five-story office building.

# ABOUT THE FED

THE FEDERAL RESERVE BANK OF DALLAS IS ONE of 12 District banks that, along with the Board of Governors in Washington, D.C., make up the central bank of the United States. The Dallas Fed serves the Eleventh Federal Reserve District, which encompasses approximately 350,000 square miles and is composed of the state of Texas, northern Louisiana, and southern New Mexico. Its Branch offices are in El Paso, Houston, and San Antonio.

A nine-member board of directors oversees the operations of the Dallas Fed under the general supervision of the Board of Governors. The directors represent the varied economic activities in the District, including banking, business, and consumer interests. The directors work closely with the Dallas Fed president to provide grass-roots economic information and to provide input to management and monetary policy decisions.

Although created by a legislative act, like the other 11 Reserve Banks, the Dallas Fed receives no budget appropriations from the Congress. Instead, it is self-sufficient, earning income from interest on its holdings of U.S. Treasury securities, from interest on loans to financial institutions, and from fees for the services it provides to financial institutions. At the end of each year, the Dallas Fed returns to the Treasury all earnings in excess of expenses necessary for operations.

The Federal Reserve System has often been called an independent central bank, but it is more accurate to say that the Fed is "independent within government." Although not subject to congressional appropriations, the Federal Reserve ultimately is responsible to the Congress and comes under its jurisdiction. The members of the Board of Governors report regularly to the Congress on the state of the economy and monetary policy, domestic and international financial developments, and regulatory matters.

THE FEDERAL RESERVE BANK OF DALLAS, LIKE the other Reserve Banks, is, first, a "banker's bank," providing services for financial institutions in much the same way commercial banks serve their customers. By providing these financial services, the Bank promotes the smooth functioning of the financial system and the efficiency and technological development of the payments system.

Every business day, millions of dollars are handled and processed at the Dallas Fed. The money that the U.S. Treasury prints or mints is put into circulation by a Federal Reserve Bank. In addition, the Dallas Fed ensures that the currency in circulation is in good physical condition by removing from circulation coins and notes that are damaged, counterfeit, or worn.

The largest service function at the Dallas Fed is its check clearing operation. Most dollars spent in the United States are in the form of checks. Every day,

Above: Alan Greenspan became Chairman of the Federal Reserve Board of Governors in 1987.

Right: The Dallas Fed receives and processes more than 11 billion pieces of paper currency annually.

Below left: Every day, 3 million to 4 million checks are processed by the Dallas Fed.

Below right: Federal Reserve Banks sell $100 billion of U.S. government securities—including U.S. savings bonds—each month.

millions of pieces of paper must be moved around the country, sorted, tabulated, and credited or debited to the proper financial institution accounts. To handle this operation and to provide overnight processing and collection of checks, checks operations take place 24 hours a day, five days a week, with special processing on the weekend.

The Dallas Fed performs two services that provide for the electronic transfer of funds. The continuous increase in the number of checks led to the development of automated clearinghouse (ACH) operations, which use electronic data instead of paper checks to transfer funds. The ACH is primarily used for recurring payments, such as direct deposit of payrolls and automated bill payments. A nationwide electronic network also allows institutions to transfer funds to other institutions anywhere in the country within seconds. Many financial institutions in the Eleventh District have online computer connections that communicate directly with the computer at the Dallas Fed. This computer also is linked to other Reserve Banks and some government agencies.

As additional services to financial institutions, the Dallas Fed handles transfers of securities between institutions, holds securities in its vault for safekeeping, and participates in a nationwide system that handles the processing of municipal and corporate securities and noncash check drafts.

IN ADDITION TO THESE SERVICES FOR FINANCIAL institutions, the Dallas Fed and all other Reserve Banks serve as banks for the U.S. government by maintaining accounts and providing services for the Treasury and acting as depositories for federal taxes. The Fed also handles the sale and redemption of original issues of government securities to assist the Treasury Department in financing the national debt. These Treasury bills, notes, and bonds are sold to the public and to financial institutions.

IN THE INTEREST OF MAINTAINING A STRONG financial network in which the public can place its confidence, the Dallas Fed supervises and regulates financial institutions to ensure that they operate safely and soundly and in compliance with banking laws and regulations. It has primary responsibility for examining state-chartered member banks and bank holding companies. The Dallas Fed is also responsible for reviewing banking organizations' proposals to merge, make acquisitions, or engage in nonbanking activities to assure that such transactions will have a positive impact on competition and the community served. Through the discount window, the Dallas Fed provides temporary adjustment or seasonal credit to depository institutions to offset financial strains they may be experiencing in an effort to insulate the broader community and financial system from potential instability. The Dallas Fed also implements and enforces a variety of consumer laws and regulations to assure that institutions treat consumers fairly and meet the credit needs of their communities.

THE FEDERAL RESERVE SYSTEM IS RESPONSIBLE for formulating and implementing the nation's monetary policy in order to promote sustainable economic growth and stable prices. In other words, the Federal Reserve is responsible for monitoring money and credit conditions in the country and for providing enough money and credit so that the economy can operate as closely as possible to full employment, with steady growth and stable prices.

The Dallas Fed's foremost role in the monetary policy process is the participation of its president in the deliberations and actions of the System's chief monetary policy group, the Federal Open Market Committee. The Bank's board of directors also plays an important monetary policy role through its advice to the president and its recommendation on the Bank's discount rate, subject to review and determination by the Board of Governors.

To assist in fulfilling these responsibilities, the Dallas Fed's research staff collects a broad array of information and analyzes economic and financial developments. This current analysis is complemented by longer-term research on the fundamental workings of the economy and financial system. Sharing this information is another important component of this activity. Through publications, conferences, and other outreach programs, the Dallas Fed seeks to stimulate broader discussions of economic issues and, as a result, an informed public review of economic policy.

# The Dallas Morning News.

VOL. XXIX. DALLAS, TEXAS, FRIDAY, APRIL 3, 1914—TWENTY PAGES. NO. 185


# DALLAS SELECTED FOR ONE OF THE TWELVE REGIONAL RESERVE BANK CITIES

## MANY SEAL HUNTERS PERISH ON ICE FLOE

BLIZZARD OFF NEWFOUNDLAND CUTS 120 MEN OFF FROM STEAMER.

## SIXTY-FOUR ARE DEAD

Steamer Southern Cross, Carrying Large Crew and Heavy Cargo Is Reported Safe.

**St. Johns, N. F., April 2.—Sixty-four members of the crew of the Newfoundland are known to have perished and thirty-seven were rescued, according to a statement by Colonial Secretary Bennett, acting Premier, late tonight. The steamer Bellaventura accounted for fifty-eight dead and thirty-five living; the Stephano for one dead and two living and the Florizel for five dead.**

**North Sydney, N. S., April 2.—Wireless messages received here tonight report the steamer Southern Cross safe at Channel, N. F. Her loss, with a crew of 170 men, had been feared.**

St. Johns, N. F., April 2.—Death traveled in a gale that overtook the sealing fleets last Tuesday. The steamer Newfoundland lost probably fifty of her crew, while as many more, it is feared, will be maimed as a result of exposure. Alarm is felt for the steamer Southern Cross with a crew of 170 men, which has not been reported since she passed Cape Pine inbound Tuesday morning. The men lost were far from their ships killing seals when the storm with blinding snow swooped down. They were exposed for forty-eight hours before assistance arrived and in that time many succumbed.

**Ice Floes Drift Away.**

The Newfoundland was one of a fleet of fifteen ships carrying more than 2,000 men scattered among the ice floes near Belle Isle Strait. The crews were on the floes hunting seal and the hunt had taken them from four to six miles from their ships.

When the blizzard came the crews of other steamers managed to regain their vessels, but the floes on which the Newfoundland's men were hunting drifted away from the main body of ice and when darkness fell that night not one had returned. The ship's crew numbered 150 men, of whom 120 were on the ice, Captain Wesley Kean, his officers, engineers, stokers and cooks remaining on board.

**Two Ships to Rescue.**

The weather cleared today and Captain Kean signaled the steamers Bella Ventura and Stephano telling them of the loss of his men. These two vessels, being fast and powerful, smashed their way into the floes in search of the missing men. Late today the captain of the Bella Ventura sent wireless messages here saying he had picked up thirty survivors and a number of bodies. He estimated that forty men had perished and said that thirty were unaccounted for.

A message from the Stephano tonight said thirty-five survivors had been found and three bodies, but there is doubt as to whether she referred only to those picked up by her. The wireless of the Bella Ventura was working poorly and her messages were confused. The number of fatalities will be in doubt at least until she reaches here, probably tomorrow noon.

**Another Blizzard Rages.**

At dusk another blizzard had sprung up and there was little hope for any of the sailors who already had not been saved.

Added to the known disaster was a growing suspense regarding the Southern Cross. First reports of the loss of the men of the Newfoundland were confused and generally were accepted as referring to the Southern Cross, and it was not until late in the day that the identity of the crew was determined.

Early information that the Newfoundland had been sunk by the ice proved to be untrue. Wireless messages describing the loss of her hunters were read as referring to the ship itself. There still is some doubt as to how the vessel survived the storm, but as the latest messages from the Bella Ventura and the Stephano make no mention to the contrary it is assumed that the ship still floats.

**Preparing to Receive Dead.**

Preparations are being made here to care for the dead and suffering. The Grenfell Seamen's Institute has been converted into an emergency hospital.

The whole contingent of naval reservists on the drill ship Calypso has been ordered out for ambulance duty and coffins are being hurriedly constructed.

Search for the Southern Cross was

CONTINUED ON PAGE 2, COLUMN 4.

## ST. AUGUSTINE SWEPT BY $400,000 FIRE

FLAMES DO GREAT DAMAGE IN OLDEST CITY IN UNITED STATES.

## TWO SERIOUSLY HURT

Five Tourist Hotels Are Destroyed, Compelling Guests to Flee Into the Streets.

St. Augustine, Fla., April 2.—Historic St. Augustine, the oldest city in the United States, early today was swept by fire which left in its wake the serious injury of two winter visitors, the destruction of records and curios dating back to the days of Spanish rule in the sixteenth century and a property loss estimated tonight at $400,000.

Winter visitors from the North in five tourist hotels, which were destroyed, fled into the streets before daybreak, many of them leaving valuable personal belongings to be burned. Several of the guests escaped clad only in their sleeping apparel. The personal loss of visitors has not yet been determined.

Rescue work performed by the employes of the Florida House, where the fire originated, is believed to have saved many lives. Going through the smoke-filled halls, they quickly aroused sleeping guests and aided them in finding their way out of the burning building. Notwithstanding efforts by the Florida House employes, about twenty-five guests, who were slow in being aroused, were rescued by firemen by the use of ladders.

**Two Jump from Windows.**

Although all persons remaining in the building were warned not to jump, firemen were unsuccessful in preventing two persons from jumping from the second floor of the Florida House to the ground. They were Miss Alice M. Smith, Amherst, Novia Scotia, and W. F. Giddings of Granby, Quebec. Miss Smith sustained an injured spine and broken leg. Her condition tonight was reported by physicians at a local hospital to be critical. One of Mr. Giddings' ankles was broken and he was otherwise hurt, but physicians tonight said he would recover. Several other persons received minor injuries.

As soon as the extent of the fire became apparent, Company G of the Florida National Guard was called out. They formed fire lines to keep interference away from the firemen in their efforts to stop the flames and later guarded the ruins of the burned buildings to prevent possible attempts at looting.

Besides the Florida House, the other hotels destroyed by the fire, which started shortly after 1 o'clock this morning, were the Munsen House, the Clairmont Hotel, the Central House and the Atlantic Hotel.

**Court House Is Burned.**

The St. Johns County court house, which contained many historic old records, also was burned. The records, however, are believed to have been saved, as they were in safes. These are as yet in the ruins. The Vedder House, one of the most famous landmarks of the city, and in which was kept the collection of the St. Augustine Historical Society, also was destroyed.

Much other property of smaller value was destroyed, including several private residences. The presence of mind of Charles Hopkins saved speed boats here for the Southern championship speed boat races, and valued at $50,000, from destruction. When the flames attacked the boathouses overlooking Matanzas Sound, he cut the boats loose and pushed them into the bay. All floated to safety. The fire caused the postponement of the races today. They probably will be resumed tomorrow.

### AMERICAN OFFICIAL ARRESTED.

Consular Agent at Parral and Two Other Americans Held on Charges of Passing Counterfeit Money.

Chihuahua, April 2.—Edward A. Powers, United States Consular Agent at Parral, was arrested by the Constitutionalist authorities at Parral today on a charge of passing counterfeits of the Constitutionalist fiat money. Mr. Powers telegraphed to Marion Letcher, American Consul here, of his plight and Mr. Letcher said he would demand the immediate release of Powers.

E. E. Johnson, cashier, and F. A. Hawkins, assistant manager of the Alvarado Mining and Milling Company, both Americans, were arrested on similar charges yesterday and Consul Letcher is looking after their interests.

It is asserted that the men are not guilty. The fiat currency was cheaply printed and soon a large number of counterfeits appeared. For a time even officials could not tell the genuine from the spurious.

The Americans who were arrested, it is said, bought the money in good faith for the purpose of paying employes and Mr. Letcher expects little difficulty in straightening out the trouble.

### ALLEGES PURCHASE OF BEER.

Memphis Prosecuting Attorney Files Papers Against Tennessee Brewing Company.

Memphis, Tenn., April 2.—Simultaneously with the issuance of warrants charging violation of the State prohibition law, notice was served today on Jacob Schorr and J. W. Schorr, trustees of the Tennessee Brewing Company, that chancery proceedings would be instituted seeking to have a receiver appointed for the company, with instruction to dispose of the plant here.

This action was taken at the direction of Z. N. Estes, County Attorney General, who alleges that he secured from the brewing company's plant several dozen bottles of a beverage which he asserts is beer. The Attorney General declares he used a fictitious name in making the alleged purchase.

Under a recent Chancery Court ruling, five days' notice must be given before injunction and receivership proceedings are instituted.

The trustees of the brewing company will appear before a Magistrate tomorrow for hearing on the warrants which alleged the illegal sale of liquor and violation of the law prohibiting the manufacture of intoxicants for distribution within the State.

## He Simply Walked Off With Her


## NO SENATE CAUCUS ON REPEAL OF TOLLS

SENATORS FEEL PRESIDENT'S POLICY WILL HAVE SUFFICIENT MAJORITY.

Washington, April 2.—Administration leaders in the Senate buckled on their armor today and plunged actively into the Panama tolls fight, determined to maintain an unyielding position until the end of the controversy.

Though the House bill to repeal tolls exemption for American ships is resting in the Committee on Interoceanic Canals, there were many informal conferences during the day relating to the issues. Among the developments was a visit of Secretary Bryan at the Capitol in the interest of the Administration policy.

"No compromise" was the slogan of the Administration leaders in their conferences. So many bills and resolutions have been introduced tending to cloud the plain issue of repeal that it has been determined to make it plain from the outset that no temporizing is to be countenanced.

**Expects No Filibustering.**

President Wilson told inquirers that he expected no factional delay or filibustering and had every reason to believe from what Senators told him that there would be a prompt report from the Committee on Interoceanic Canals. The President said there were one or two members of the committee who were against the repeal, but who, he understood, would vote to bring the question promptly before the Senate in an early report.

Incidentally the President took occasion to deny published reports that he had sent any ultimatum to the Senate through Senator Owen or anyone else with a view to forcing early action. He had done nothing, he said, along this line. He added that no proposals for compromise or change in the repeal measure had been brought to him, and significantly suggested that amendments were not being offered by Administration leaders.

The President has more than once made plain that he believed it the duty of the American Congress to repeal the tolls exemption without equivocation or evasion and that he was against any amendments. He told callers frankly that, while he did not expect obstructive tactics in the Senate, he expected a full discussion of the question there, but was confident the repeal would pass.

**Rumors of Caucus Denied.**

The President declared no proposals for a caucus had been mentioned to him. Reports were in circulation today that an effort might be made to force the repeal bill into a caucus, but these rumors were denied promptly. Democratic leaders asserting that a caucus would not be necessary, at the same time insisting that there was no doubt that the repeal bill will have a safe majority when the vote is taken.

It was pointed out by such Democratic Senators as O'Gorman and Chamberlain, who are openly and unyieldingly opposed to toll exemption repeal, they could not go into a caucus which would be designed to bind them.

Friends of the repeal bill insisted tonight that support of the President's policy is increasing rather than decreasing. One Republican Senator, who will vote for the repeal bill, declared that a canvass of the Senate today showed a clear majority of nine for the bill, the probability being that several votes counted for the opposition would be reversed. A number of Republicans, however, it is now generally understood, have decided to line up against the repeal, notwithstanding they voted against free tolls originally. Among these are Senators Penrose and Oliver of Pennsylvania, who have publicly announced their change of position.

**Committee to Meet Tuesday.**

Chairman O'Gorman issued the formal call today for the Canals Committee to meet next Tuesday morning.

Secretary Bryan discussed the issue with several Senators while at the Capitol, among them Senator Ashurst of Arizona.

CONTINUED ON PAGE 14, COLUMN 3.

## LIND TO SAIL TODAY FOR UNITED STATES

PRESIDENT WILSON'S PERSONAL REPRESENTATIVE IN MEXICO TAKES VACATION.

Washington, April 2.—John Lind, former Governor of Minnesota, and for the last eight months the personal representative in Mexico of the President of the United States, will sail from Vera Cruz for Washington tomorrow aboard the Presidential yacht Mayflower.

The announcement of Mr. Lind's prospective visit was made by President Wilson with the explanation that his envoy had requested a vacation and rest from his labors in a tropical climate and that as soon as that had been obtained he would return to Mexico.

The President declared that Mr. Lind's departure for the United States should not be considered as in the nature of a recall or as forecasting any change.

CONTINUED ON PAGE 14, COLUMN 1.

### WEATHER INDICATIONS.

Dallas, Tex., April 2.—Forecast to 7 p. m. Saturday:

**Dallas and vicinity: Unsettled Friday; probably showers and colder Saturday.**

East Texas: Increasing cloudiness Friday; showers at night or Saturday; probably somewhat colder in northern portion Saturday.

West Texas: Showers Friday; Saturday probably fair except showers and colder in southeastern portions.

Arkansas: Unsettled Friday, rain at night or Saturday.

Oklahoma: Unsettled Friday; probably rain and colder by night; Saturday local rains.

Louisiana: Fair Friday; Saturday unsettled.

**Detailed Government weather report will be found on page 16.**

### Catclaw

AND CACTUS are thick in the pasture, that sunblistered section of rocks and dry grass;
The fat little prairie dogs sit by their burrows and rasp out shrill warnings as we gallop past.
Upon the blue sky the buzzards are soaring; a startled jack rabbit with fear in his breast
Decamps like a streak through the brush scattered widely — the fauna and flora that mark the great West.

Hurrah for the feel of a battered stock saddle—the slapping of brush against weather-worn chaps;
The smell of a wet horse—the sound of his hoofbeats—the jingle of spurs and the creaking of straps!
Your cities seem nothing but dens of corruption, for here steady breezes blow sweet without rest.
Just give me a horse and some square miles of pasture, and leave me at peace far out here in the West.

(By The News Staff Poet.)

## TORREON IS TAKEN

**JUAREZ, APRIL 2.—TORREON FELL COMPLETELY INTO THE HANDS OF GEN. VILLA AT 12:30 O'CLOCK TONIGHT, ACCORDING TO ANNOUNCEMENT MADE HERE TONIGHT BY GEN. VENUSTIANO CARRANZA.**

**The news first was announced to the world when the bugler in front of Carranza's residence blew the stacatto notes of victory. The paen, Carranza said, was sounded here even before it was heard in Torreon, Villa delaying out of compliment to his chief.**

**The meager bulletins excitedly announcing victory after the bloodiest series of battles known to modern Mexico said that Villa captured a large number of prisoners, and that the fleeing Federal remnant was being pursued.**

**Whether Velasco, the Federal commander, was captured was not stated. There was heavy fighting today, it is understood, and the end came when, after capturing the three remaining barracks held in the city by the Federals, the rebels stormed the trenches and barbed wire entanglements of Canyon del Guarache.**

**The prisoners captured are believed to have been the defenders of the barracks while the troops in the canyon, which forms an egress from the hill-girdled city, were able to escape.**

**The translation of the message received by Gen. Carranza from Gen. Villa is as follows:**

**VILLA'S MESSAGE.**

**"Torreon, Coahuila, Mexico, April 2.—Gen. Venustiano Carranza, Supreme Chief of the Constitutionalists—In this moment the remnants of the Federals are leaving Torreon in flight. After eleven days of terrible fighting, in which we lost 1,500 wounded and 500 killed, and the Federals, from the enormous number of bodies burned, must have had over 1,000 killed, and their number of wounded I am unable to estimate. Our forces have full possession of Torreon. I regret to announce that among the wounded were Gen. Yzabel Robles and Gen. Calixto Contreras. I congratulate and salute you with respect and esteem that I have always had for you. Your subordinate,**

**"GEN. FRANCISCO VILLA,**

**"Commander-in-Chief of Constitutionalist Forces of Chihuahua."**

**By Carranza's orders, all the town was illuminated, soldiers of the garrison paraded and the military band played.**

**The National salute was fired, church bells rung and whistles blown.**

## INSTITUTION WILL HAVE CAPITAL IN EXCESS OF FIVE MILLIONS

**District Is Considered Well Arranged to Care for Business Demands of Southwest.**

## ORGANIZATION COMMITTEE FINISHES WORK

**Few Complaints Are Voiced at Results of Last Three Months' Investigation of Nation's Financial Needs.**

### THE DALLAS DISTRICT

The Dallas district is as follows:

All of Texas.

All of Oklahoma, south of the north line of Roger Mills, Custer, Caddo, Grady, McClain, Pontotoc, Hughes, Pittsburg, Haskell and Le Flore Counties.

All of Louisiana, west of the Mississippi River to the southern line of Concordia Parish and west of the eastern boundary of Avoyelles, St. Landry, St. Martin, Iberia and St. Mary Parishes.

All of New Mexico, south of the northern boundary of Quay, Guadelupe, Torrance, Bernalillo and Valencia Counties.

In Arizona the following counties: Pima, Graham, Greenlee, Cochise and Santa Cruz.

### THE TWELVE RESERVE CITIES

The twelve reserve districts are numbered as follows:

1. Boston.
2. New York City.
3. Philadelphia.
4. Cleveland.
5. Richmond.
6. Atlanta.
7. Chicago.
8. St. Louis.
9. Minneapolis.
10. Kansas City.
11. Dallas.
12. San Francisco.

WASHINGTON, April 2.—After three months of consideration the reserve bank organization committee tonight announced that it had divided the Continental United States into twelve banking districts and selected twelve cities for Federal reserve banks under he new currency law. This was the first decisive step toward the establishment of the new system. The cities and districts are:

District No. 1, Boston—Reserve bank will have capital of $9,931,740, with 446 National banks as members. Territory included, New England States.

District No. 2, New York—Capital $20,687,616, with 478 National and a number of State banks (not given) as members. Territory, State of New York.

District No. 3, Philadelphia—Capital $12,993,013, including 800 National banks and several State banks. Territory, New Jersey and Delaware and all of Pennsylvania east of western boundary of the following counties: McKean, Elk, Clearfield, Cambria and Bedford.

District No. 4, Cleveland—Capital $11,621,535, with 724 National and several State banks. Territory, State of Ohio, all of Pennsylvania lying west of District No. 3, the counties of Marshall, Ohio, Brooke and Hancock in West Virginia and all of Kentucky east of the western boundary of the following counties: Boone, Grant, Scott, Woodford, Jessamine, Garrard, Lincoln, Pulaski and McCreary.

District No. 5, Richmond—Capital $6,543,281, with 475 National banks and a number of State banks and trust companies. Territory, District of Columbia, Maryland, Virginia, North Carolina, South Carolina and all of West Virginia except those counties in District No. 4.

District No. 6, Atlanta—Capital $4,702,780, with 372 National banks, etc. Territory, Alabama, Georgia, Florida and all of Tennessee east of the western boundary of the following counties: Stewart, Houston, Wayne, Humphreys and Perry; all of Mississippi south of the northern boundary of the following counties: Issaquena, Sharkey, Yazoo, Kemper, Madison, Leake and Neshoba; all of the southeastern part of Louisiana east of the western boundary of the following counties: Point Coupee, Iberville, Assumption and Terre Bonne.

District No. 7, Chicago—Capital $13,151,925, with 984 National banks, etc. Territory, Iowa, all of Wisconsin south of northern boundary of following counties: Vernon, Sauk, Columbia, Dodge, Washington and Osaukee; all of the southern peninsula of Michigan, viz., all that part east of Lake Michigan; all of Illinois north of a line forming the southern boundary of the following counties: Hancock, Schuyler, Cass, Sangamon, Christian, Shelby, Cumberland and Clark; all of Indiana north of a line forming the southern boundary of the following counties; Vigo, Clay, Owen, Monroe, Brown, Bartholomew, Jennings, Ripley and Ohio.

District No. 8, St. Louis—Capital $6,219,323, with 434 National banks, etc. Territory, Arkansas, all of Missouri east of the western boundary of the following counties: Harrison, Davies, Caldwell, Ray, Lafayette, Johnson, Henry, St. Clair, Cedar, Dade, Lawrence and Barry; all of Illinois not included in District No. 7; all of Indiana not in District No. 7; all of Kentucky not in District No. 4; all of Tennessee not in District No. 6, and all of Mississippi not in District No. 6.

District No. 9, Minneapolis—Capital $4,702,864, with 687 National banks, etc. Territory, Montana, North Dakota, South Dakota, Minnesota, all of Wisconsin and all of Michigan not in District No. 7.

District No. 10, Kansas City—Capital $5,594,916, with 835 National banks, etc. Territory, Kansas, Nebraska, Colorado, Wyoming, all of Missouri not in District No. 8, all of Oklahoma north of a line forming the southern boundary of the following counties: Ellis, Dewey, Blaine, Canadian, Cleveland, Pottawatomie, Seminole, Okfuskee, McIntosh, Muskogee and Sequoyah; all of New Mexico north of a line forming the southern boundary of the following counties: McKinley, Sandoval, Santa Fe, San Miguel and Union.

District No. 11, Dallas—Capital $5,634,091, with 726 National banks, etc. Territory, Texas, all of New Mexico and Oklahoma not in District No. 10, all of Lou-

# The Decades of the Federal Reserve

"BUY A FEW CHAIRS AND PINE-TOP TABLES.

HIRE SOME CLERKS AND STENOGRAPHERS, PAINT

'FEDERAL RESERVE BANK' ON YOUR OFFICE DOOR, AND OPEN UP.

THE WAY TO BEGIN IS TO BEGIN.

WHEN YOU MAKE A START,

EVERYTHING WILL BE SMOOTHED OUT BY PRACTICE."

William G. McAdoo
*Secretary of the Treasury*

**On April 3, 1914, the *Dallas Morning News* announced that Dallas had been selected to be the headquarters for the Eleventh Federal Reserve District. The District covered all of the state of Texas, most of Louisiana, southern Oklahoma, southern New Mexico, and five counties in Arizona. The Arizona counties were transferred to the Twelfth District (San Francisco) in 1977, and the Oklahoma counties were transferred to the Tenth District (Kansas City) in 1984.**

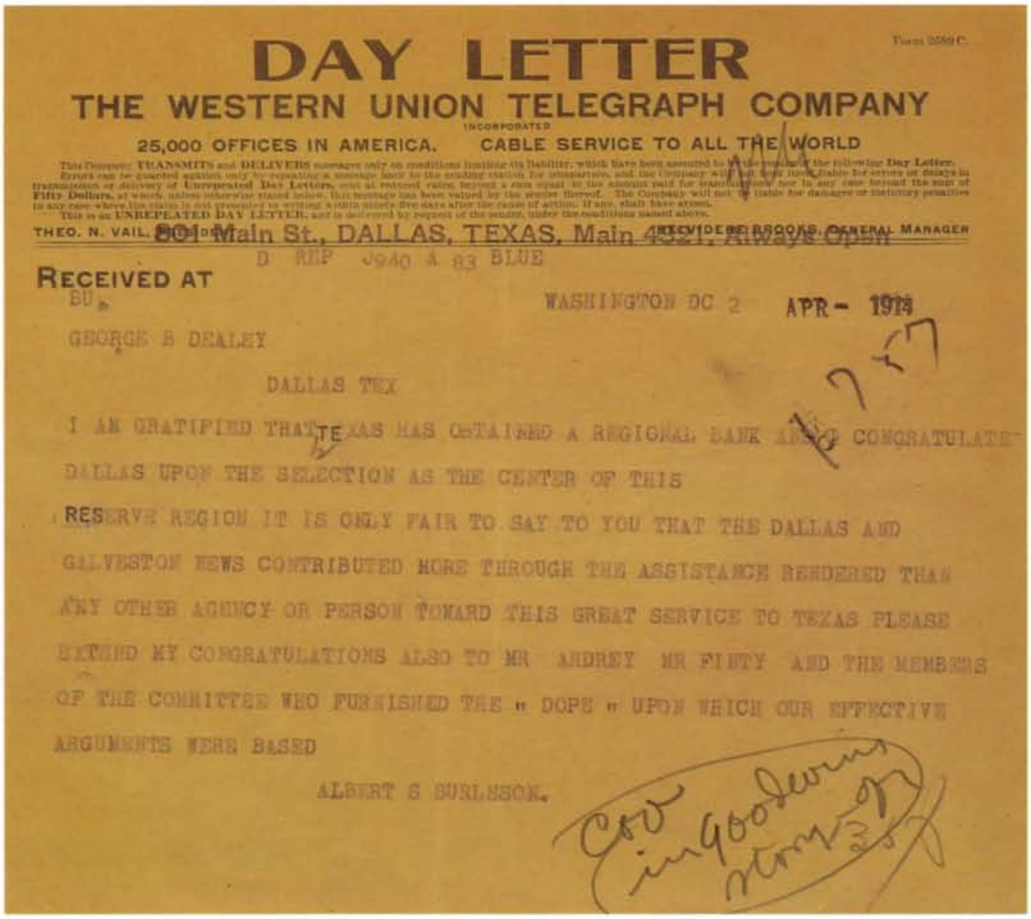
## Woodrow Wilson

The presidential election of 1912 marked the culmination of more than 20 years of revolt against a state of affairs that seemed to many to guarantee perpetual political and economic control to the privileged few—most notably, those associated with Wall Street.

Shortly after being elected President, Woodrow Wilson quickly established a legislative agenda designed to improve the nation's financial system and the general business climate. He successfully effected a reduction in tariffs and set his sights on the nation's banking system.

Bankers, the business community, and political leaders agreed that the national banking system, which had been established during the Civil War, was flawed in a number of ways in meeting the financial needs of the United States. Without effective central control, the system's provisions for mobilizing the banking reserves of the country were inadequate in periods of crisis, and the inelastic money supply hindered the activities of business and industry.

The issue of whether the new central bank would be organized around regional reserve banks or a centrally controlled system was hotly debated. Wall Street supporters, politicians, farmers, and the American Bankers Association all had opinions on how the system should be established. Masterful compromises engineered by President Wilson and designed to combine the best of a regional system with the oversight of a central board made the Federal Reserve Act a reality on December 23, 1913. The only question that remained was, "Where will we put the Reserve Banks?"



DAY LETTER

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

25,000 OFFICES IN AMERICA. CABLE SERVICE TO ALL THE WORLD

THEO. N. VAIL, PRESIDENT BELVIDERE BROOKS, GENERAL MANAGER

801 Main St., DALLAS, TEXAS, Main 4321, Always Open

RECEIVED AT

D REP 0940 A 83 BLUE

BU

WASHINGTON DC 2 APR- 1914

GEORGE B DEALEY

DALLAS TEX

I AM GRATIFIED THAT TEXAS HAS OBTAINED A REGIONAL BANK AND CONGRATULATE DALLAS UPON THE SELECTION AS THE CENTER OF THIS RESERVE REGION IT IS ONLY FAIR TO SAY TO YOU THAT THE DALLAS AND GALVESTON NEWS CONTRIBUTED MORE THROUGH THE ASSISTANCE RENDERED THAN ANY OTHER AGENCY OR PERSON TOWARD THIS GREAT SERVICE TO TEXAS PLEASE EXTEND MY CONGRATULATIONS ALSO TO MR ANDREY MR FINTY AND THE MEMBERS OF THE COMMITTEE WHO FURNISHED THE " DOPE " UPON WHICH OUR EFFECTIVE ARGUMENTS WERE BASED

ALBERT S BURLESON.

**Above: Albert S. Burleson, a Texan serving as postmaster general, wired his congratulations to *Dallas Morning News* publisher George B. Dealey, who had been instrumental in promoting Dallas as a location for a Reserve Bank.**

**Right: On October 16, 1914, the first official meeting of the board of directors was held in the Directors' Room at City National Bank of Dallas. Oscar Wells was elected the first "governor" of the Dallas Fed. Shown here: (first row, from left) Frank Kell, Marion Sansom; (second row, from left) Oscar Wells, Felix Martinez, E. O. Tenison, chairman of the board; (third row, from left) B. A. McKinney, E. K. Smith, J. J. Culbertson. Director W. F. McCaleb is not pictured.**

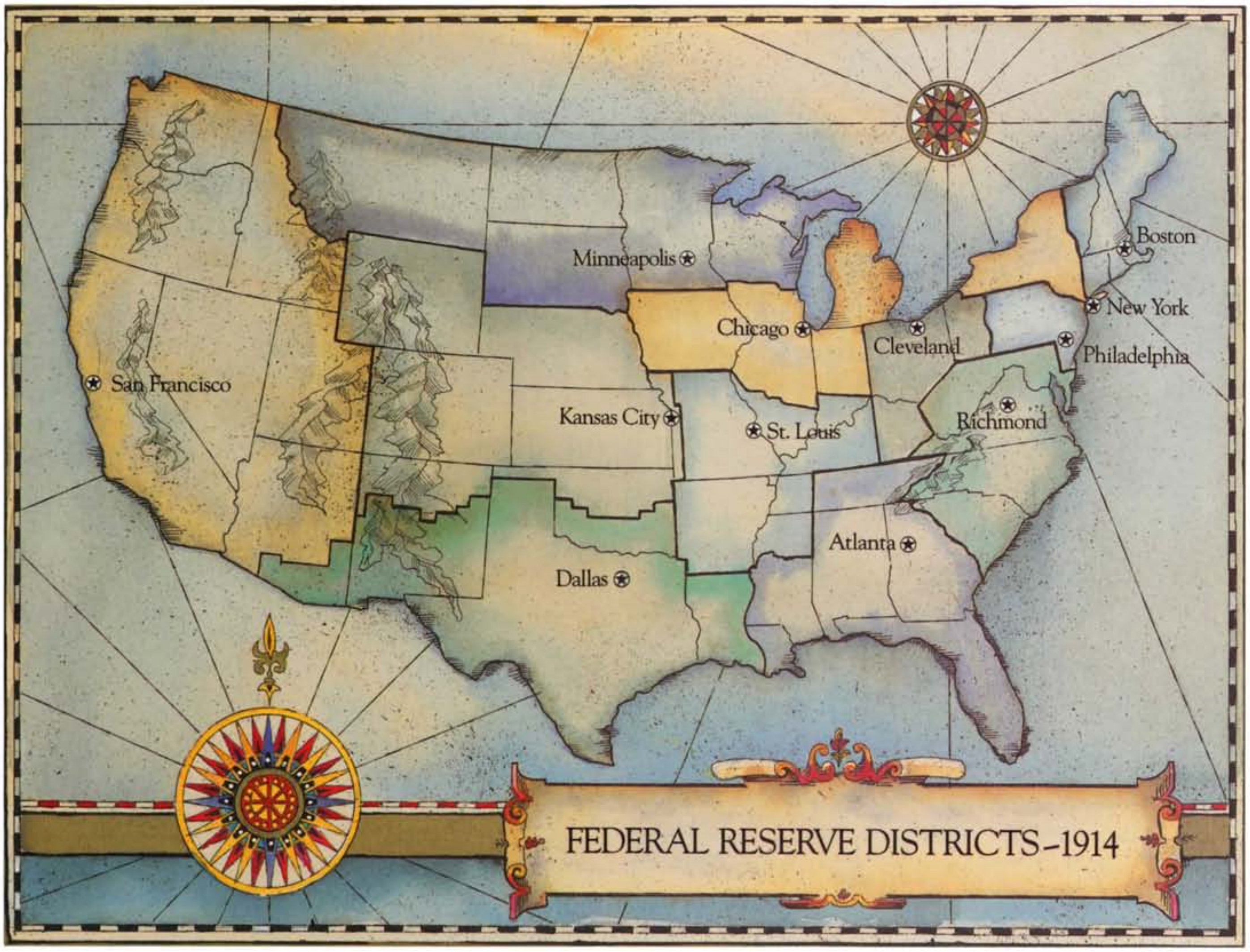
# LASTING BENEFIT

"TEXAS WANTS RESERVE BANK," PROCLAIMED the *Texas Bankers Record* in February 1914. Eager Texans made passionate pleas at the Reserve Bank Organization Committee hearing in Austin that February. Representatives from Dallas, Fort Worth, and Houston expressed their desires to have a Reserve Bank in their cities. Although all wanted a Reserve Bank, their slogan was, "Texas first, the city after."

Dallas supporters were especially determined in their efforts to have their city selected as a Reserve Bank site. *Dallas Morning News* publisher George B. Dealey and Dallas Clearinghouse representative J. Howard Ardrey led the way in promoting Dallas and rallying support in Washington, D.C. Together with two *News* reporters, Tom Finty, Jr., in Dallas and Mark L. Goodwin in Washington, D.C., Dealey and Ardrey sent coded telegrams to two influential Texans in Washington. Addressing the telegrams to "Mercury" and "Tacitus" to ensure confidentiality, Dealey communicated with Postmaster General Albert S. Burleson and presidential adviser E. M. House to learn how Dallas was doing in the race. Ardrey and Finty even "accidentally" took the same train from St. Louis to Dallas as Burleson to make Dallas' case for selection. Ardrey recalled later that he considered the train ride the most decisive event of the whole effort because it gave him a "long and uninterrupted interview with him [Burleson], in which we succeeded not only in convincing him that Dallas should be the choice, but also in arousing his enthusiastic interest."

Burleson and House took the city's case to the Secretary of the Treasury and to President Wilson himself. In April, Dealey received a telegram from Burleson indicating that Dallas would become the headquarters of the Fed's Eleventh District. Congratulations poured in from around the state. Howls of protest, however, were heard from citizens in traditional financial powerhouse New Orleans. The Reserve Bank Organization Committee stated that it chose the 12 cities it felt were the most important in terms of banking resources, central location, and communication and transportation facilities. Though Dallas and New Orleans had comparably sized banking operations at the time, the committee thought it especially noteworthy that the banking business in Dallas had more than doubled in the past decade while that in New Orleans had remained stable.

There was a cloud in the sky, however. In the summer before the Reserve Banks opened for business, war had broken out in Europe.




**Above: The Federal Reserve Act designated three officials to serve as the Reserve Bank Organization Committee and to select the cities where the banks would be located. Secretary of the Treasury William G. McAdoo, Comptroller of the Currency John Skelton Williams, and Secretary of Agriculture David F. Houston were also to draw District lines. Their task was to designate no fewer than eight but no more than 12 cities. In January 1914, McAdoo and Houston logged 10,000 miles traveling across the United States to hold public hearings. They also polled all national banks on their preferences regarding the location of Reserve Banks. On April 1, 1914, they made an announcement designating 12 Federal Reserve Bank Districts. Although District boundaries have changed slightly over the years, the original 12 cities designated as headquarters have never changed.**

**Left: Workers type fanfold forms used by the Bank when collecting on notes deposited with the Fed.**

The immediate impact on the United States was so severe that the war threatened the nation's ability to maintain the gold standard, brought the country to the brink of a major financial panic, and raised doubts about whether to open the Federal Reserve Banks in November. The war also dramatically affected the cotton market and sent prices spiraling downward. Efforts on President Wilson's part to stay out of the fighting proved futile, and by April 1917, the United States had declared war on Germany. Although not the most opportune time to begin new central bank operations, the Reserve Banks opened as scheduled, but it would be years before they operated under what would be considered normal conditions.

As did the other 11 Reserve Banks, the Federal Reserve Bank of Dallas opened its doors on November 16, 1914. With 27 employees, the Dallas Fed set to the tasks of making loans available to member banks and implementing a more effective system to collect and clear checks. The Fed also introduced Federal Reserve notes into circulation, notes redeemable in gold. This new currency was to fulfill one of the major objectives of the Federal Reserve Act—an elastic currency that would respond to the needs of the business community. The Fed also began to participate with the U.S. Treasury Department in raising money for war.

The Treasury started a Liberty loan bond program to raise funds, and the Reserve Banks were called to duty. To handle the transactions required, the Dallas Fed established a Liberty Loan Department. District banks were asked to participate heavily and responded to the patriotic call by raising more than $470 million during five separate bond drives.

With the end of the war on November 11, 1918, inflationary pressures affected the economy. Additional burdens were placed on the Federal Reserve Banks, not only as a result of war financing requirements (which continued after the war) but also as a result of tremendous loan demands from banks, an enlarged check clearing function, and other activities.

While farmers tried to raise more crops and livestock to help the war effort, a severe drought plagued the Southwest. By the end of the decade, however, weather conditions improved, and the economic outlook brightened. In its 1919 *Annual Report*, the Dallas Fed reported a phenomenal growth in credit in the District and cautioned that this growth was fueling "reckless extravagance and indulgence in luxuries at a pace heretofore unequaled."

*"Great possibilities are in store for Texas and the general Southwest."*

Mark L. Goodwin
*Washington correspondent for the* Dallas Morning News, *1914*

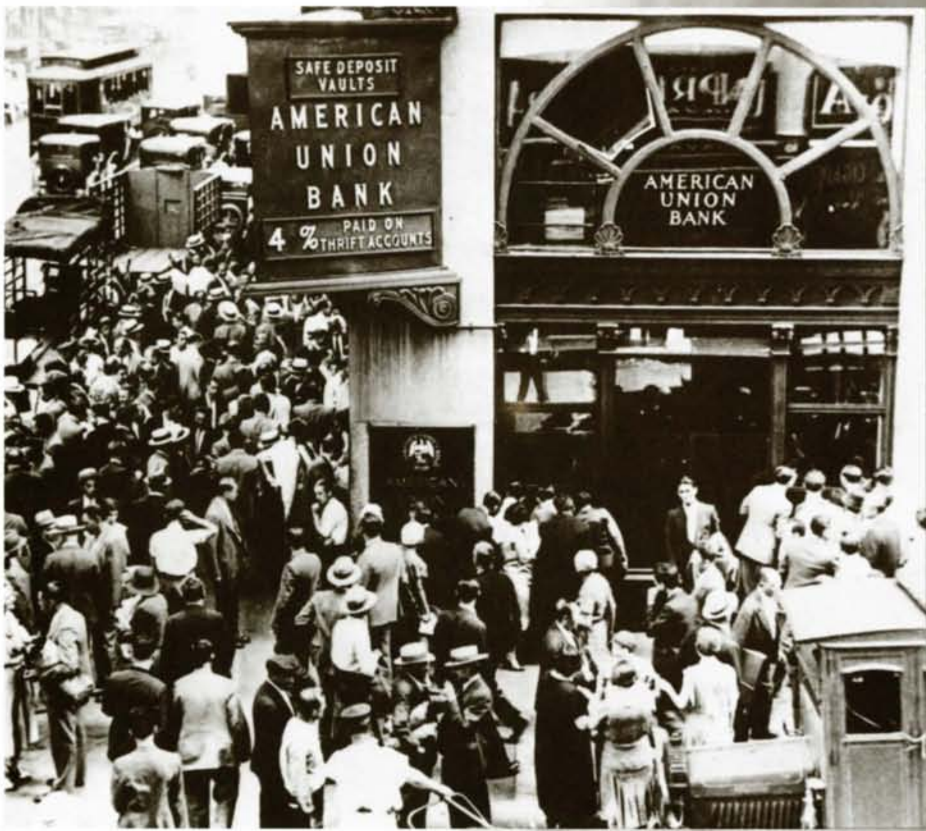
## Benjamin Strong

During the turbulent early years of the Federal Reserve System, one person stood out as a capable leader and visionary who guided the development of services and helped define the role of Reserve Banks within the nation's financial system. Benjamin Strong, first governor of the Federal Reserve Bank of New York, became the dominant force in American monetary and banking policies.

Although reluctant to accept the position and not yet 42 years old, Strong had an impressive background in both domestic and international banking—an unusual expertise for that time. He was a powerful force in the early development of the Federal Reserve System because he threw himself into the effort. With the prominence of New York City in the banking industry, Strong was in a good position to help form the roles of the System and the regional banks. A friend said that Strong "was master of the System because he mastered central banking."

In 1923, Strong said it had taken "nine years of the most intensive, painstaking study and work which it is possible for a man to endure and survive" for the Federal Reserve to reach a point where its policies were "affirmative and constructive" and there was "a pretty good knowledge of the System's power and responsibility."

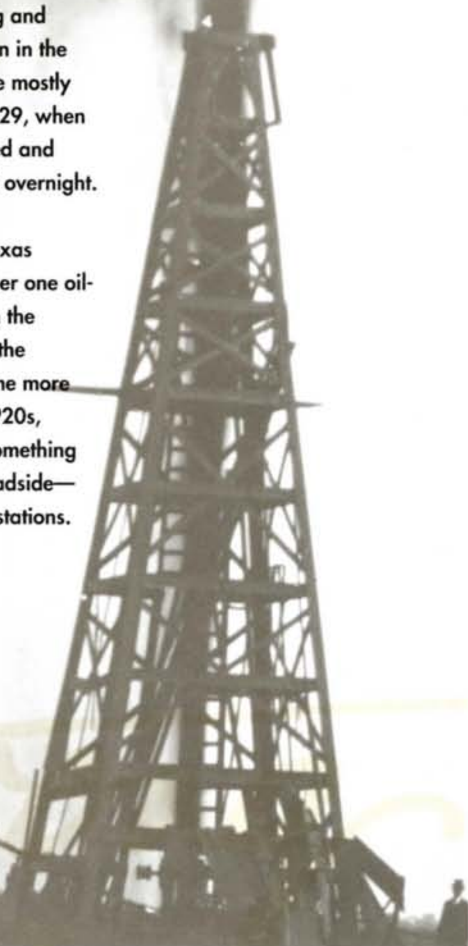
Strong's excellent administrative skills and personal integrity won him support from Federal Reserve employees, bankers, economists, and politicians alike. A former associate summed it up best: "We knew that he knew, and we trusted his judgment."




**Above: More than 100 banks failed nationwide every year during the 1920s.**

**Left: After a brief economic depression in the early 1920s, most people enjoyed rising income and benefited from easy credit. It was the age of flappers and speakeasies. Those expressing concern over rampant spending and unwise speculation in the stock market were mostly ignored—until 1929, when the market crashed and fortunes vanished overnight.**

**Right: In 1928, Texas became the number one oil-producing state in the United States. As the automobile became more common in the 1920s, Americans saw something new along the roadside—drive-in gasoline stations.**



1 9 2 0 – 1 9 2 9

# GREAT EXPECTATIONS

MANAGEMENT OF THE DALLAS FED "VIEWED with alarm" the unprecedented demand for credit on the part of its member banks. Almost 800 out of 850 member banks borrowed from the Dallas Fed during the early 1920s. The tremendous postwar credit demands, the inflationary pressures, and a subsequent crash in commodity prices led to a severe but brief depression nationwide in 1920–21. The District economy made several adjustments to the situation and, eventually, managed to recover well.

Agriculture was the exception. Farmers, unlike others in the economy, never fully recovered from the depression of 1920–21 and the drastic decline in commodity prices. Farmers remained trapped by deflated prices and glutted markets. Lower farm prices and heavy debt made agriculture unprofitable for many years. As business and agricultural problems mounted, loans were not repaid, and banks began to fail. In 1921, there were 82 bank failures in the District. In response to these failures, the Dallas Fed employed special "field men" to oversee failing banks and established an Insolvent Banks Department. Failed banks with outstanding loans from the Dallas Fed occasionally put the Bank in the cattle business because livestock were frequently used as collateral. At one time, the Bank even had to arrange a cattle drive to Mexico to sell its "herd."

Bank failures and a general public uneasiness regarding banking led to frequent runs on banks. To help ease the tension, officials of the Dallas Fed made several appearances around the District, hauling in piles of cash to assure depositors that their bank was supported by the Federal Reserve. The touchiness of the situation led the Dallas Fed to issue a statement to its employees about making personal comments on banking conditions. The statement made clear that no employee was to discuss banking matters that related to the Fed or to individual banks.

Although bank failures increased alarmingly nationwide during the early 1920s, following the stringent credit conditions of 1920–21, the economy expanded and for the remainder of the decade was, on the whole, profitable for banks. Deposits in the District reached more than $1 billion in 1927.

The 1920s produced a new order of things in America. The coming of radio, improved highways, and urban growth changed the nation in many respects. Mass markets developed for automobiles and timesaving appliances. It was a decade of great expectations. Investments in stocks and bonds rose to staggering heights. With almost no margin required, it was easy to go into debt and gamble on what were assumed to be ever-increasing stock prices.

Both the world's economy and the District's economy were booming by the summer of 1929.

## Carter Glass

Carter Glass began his career in the 1870s as a printer's assistant at a newspaper in Virginia. His quick wit and tenacious reporting skills served him well when he was elected to the U.S. House of Representatives in 1902. He thought this career change would not last long and that he would return to his newspaper and his Virginia farm—until he became interested in crafting legislation to reform the nation's banking system in 1911.

He began drafting a bill to establish a new national banking system, with the assistance of H. Parker Willis, a former professor of economics. When Woodrow Wilson was elected President in 1912, Glass and Willis were busy putting finishing touches on their proposal. They delivered it to Wilson the day after Christmas 1912. Wilson liked it but wanted to add a central board to control and coordinate the work of the regional banks. Glass, who favored an autonomous regional reserve system, was leery of any central control efforts but reversed his opposition to ensure that the bill passed.

Glass went on to serve as President Wilson's Secretary of the Treasury from 1918 to 1920. As such, he helped structure foreign loans after World War I and handled special postwar domestic financial matters.

In 1920, the governor of Virginia appointed Glass to fill a Senate seat left vacant by the death of Thomas Staples Martin. Glass accepted the appointment and remained a senator until his death in 1946.

Glass worked on banking issues—drafting legislation during the 1930s for bank reform, including the Glass–Steagall Act, and keeping an ever-vigilant watch over the functions of the Federal Reserve System, which many consider his creation.

**$5,000 REWARD**

**For DEAD Bank Robbers**

**$5,000 cash will be paid for each Bank Robber legally killed while Robbing this bank**

THE Texas Bankers Association, a corporation, offers a standing reward of $5,000 for each bank robber legally killed while robbing and holding up a reward subscribing member bank in Texas with firearms during the daytime. Limits of the place and time of such killing are: in the banking house, or as the robbers and holdups leave the bank, while the robbery and holdup and threats are being committed; and as they flee from the bank with the property taken, and are resisting legal pursuit and arrest, within twenty miles of the bank robbed and within six hours after the robbery and holdup. This reward does not apply to night attacks on Texas banks. It is expressly provided that the Texas Bankers Association shall determine whether or not payment of this reward shall be made hereunder, and to whom (if anyone) such payment shall be made, and such determination and judgment shall be final, conclusive and not reviewable.

The Association will not give one cent for live bank robbers. They are rarely identified, more rarely convicted, and most rarely stay in the penitentiary when sent there—all of which operations are troublesome, burdensome and costly to our government.

In order to protect the lives of people in such banks and to protect the property of such banks, the Association is prepared to pay for any number of such robbers and holdups so killed, while they are robbing and holding up its reward subscribing member banks with firearms in the daytime, at $5,000 apiece.

This reward is effective April 1st, 1930, and all other rewards, offers and statements are cancelled and superseded hereby.

TEXAS BANKERS ASSOCIATION

**$5,000 in cash will be so paid for the legal killing of any robber and holdup WHILE ROBBING THIS BANK with firearms in the daytime**

**Top: President Franklin Roosevelt signing the Banking Act of 1933. With him are (left to right) Senator Carter Glass; Comptroller of the Currency J. F. T. O'Connor; Senator Duncan Fletcher; Secretary of the Treasury Henry Morgenthau; Jesse Jones, head of the Reconstruction Finance Corporation; Representative Henry B. Steagall; Marriner S. Eccles, Chairman of the Federal Reserve Board; and Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation.**

**Above: In 1926, the Texas Bankers Association offered a reward of $500 for each bank robber killed while robbing a member bank in Texas. The reward was raised to $5,000 as the number of bank robberies increased in the late 1920s and early 1930s.**

**Right: Clyde Barrow and Bonnie Parker terrorized 27 cities in six states from 1932 to 1934. The two were notorious for dramatic and deadly bank robberies.**

1 9 3 0 – 1 9 3 9

# A CRISIS OF CONFIDENCE

THE ECONOMY WAS BOOMING BY THE LATE 1920s. There was plenty of money, with plenty of takers. President Herbert Hoover proclaimed, "We shall soon with the help of God be in sight of the day when poverty will be banished from the nation."

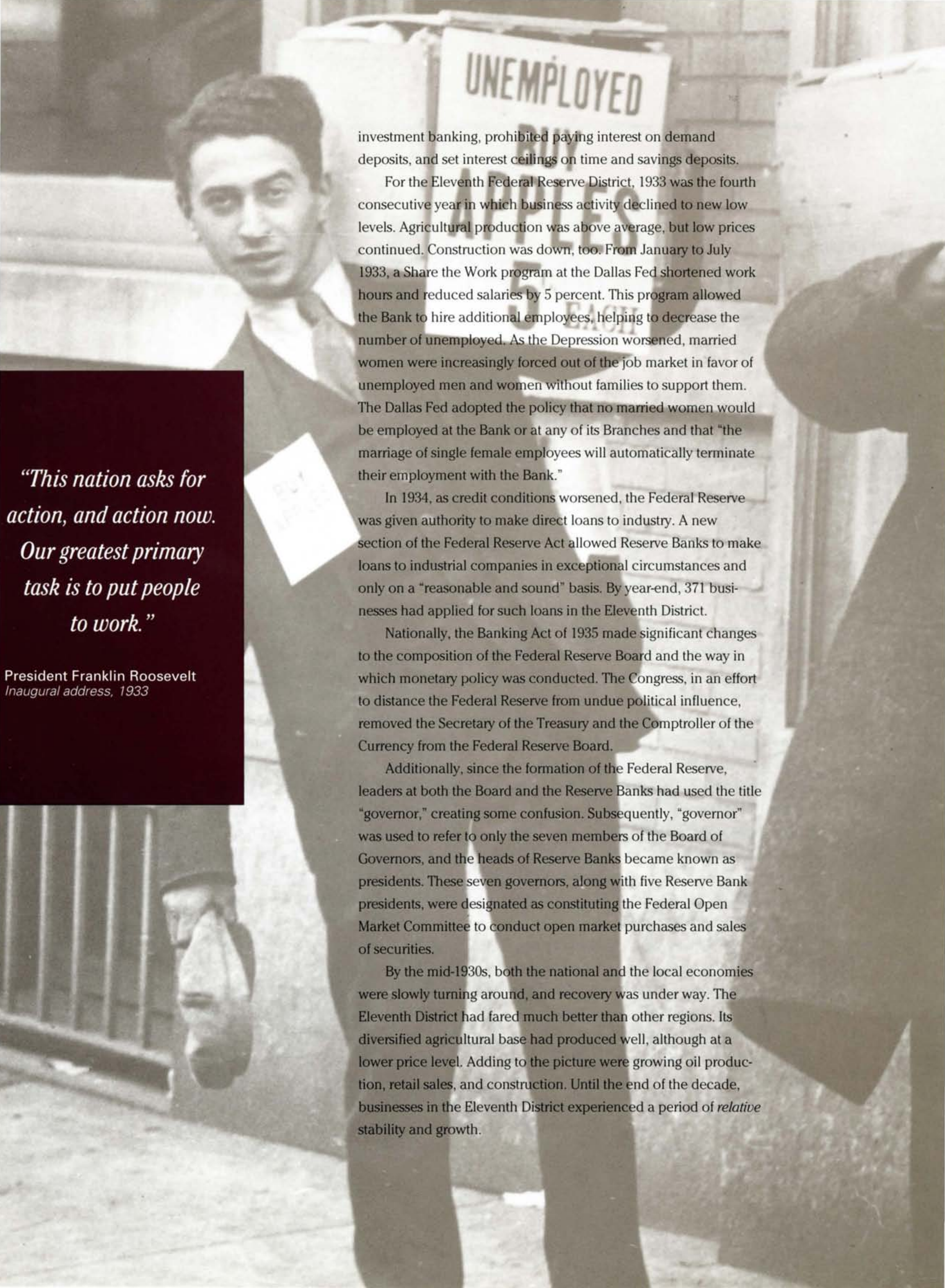
Conservative bankers and the Fed viewed the situation with mixed emotions. To impose restrictive monetary measures might slow down the boom, and there was little inflationary pressure accompanying the upward spiral. However, the boom was out of control in the stock market, which crashed in October 1929. Within a matter of weeks, Standard & Poor's composite index of 90 common stocks fell from 245 to 162, wiping out more than one-third of the index's value. A "panicky feeling about money" swept the nation and the Eleventh District.

The 1926–29 boom and subsequent Depression devastated the economy, resulting in political changes of major magnitude and a greater role for government in the regulation of business and banking.

The resulting Depression of the early 1930s gradually combined with additional adverse economic conditions brought about by a severe drought throughout the United States. A worried public, together with a shaky economy, caused frequent financial panics and bank runs. With the collapse of the nation's financial system, banks closed in unprecedented numbers. Of the 2,300 bank failures in the United States during 1931, 93 were in the Eleventh District.

By 1933, something had to be done. Franklin Roosevelt was inaugurated March 4, 1933, and acted quickly. He proposed to close all banks for several days. On Sunday, March 5, the Dallas Fed decided to close the Dallas Office and its Branches to coincide with any national "bank holiday." On March 6, President Roosevelt issued a proclamation closing all banks in the nation that week. Each Federal Reserve Bank had to review the financial condition of its regional banks and make reopening recommendations to the Treasury. By Monday, March 13, banks reopened in Federal Reserve cities. On March 14, all sound banks in 250 clearinghouse cities reopened. Other sound banks reopened March 15. Only 26 of Texas' 1,023 banks failed to reopen.

The Congress was convinced that major banking reform was needed and passed the Banking Act of 1933 (also known as the Glass–Steagall Act) in June. The act redefined the banking business, and many of its provisions and effects are still with us. Among other things, the act created the Federal Deposit Insurance Corporation (FDIC) to provide deposit insurance, separated commercial banking from




investment banking, prohibited paying interest on demand deposits, and set interest ceilings on time and savings deposits.

For the Eleventh Federal Reserve District, 1933 was the fourth consecutive year in which business activity declined to new low levels. Agricultural production was above average, but low prices continued. Construction was down, too. From January to July 1933, a Share the Work program at the Dallas Fed shortened work hours and reduced salaries by 5 percent. This program allowed the Bank to hire additional employees, helping to decrease the number of unemployed. As the Depression worsened, married women were increasingly forced out of the job market in favor of unemployed men and women without families to support them. The Dallas Fed adopted the policy that no married women would be employed at the Bank or at any of its Branches and that "the marriage of single female employees will automatically terminate their employment with the Bank."

In 1934, as credit conditions worsened, the Federal Reserve was given authority to make direct loans to industry. A new section of the Federal Reserve Act allowed Reserve Banks to make loans to industrial companies in exceptional circumstances and only on a "reasonable and sound" basis. By year-end, 371 businesses had applied for such loans in the Eleventh District.

Nationally, the Banking Act of 1935 made significant changes to the composition of the Federal Reserve Board and the way in which monetary policy was conducted. The Congress, in an effort to distance the Federal Reserve from undue political influence, removed the Secretary of the Treasury and the Comptroller of the Currency from the Federal Reserve Board.

Additionally, since the formation of the Federal Reserve, leaders at both the Board and the Reserve Banks had used the title "governor," creating some confusion. Subsequently, "governor" was used to refer to only the seven members of the Board of Governors, and the heads of Reserve Banks became known as presidents. These seven governors, along with five Reserve Bank presidents, were designated as constituting the Federal Open Market Committee to conduct open market purchases and sales of securities.

By the mid-1930s, both the national and the local economies were slowly turning around, and recovery was under way. The Eleventh District had fared much better than other regions. Its diversified agricultural base had produced well, although at a lower price level. Adding to the picture were growing oil production, retail sales, and construction. Until the end of the decade, businesses in the Eleventh District experienced a period of *relative* stability and growth.

*"This nation asks for action, and action now. Our greatest primary task is to put people to work."*

President Franklin Roosevelt
*Inaugural address, 1933*



**Top:** As unemployment reached 25 percent, employers across the nation urged workers to "share" their jobs with others. At the Dallas Fed, employees took a 5-percent pay cut and worked shorter hours as part of the Share the Work program.

**Middle:** Created on a temporary basis by the Banking Act of 1933, the Federal Deposit Insurance Corporation received permanent status in the Banking Act of 1935, which doubled the deposit insurance allowance to $5,000 per depositor.

**Bottom:** Checks were manually sorted in the early days of operation.

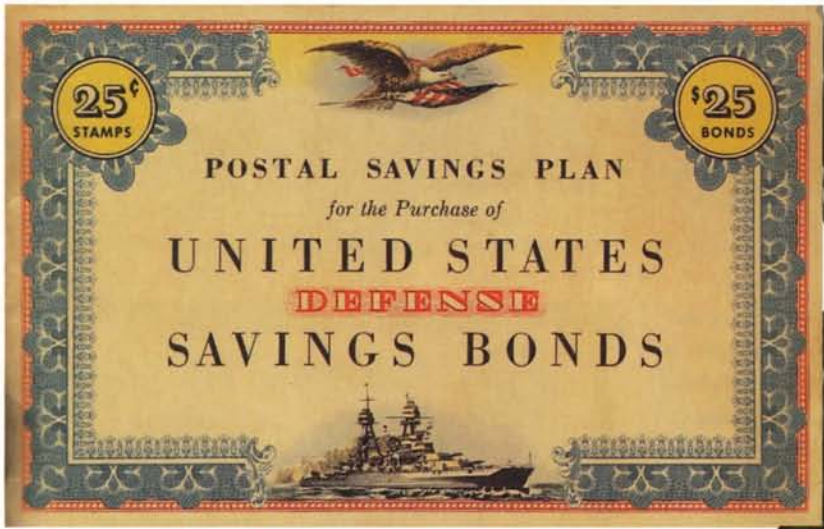
## Marriner Eccles

Throughout most of the 1930s and almost all of the 1940s, Marriner Eccles served as Chairman of the Board of Governors. During these dramatic economic times, Eccles' leadership helped strengthen the role of the Federal Reserve.

In the summer of 1931, anxious depositors lined the lobby of the First National Bank of Ogden, Utah. That day, a timely shipment of cash from the Federal Reserve Branch office in Salt Lake City calmed the crowd and averted a run on the bank. Although many panics would send depositors to his door, no one lost any money in the banks owned by Eccles in the 1930s. For Eccles, the experience was unforgettable. He began to believe that only the government could kindle a massive turnaround in the economy by putting purchasing power in the hands of the people.

Based on his successful handling of banking operations in the early 1930s, Eccles was asked to testify before a 1933 Senate Finance Committee hearing on the causes of the Depression. In his testimony, he outlined specific ways for the federal government to spur the economy, and he set forth an agenda to improve the Federal Reserve System's ability to respond to the banking difficulties of the times. Many of his proposals were incorporated into President Franklin Roosevelt's New Deal program and the Banking Act of 1933. Impressed with Eccles' experience and intellect, Roosevelt asked him to serve as Chairman of the Board of Governors.

Marriner Eccles served as Chairman of the Federal Reserve's Board of Governors from 1934 to 1948. He continued to serve as a member of the Board until 1951.





**Top: October 27, 1943, was designated "Navy Day" in Dallas. This cadet parade marched through downtown, past the viewing stand in front of Dallas City Hall.**

**Above: To help individuals purchase more bonds, defense savings stamps were introduced in small denominations.**

**Right: Americans were urged to save everything in an effort to conserve all resources to win the war. Rubber, nylon, aluminum, steel, gasoline, and coffee were especially important to the war effort.**

1 9 4 0 – 1 9 4 9

# BACK THE ATTACK

THE FIRST THREE DECADES OF THIS CENTURY were shaped by financial panics, agricultural conditions, unemployment, and the Great Depression. The fourth decade revolved primarily around one event—world war.

On December 7, 1941, the war became paramount to the American people. With the bombing of Pearl Harbor, an immediate buildup of military equipment and personnel, combined with sacrifices in terms of credit and commodity purchases, galvanized the nation. Blessed with a large reservoir of labor, underutilized plant capacity, and a determination to win, the country was united as never before.

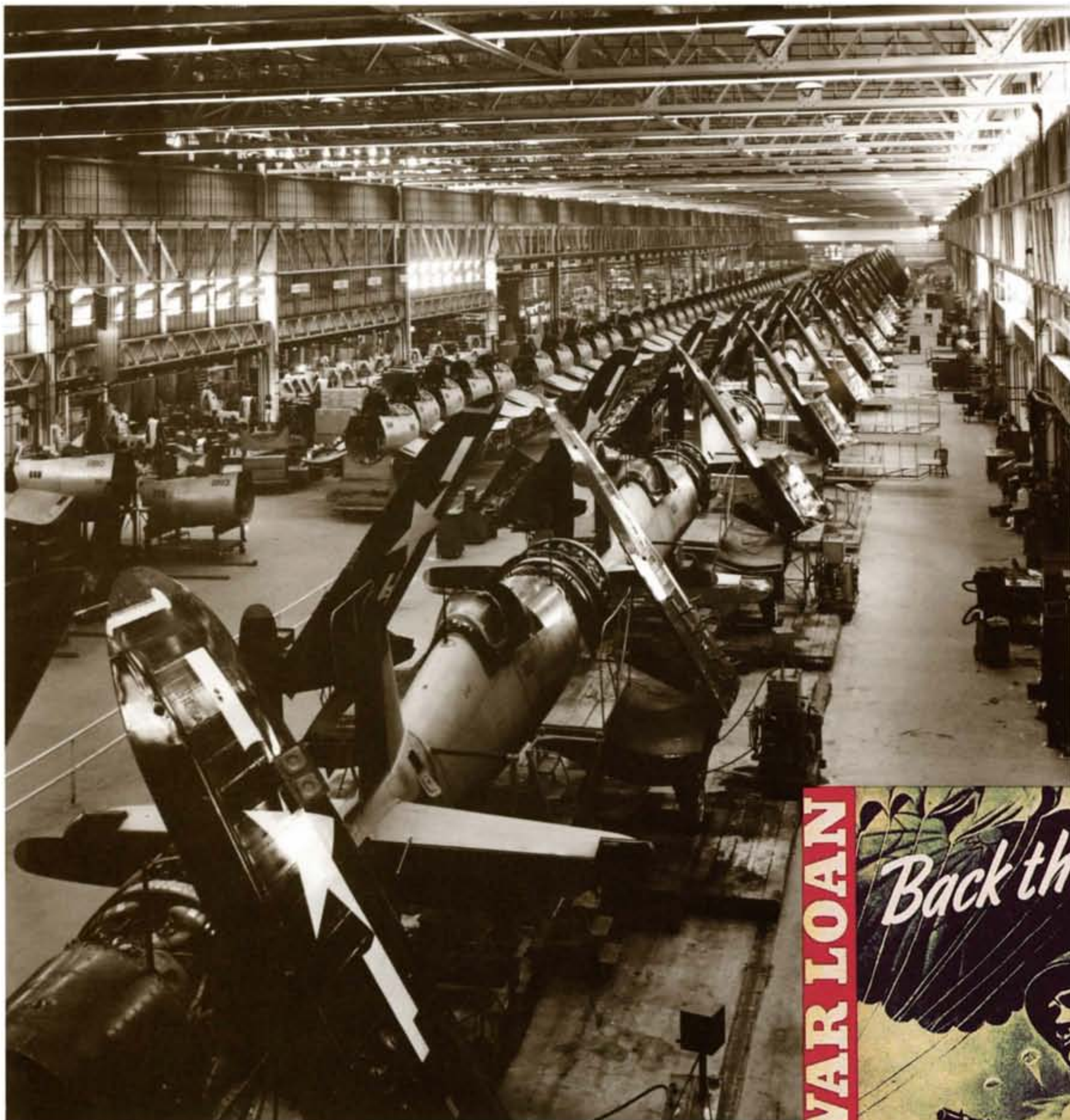
Federal Reserve Banks set about the task of helping to finance the war, which required large sums of money quickly. War savings bond drives were headed by the presidents of the Federal Reserve Banks. Three new issues of savings bonds went on sale. They were designated "Defense Savings Bonds" and were advertised as patriotic investments. Thousands of Americans bought bonds directly at post offices and other designated agencies or through the mail from Federal Reserve Banks or the Treasury Department. Individuals also could buy bonds through the "regular purchase plan"—a payroll deduction program.

War financing soon consumed the country and the nation's banking industry. A mounting federal debt of $45.5 billion in 1941 soared to more than $260 billion by V-E Day on May 8, 1945. A patriotic call for support was the slogan for the fifth war loan drive in 1944: "Back the Attack. Buy More Than Before."

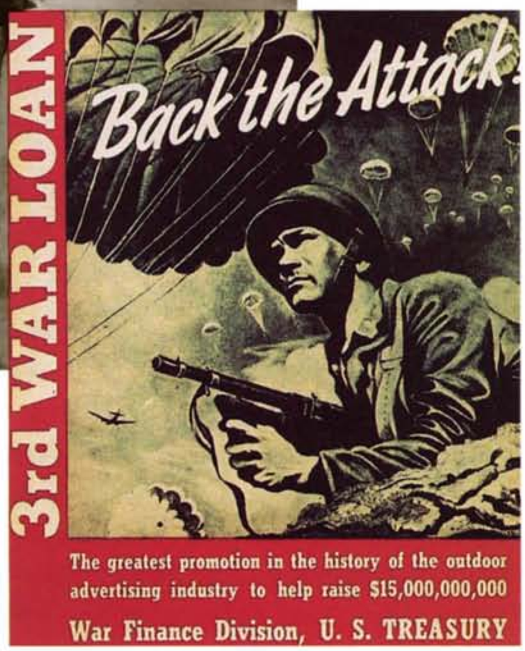
While war financing was a concern to the government, the needs of the American consumer would have to be put on hold until the war was won. In August 1941, President Roosevelt issued an executive order providing for the control of installment credit because credit obtained too easily stimulated demand for items that competed with the military's needs. "To keep the cost of living from spiraling upward," he said, "we must discourage credit and installment buying."

War production became a matter of paramount importance. The military was in need of vast quantities of supplies and equipment. Following the attack on Pearl Harbor, defense plants went on a seven-day workweek. It became necessary to construct more military bases and expand defense plants. The handling of large construction contracts was beyond the normal financing capacity of many firms invited to bid on the contracts.

Early in 1942, another executive order authorized the War Department, the Navy Department, and the Maritime Commission to guarantee designated

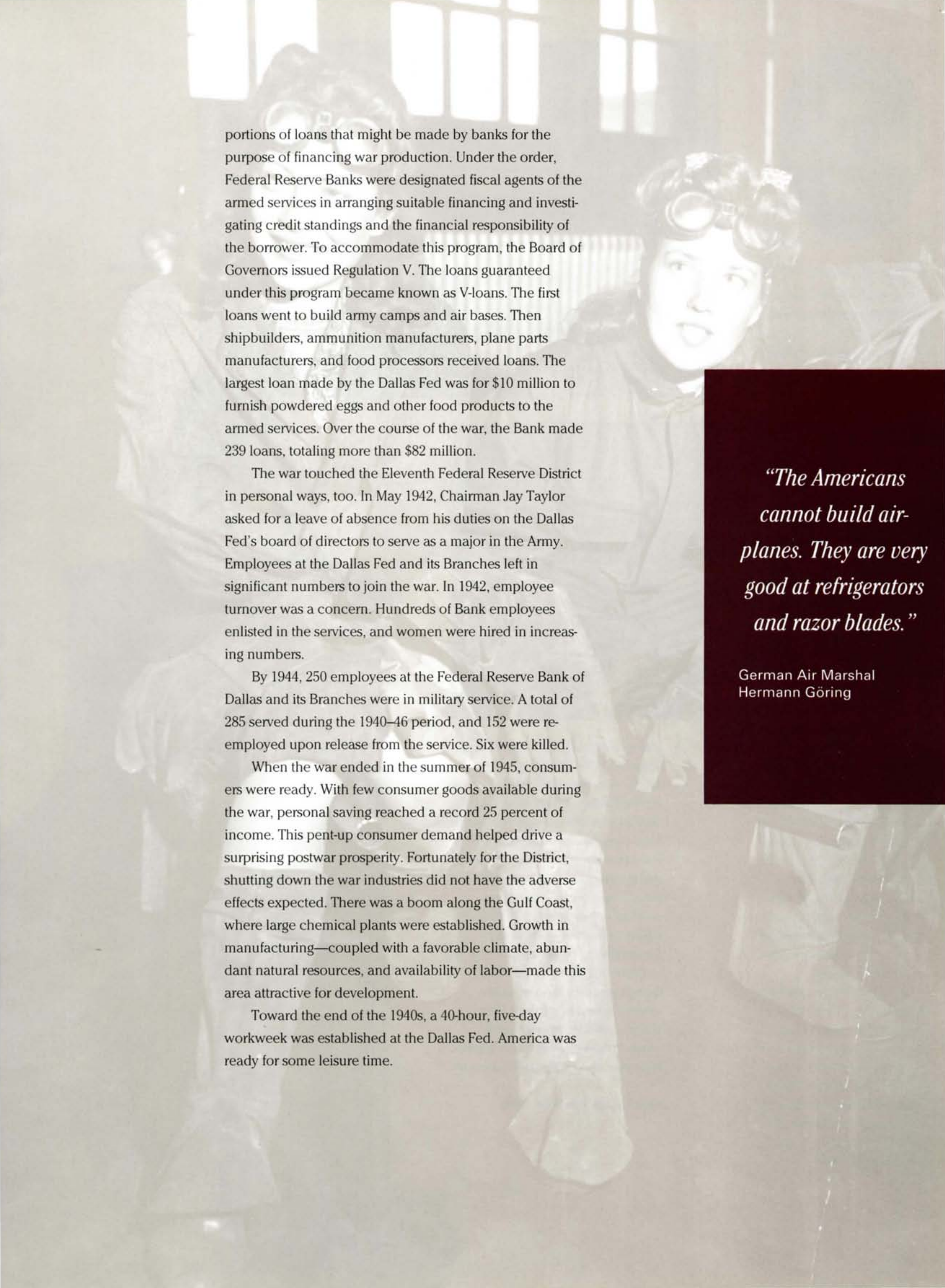


Left: Fighter planes on the assembly line at Chance Vought. The defense industry sprang to life in the United States and in the Eleventh Federal Reserve District. In this District, 239 loans amounting to $82 million were approved for businesses supplying military equipment or food to the armed services.




Above: Financing the war was almost as big an undertaking as fighting it. The federal debt jumped from $45.5 billion in 1941 to $263 billion on V-E Day. Americans were urged to help by buying savings bonds in five separate war bond drives.

Left: Federal Reserve Banks count, sort, and destroy cash for the U.S. government and the nation's financial institutions. Here, a worker in the 1940s manually sorts currency and looks for counterfeits.



portions of loans that might be made by banks for the purpose of financing war production. Under the order, Federal Reserve Banks were designated fiscal agents of the armed services in arranging suitable financing and investigating credit standings and the financial responsibility of the borrower. To accommodate this program, the Board of Governors issued Regulation V. The loans guaranteed under this program became known as V-loans. The first loans went to build army camps and air bases. Then shipbuilders, ammunition manufacturers, plane parts manufacturers, and food processors received loans. The largest loan made by the Dallas Fed was for $10 million to furnish powdered eggs and other food products to the armed services. Over the course of the war, the Bank made 239 loans, totaling more than $82 million.

The war touched the Eleventh Federal Reserve District in personal ways, too. In May 1942, Chairman Jay Taylor asked for a leave of absence from his duties on the Dallas Fed's board of directors to serve as a major in the Army. Employees at the Dallas Fed and its Branches left in significant numbers to join the war. In 1942, employee turnover was a concern. Hundreds of Bank employees enlisted in the services, and women were hired in increasing numbers.

By 1944, 250 employees at the Federal Reserve Bank of Dallas and its Branches were in military service. A total of 285 served during the 1940–46 period, and 152 were re-employed upon release from the service. Six were killed.

When the war ended in the summer of 1945, consumers were ready. With few consumer goods available during the war, personal saving reached a record 25 percent of income. This pent-up consumer demand helped drive a surprising postwar prosperity. Fortunately for the District, shutting down the war industries did not have the adverse effects expected. There was a boom along the Gulf Coast, where large chemical plants were established. Growth in manufacturing—coupled with a favorable climate, abundant natural resources, and availability of labor—made this area attractive for development.

Toward the end of the 1940s, a 40-hour, five-day workweek was established at the Dallas Fed. America was ready for some leisure time.

*"The Americans cannot build airplanes. They are very good at refrigerators and razor blades."*

German Air Marshal
Hermann Göring

## William McChesney Martin

When created by the Congress in 1913, the Fed was designed to be insulated from political pressures—but it would have to wage several struggles to achieve the level of independence originally intended for it.

In the 1930s, the Fed gained a little distance from the oversight of the Treasury when the Secretary of the Treasury and the Comptroller of the Currency were legislatively removed as members of its Board.

During the 1940s, wartime financing efforts led the Treasury and the executive branch to exert extensive influence over the operations of the Fed, and disagreements developed about the appropriate monetary policy for the nation.

The Federal Reserve maintained that it could not achieve its goals by holding the rate on government securities low because that would subordinate monetary policy to the fiscal needs of the Treasury.

Working at the Treasury at the time was William McChesney Martin. Martin participated in negotiations between the Treasury and the Fed and helped formulate an agreement, commonly referred to as the 1951 accord. The accord reestablished the Federal Reserve's independence within government and gave the central bank the flexibility to decide how, and for what reasons, to conduct open market operations.

One month after the accord was announced, Martin was appointed Chairman of the Federal Reserve. With his background in finance, he was uniquely qualified to reconcile the differences with the Treasury and implement the new arrangement.

Martin served as Chairman of the Board of Governors from April 2, 1951, to January 31, 1970.

**Left: The postwar housing boom moved more people into the suburbs.**

**Above: Watrous H. Irons, a professor of economics at the University of Texas at Austin, was employed in 1945 as one of the first full-time economists on staff at the Dallas Fed. His role was to advise the Bank's president on economic conditions in the Eleventh Federal Reserve District and to accompany the president to Federal Open Market Committee meetings in Washington, D.C. Irons was director of research and then vice president at the Dallas Fed before serving as its president from February 1954 through January 1968. Economists continue to monitor segments of the District's economy, as well as study national and international developments, to provide advice to the Bank's president.**

**Right: Leisure time in the 1950s.**

1 9 5 0 – 1 9 5 9

# LEANING AGAINST THE WIND

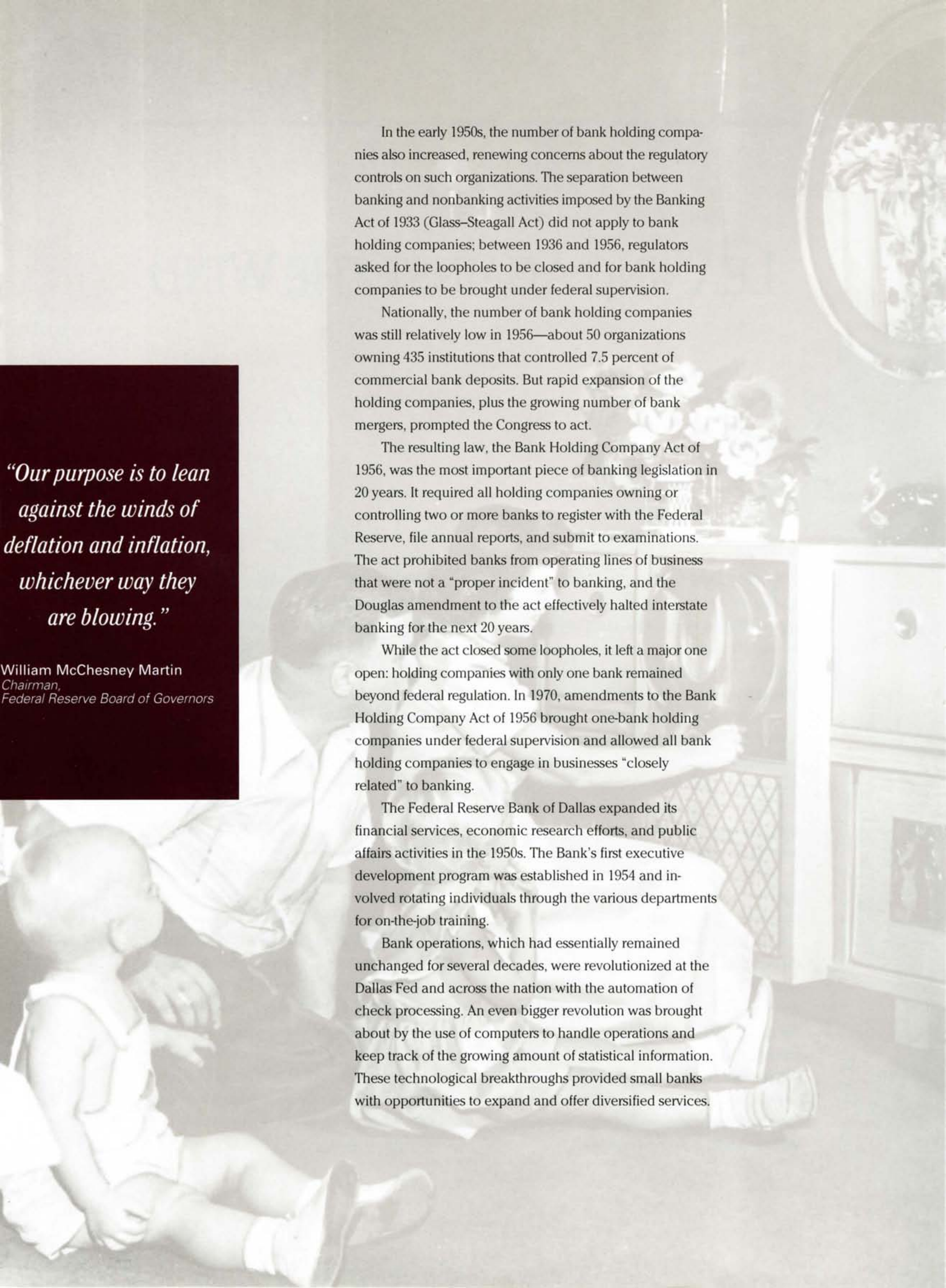
DECADES ARE OFTEN DEFINED BY SPECIAL events and the people who participate in them. For the 1950s, the decade has been defined by its music, by its fashion, and, to a certain extent, by its events. It was a decade that, in many ways, provided a relatively peaceful bridge between a turbulent time of war and another type of revolution—a social one. It was a time when the United States caught its breath, enjoyed leisure moments, and produced some incredible automobiles and gadgets. For the banking industry, it was a pivotal time when the industry was just beginning to feel the changes brought about by innovations in computers and automation.

However peaceful the 1950s were, the decade started off with a bang—a "police action" in Korea. On June 25, 1950, President Harry Truman declared that invasion must be stopped in Korea. Memories of shortages associated with World War II caused consumer goods to be snapped up seemingly without regard to cost. Consumers were once more asked to limit their purchases, and several Federal Reserve regulations covering credit guidelines for commodities and real estate were issued. When the Korean conflict ended in 1953, the national economy had experienced some inflationary pressures, but it was not affected to the same extent as during World War II.

For the Federal Reserve Bank of Dallas and its Branches, the 1950s were fairly tame compared with the previous two decades. In general, there was a high level of economic activity in the District. Agricultural conditions were damaged somewhat by a prolonged drought, but industrial activity was robust and the production of crude oil and natural gas rose to new records. Throughout the District, construction was doing well in the post–World War II housing boom.

For commercial banks in the District, the focus was on traditional credit markets—business and personal loans—leaving the rapidly growing mortgage market largely to savings and loan associations.

The structure of the banking industry nationwide was changing significantly during the 1950s. Larger banks were capitalizing on liberalized state branching laws. Although Texas did not allow branch banking until the late 1980s, the number of bank branches in the United States would increase eightfold between 1950 and 1980 to almost 40,000. The shift of population to the suburbs spurred this development, as did advances in communications, data processing, and funds transfers that made branch networks more manageable. Interest ceilings on deposits helped keep the cost of funds low and shifted bank competition into nonpriced areas.



In the early 1950s, the number of bank holding companies also increased, renewing concerns about the regulatory controls on such organizations. The separation between banking and nonbanking activities imposed by the Banking Act of 1933 (Glass–Steagall Act) did not apply to bank holding companies; between 1936 and 1956, regulators asked for the loopholes to be closed and for bank holding companies to be brought under federal supervision.

Nationally, the number of bank holding companies was still relatively low in 1956—about 50 organizations owning 435 institutions that controlled 7.5 percent of commercial bank deposits. But rapid expansion of the holding companies, plus the growing number of bank mergers, prompted the Congress to act.

The resulting law, the Bank Holding Company Act of 1956, was the most important piece of banking legislation in 20 years. It required all holding companies owning or controlling two or more banks to register with the Federal Reserve, file annual reports, and submit to examinations. The act prohibited banks from operating lines of business that were not a "proper incident" to banking, and the Douglas amendment to the act effectively halted interstate banking for the next 20 years.

*"Our purpose is to lean against the winds of deflation and inflation, whichever way they are blowing."*

William McChesney Martin
*Chairman,*
*Federal Reserve Board of Governors*

While the act closed some loopholes, it left a major one open: holding companies with only one bank remained beyond federal regulation. In 1970, amendments to the Bank Holding Company Act of 1956 brought one-bank holding companies under federal supervision and allowed all bank holding companies to engage in businesses "closely related" to banking.

The Federal Reserve Bank of Dallas expanded its financial services, economic research efforts, and public affairs activities in the 1950s. The Bank's first executive development program was established in 1954 and involved rotating individuals through the various departments for on-the-job training.

Bank operations, which had essentially remained unchanged for several decades, were revolutionized at the Dallas Fed and across the nation with the automation of check processing. An even bigger revolution was brought about by the use of computers to handle operations and keep track of the growing amount of statistical information. These technological breakthroughs provided small banks with opportunities to expand and offer diversified services.

Above: One of the original objectives of the Federal Reserve Act was to improve the nation's check collection system and help ensure an efficient nationwide payments system. Today, processing checks for financial institutions is among the primary services that the Fed provides to its customers.

By today's standards, the 1950s were the Middle Ages for bank operations. Accomplished personnel could sort 1,000 checks an hour, a volume computers now handle in less than 30 seconds. The banking industry was worrying about being drowned by the rapidly growing volume of checks. In the mid-1950s, the American Bankers Association and the Federal Reserve began to look into automating the processing of checks, resulting in the development of magnetic ink character recognition, or MICR—the preprinted numbers and symbols that appear at the bottom of every check.

In 1961, the Dallas Fed tested new high-speed computer equipment designed to read the magnetic characters. By 1963, the first high-speed check handling machines were installed at the Dallas Fed to process MICR-encoded checks. By 1967, MICR encoding was mandatory for all checks.

Left: Through the years, the Fed has been instrumental in developing new methods of automated and electronic payments.

The Federal Reserve began transferring information on public wire systems but decided for security reasons to install its own private wire system in 1918. Over the years, teletype equipment replaced the original private wire system. Today, electronic impulses transfer funds for financial institutions through the Federal Reserve's nationwide electronic network.

By the 1970s, automated clearinghouse (ACH) services also advanced the evolution of electronic payments. ACH services made direct deposit of payrolls a reality and sped transactions made regionally and nationally.

## Andrew Brimmer

Andrew Brimmer was nominated to serve as a member of the Board of Governors of the Federal Reserve System by President Lyndon Johnson in February 1966.

Brimmer brought a new voice to the Board during the 1960s. President Johnson said at Brimmer's swearing-in ceremony, "Thirty-three years ago this week, not a single bank in America was open for business. It was a time of depression and despair as Americans lost confidence not only in their dollar but in their system of government itself.

"Today all of that seems behind us. Our banking system is sound and there is confidence in the American dollar. Instead of depression or recession, we are beginning our sixth year of uninterrupted prosperity."

Brimmer, who had degrees in economics from the University of Washington and Harvard, took a leave from the Wharton School of Finance at the University of Pennsylvania to serve as deputy assistant secretary for economic affairs in the U.S. Department of Commerce before being selected a member of the Board of Governors.

While serving as a Governor, Brimmer headed efforts to implement the Voluntary Foreign Credit Restraint Program. He also focused attention on credit card practices in the banking industry and on the economics of African–Americans. He expressed his desire that the main thrust of American society be toward "widening the opportunities" for African–Americans and other minority groups "to participate more fully in an open society."


Left: The 1960s are remembered for social uprisings on campuses, in buses, at lunch counters, and in the nation's capital.

Second from top: Lyndon B. Johnson being sworn into office following the assassination of President John F. Kennedy on November 22, 1963.

Third from top: In the 1960s, cash unfit to be recirculated was cut in half and mailed to the Treasury for destruction. For security reasons, only half of the currency cut was mailed at a time. As postal rates rose and limits were imposed on the amount the post office would handle at once, Reserve Banks took on the responsibility for destroying "old" money.

Right: At 10:56 p.m. on July 20, 1969, astronaut Neil Armstrong took "one small step" on the moon, and outer space seemed a little closer to Earth.

1960–1969

# INTO ORBIT

THE 1960S WILL ALWAYS BE REMEMBERED FOR their turbulence and drama—civil rights demonstrations, political upheavals, the Cuban missile crisis, assassinations, the space program, and "one small step" on the moon in the summer of 1969.

On the economic front, the early 1960s were a period of relative price stability. The seeds of inflation were sown later in the decade with the simultaneous fighting of two wars—the war in Vietnam and the war on poverty. In almost every year of the decade, the federal government ran a deficit in its operations, and the federal debt steadily increased. Wholesale prices crept upward. But prosperity seemed assured as the gross national product also increased fairly steadily and incomes rose. Bank deposits increased, and financial institutions solicited the ballooning and very profitable consumer credit market.

Advances in computer technology and operational developments forever changed the Federal Reserve's ways of doing business. Computer innovations in the 1960s spurred electronic handling of checks, facilitated efficient accounting methods, and helped the economic research departments track trends in the economy.

To help integrate new computer technology into the Dallas Fed, a Machine Processing Department had been created in the late 1950s. Activities of the department were expanded significantly in the 1960s, and an effort was under way to move quickly toward automating the Bank's operations.

One of the first areas to benefit from computers was the Checks Department. The Federal Reserve worked with the American Bankers Association to develop new technology and methods of processing checks to handle increasing volumes. The result of that effort was the development of magnetic ink character recognition (MICR) for electronic handling of checks. In 1961, the Dallas Fed participated in a pilot program to use prototype high-speed check machines to read the magnetic information. The Dallas Fed permanently installed its first high-speed check handling machine to process magnetic encoded checks in 1963. By September 1967, MICR encoding was mandatory for all check processing.

In the early 1960s, approximately 90 percent of the currency and coin shipped by the Dallas Fed to banks went through the post office. Increases in postal rates and limitations on the dollar amount allowed to be carried on postal trucks forced the Bank to consider greater use of armored carriers.

Changes to U.S. money also occurred in the early 1960s as silver prices rose. Silver certificates in $1 denominations were still in circulation and were replaced with newly printed $1 Federal Reserve notes in 1963. Clad, or "sandwich," coins containing a lower amount of silver were introduced in 1965.

## Richard Nixon

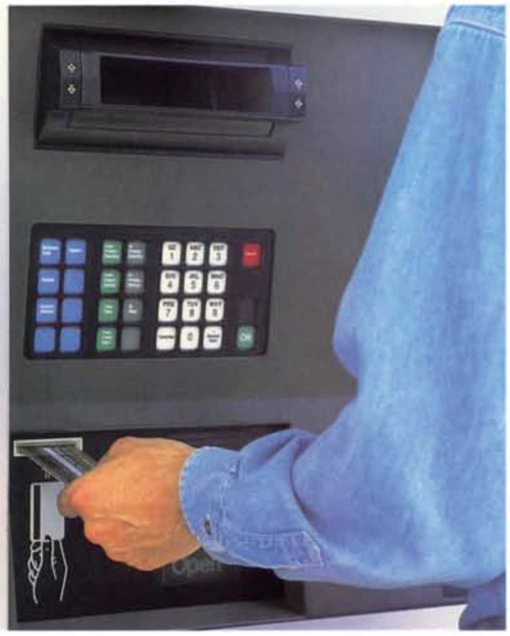
During World War II, at Bretton Woods, New Hampshire, a system was established that required countries to set "par" values of their currencies relative to the U.S. dollar. The Treasury was committed to redeem surplus dollar claims of foreign central banks or governments, in gold, at the rate of one ounce for every $35.

Under the Bretton Woods agreements, deficit countries had to use their international gold reserves to redeem their own currencies from the surplus countries at the fixed exchange rate. Alternatively, countries with trade deficits had to use restrictive monetary or fiscal policies to curb their imports, thereby restoring a balance of payments with their trading partners at the declared fixed exchange rates.

As long as the United States had trade surpluses, running out of gold reserves was not a concern. However, pressures on the U.S. gold reserve began as early as 1958; despite efforts to adjust the U.S. economy and curtail the gold outflows, these pressures continued, the U.S. balance of payments position deteriorated rapidly, and inflation escalated.

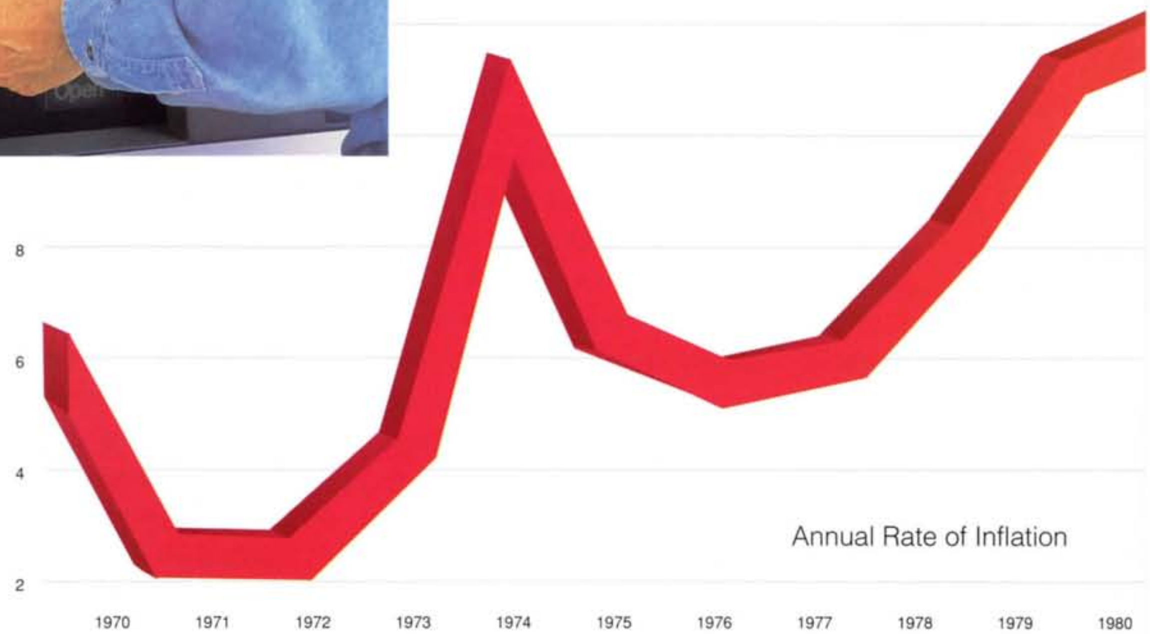
On August 15, 1971, President Richard Nixon changed the monetary rules under which nations had traded with one another for 25 years by announcing that the United States would no longer freely convert official dollar holdings into gold. Despite the growing sense that the Bretton Woods system was unraveling in the immediately preceding months, the nature and scope of the program was a surprise to the world. Bargaining over an exchange rate realignment was prolonged. Agreement on the new exchange rates was finally reached in December 1971. The American economy responded to the new system with a vigorous expansion.


**Left: In the1970s, a world oil shock was caused when OPEC announced major price increases. Gas rationing in the United States meant long lines at the pumps.**



**Left: Automated teller machines (ATMs) introduced consumers to the electronic age of banking in the early 1970s.**

**Below: Interest rates and inflation rose dramatically during the 1970s. Efforts to control rising prices were ineffective, and in its 1979 *Annual Report*, the Board of Governors stated, "At year-end, the short-term outlook for inflation remained bleak."**



1970–1979

# OUT OF THE WOODS

IN THE 1970S, THE ECONOMIC STORY REVOLVED around rising inflation and its devastating effects. Wage and price controls were put in place. The economy was stagnant, but prices were rising. This unusual situation gave us a new economic term—*stagflation*.

In recognition of the powerful effects of monetary and fiscal policies on the economy, policymakers were advocating frequent policy changes in efforts to "fine-tune" the economy and keep it constantly at full capacity.

To encourage this fine-tuning, the Full Employment and Balanced Growth Act of 1978, also known as the Humphrey–Hawkins Act, was enacted. The act expanded the list of national goals established by the Employment Act of 1946 for achieving employment, production, and price stability to include providing growth, improving the trade balance, and balancing the federal budget. The act also required the Fed to report its monetary policy plans to the Congress twice a year and to comment on the relationship of those plans to the President's goals.

In the midst of these events and perhaps more so than in their prior history, banks were having to compete for funds—with competitors who could play by less restrictive rules. Traditional savings flowed out of banks into institutions not bound by interest rate ceilings. These "nonbank banks" attracted funds with such options as mutual funds and NOW (negotiable order of withdrawal) accounts.

An emphasis on consumer rights commanded a significant amount of attention and led to the passage of many acts protecting *all* consumers and spelling out their rights. The Community Reinvestment Act of 1977 established the responsibility of financial institutions to serve the development needs of their communities, including lower-income neighborhoods.

The growing use of computers in the banking industry affected the Federal Reserve Bank of Dallas. Just as check processing was automated at the Dallas Fed in the 1960s, currency processing was automated in the 1970s, and in 1975, the first high-speed currency processor was operating in the Dallas Fed's Cash Department.

Automated payments were coming into their own as well. By 1976, the first automated clearinghouse (ACH) payments were being handled by the Dallas Fed in conjunction with the SouthWestern Automated Clearing House Association.

In the early 1970s, the District's energy industry dealt with the effects of the oil embargo imposed by the Organization of Petroleum Exporting Countries (OPEC). This District's economy was helped by the higher oil prices, leading to increased real estate development, manufacturing growth, and transportation improvements. Most of the United States, however, suffered a severe economic decline following the sharp increases in energy prices.

## Paul Volcker

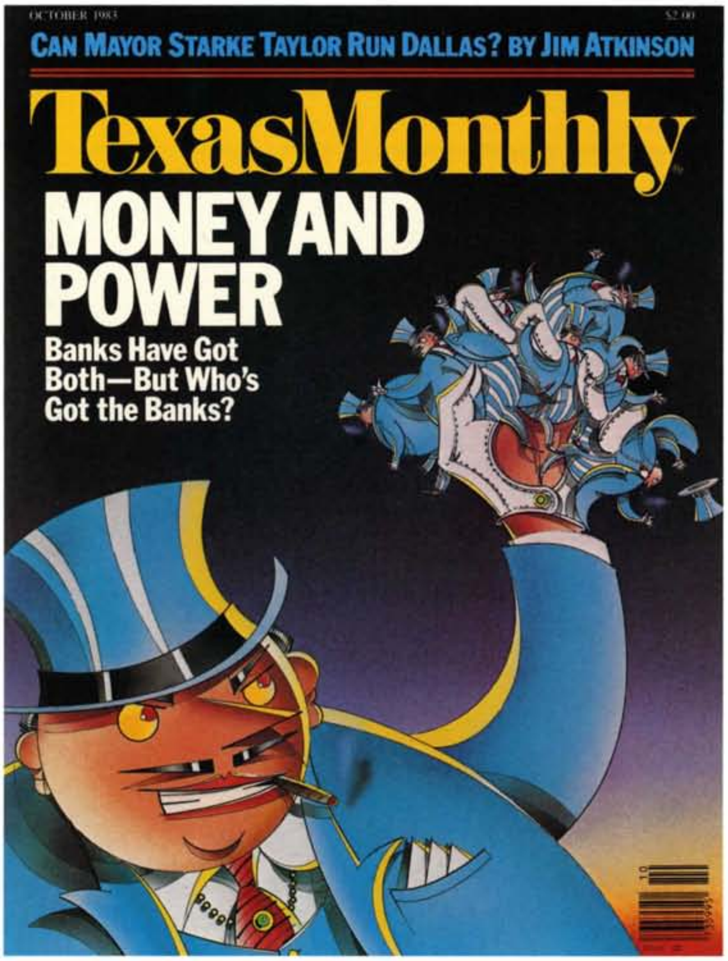
For years, the Federal Reserve System used interest rates to gauge conditions in the money market and set the direction of monetary policy. In the 1970s, the money market boomed, and interest rates rose dramatically. In October 1979, after only two months as Chairman of the Federal Reserve, Paul A. Volcker changed the focus of monetary policy.

Calling an unusual Saturday meeting of the Federal Open Market Committee, Volcker expressed his desire to change direction. In a press conference following the meeting, he announced that the Federal Reserve would no longer use interest rates as the only economic barometer but would look primarily at the supply of money.

By monitoring the money supply, Volcker hoped to curtail skyrocketing prices and runaway inflation. Applying the brakes to an overheated economy was not an easy or a popular job. The construction industry was especially hard hit, and many contractors expressed their feelings by mailing two-by-fours and bricks to the Chairman to protest tight Fed policies.

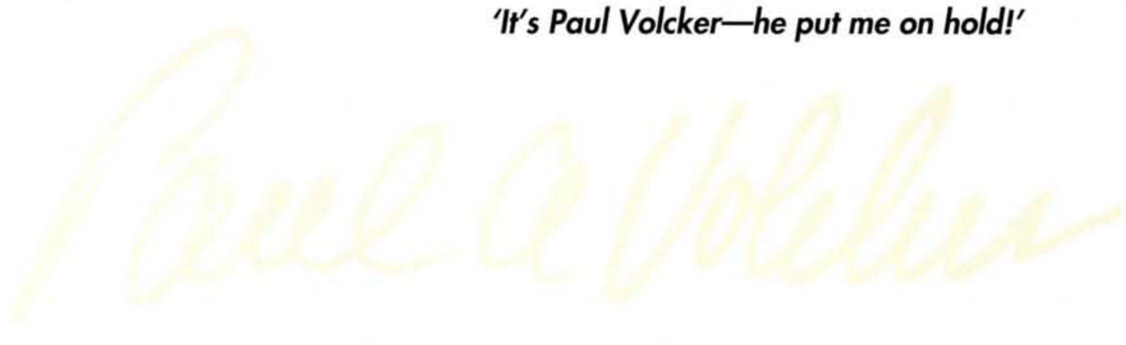
But the Fed under Volcker's chairmanship remained firm. The goal to eliminate the devastating effects of continuing inflation was reached over the next four years. By 1985, the prime rate, which had reached 21 percent in 1982, dropped below 10 percent. The inflation rate also dropped dramatically—from 14.2 percent in August 1979 to 4.1 percent by August 1987.

Volcker served as Chairman of the Federal Reserve Board of Governors from August 6, 1979, to August 11, 1987.




**Above: The number of U.S. banks that failed averaged about six per year from 1950 through 1979. This tranquil period came to an abrupt end in the 1980s. Bank failures in the United States increased from 10 in 1980 to more than 200 in 1989. In the Eleventh District, bank failures rose from none in 1980 to 144 in 1989. More important, as a proportion of total U.S. failures, Eleventh District bank failures climbed steadily from zero percent at the beginning of the decade to 70 percent in 1989.**

***'It's Paul Volcker—he put me on hold!'***



1 9 8 0 – 1 9 9 2

# DOWN THE LONG ROAD

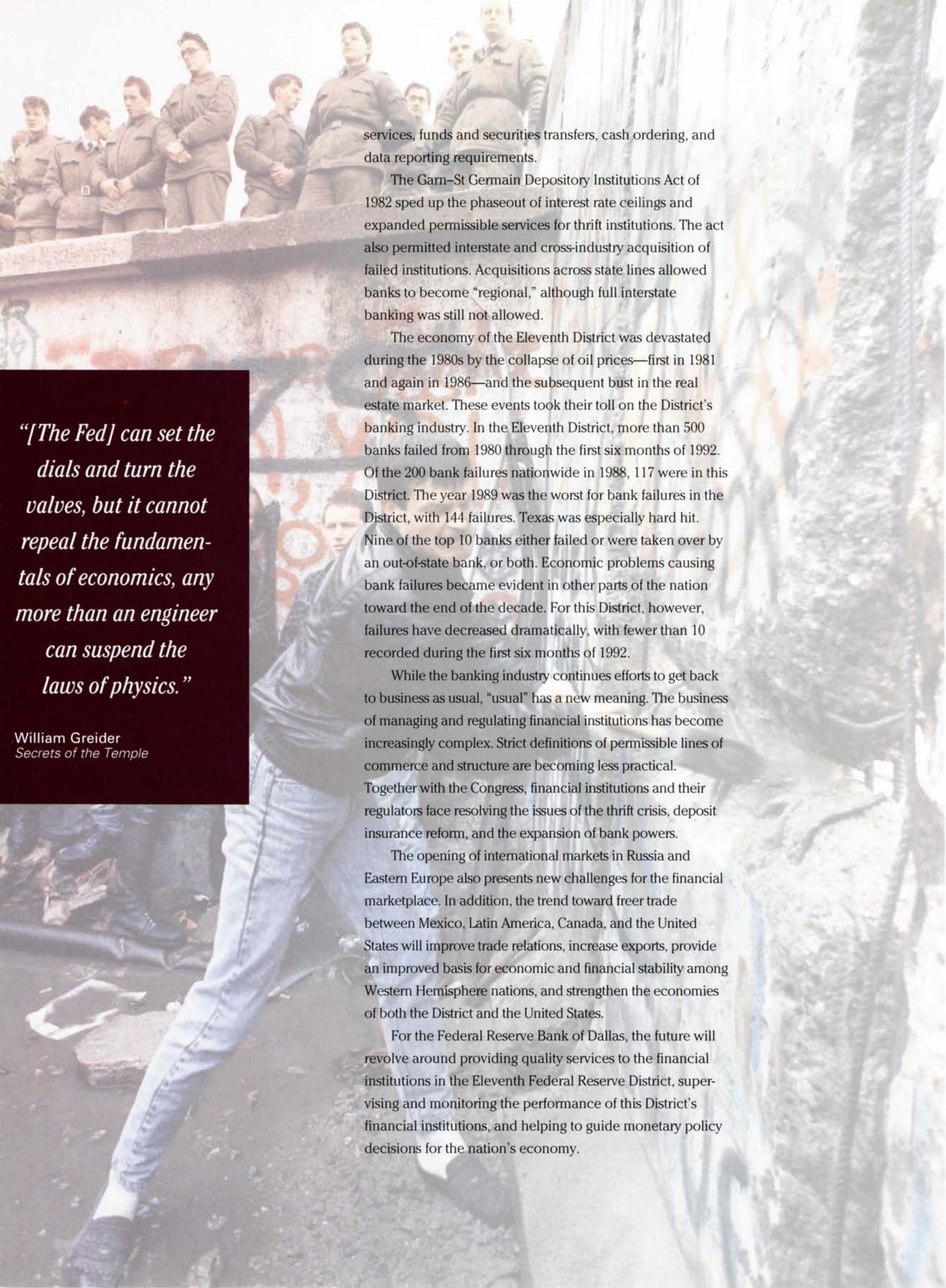
IT WAS FAR FROM QUIET ON THE FINANCIAL front early in the 1980s. Economic events in the preceding two decades finally forced major adjustments in the banking industry. Inflation was choking the economy. The prime rate rose to a record 21 percent, and the Fed's discount rate hit a high of 14 percent.

Increased sophistication in monetary affairs on the part of the average citizen, entrance of nonbank organizations into the field of checking accounts, declining membership in the Federal Reserve System, improved communications that permitted almost instantaneous execution of transactions, and easy access to the markets of the world disrupted the usual patterns of banking.

These factors, plus a growing interest on the part of the Congress, prompted the passage of the Depository Institutions Deregulation and Monetary Control Act of 1980. This law reshuffled the entire financial industry and set the stage for change and innovation—especially for the Federal Reserve. Features of the act were numerous and far-reaching, but for the Federal Reserve, three stand out. First, all depository financial institutions (whether or not they were members of the Federal Reserve) maintaining checking or transaction accounts had to begin holding reserves with the Fed. Second, all types of deposit-taking financial institutions—including all banks, savings and loan associations, and credit unions—became eligible for loans from the Fed's discount window. And third, the act required the Fed to price its services for the first time and recover the costs associated with providing them to the financial industry.

Consumers also presumably benefited from the act through the increased maximum of $100,000 for deposit insurance and the phased lifting of interest rate ceilings on deposits. Nonetheless, it was the financial industry and the Federal Reserve that had the most adjusting to do. The long-defined lines of distinction among the various types of financial institutions became increasingly blurred.

During the 1980s, the Fed adjusted to its new client base and evolved in its role of providing priced financial services. Innovation and reliability became key considerations as computer technology continued to broaden the scope of what could be accomplished electronically. Efforts were undertaken to expand electronic connections with the Fed, and in the early 1980s, direct computer-to-computer connections were initiated with the establishment of the Dallas Fed's RESPONSE network. Computer innovations also allowed improvements to check collection



services, funds and securities transfers, cash ordering, and data reporting requirements.

The Garn–St Germain Depository Institutions Act of 1982 sped up the phaseout of interest rate ceilings and expanded permissible services for thrift institutions. The act also permitted interstate and cross-industry acquisition of failed institutions. Acquisitions across state lines allowed banks to become "regional," although full interstate banking was still not allowed.

The economy of the Eleventh District was devastated during the 1980s by the collapse of oil prices—first in 1981 and again in 1986—and the subsequent bust in the real estate market. These events took their toll on the District's banking industry. In the Eleventh District, more than 500 banks failed from 1980 through the first six months of 1992. Of the 200 bank failures nationwide in 1988, 117 were in this District. The year 1989 was the worst for bank failures in the District, with 144 failures. Texas was especially hard hit. Nine of the top 10 banks either failed or were taken over by an out-of-state bank, or both. Economic problems causing bank failures became evident in other parts of the nation toward the end of the decade. For this District, however, failures have decreased dramatically, with fewer than 10 recorded during the first six months of 1992.

*"[The Fed] can set the dials and turn the valves, but it cannot repeal the fundamentals of economics, any more than an engineer can suspend the laws of physics."*

William Greider
*Secrets of the Temple*

While the banking industry continues efforts to get back to business as usual, "usual" has a new meaning. The business of managing and regulating financial institutions has become increasingly complex. Strict definitions of permissible lines of commerce and structure are becoming less practical. Together with the Congress, financial institutions and their regulators face resolving the issues of the thrift crisis, deposit insurance reform, and the expansion of bank powers.

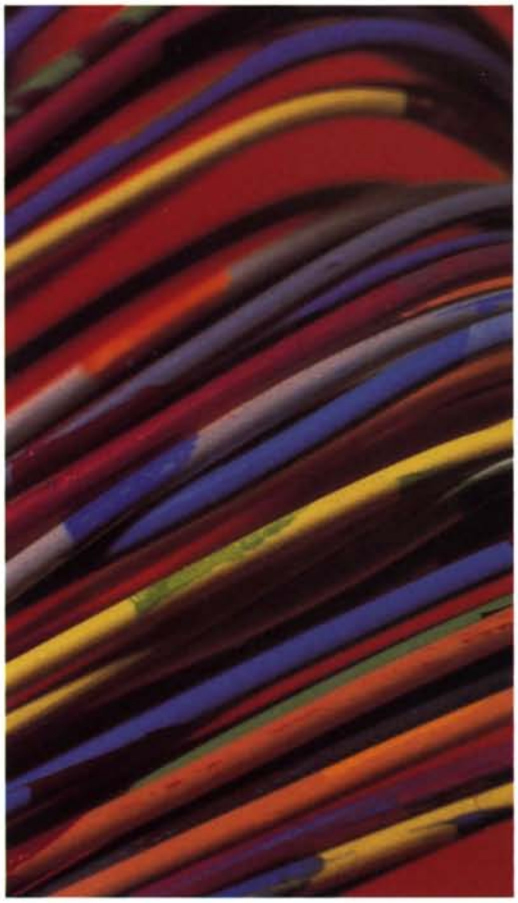
The opening of international markets in Russia and Eastern Europe also presents new challenges for the financial marketplace. In addition, the trend toward freer trade between Mexico, Latin America, Canada, and the United States will improve trade relations, increase exports, provide an improved basis for economic and financial stability among Western Hemisphere nations, and strengthen the economies of both the District and the United States.

For the Federal Reserve Bank of Dallas, the future will revolve around providing quality services to the financial institutions in the Eleventh Federal Reserve District, supervising and monitoring the performance of this District's financial institutions, and helping to guide monetary policy decisions for the nation's economy.

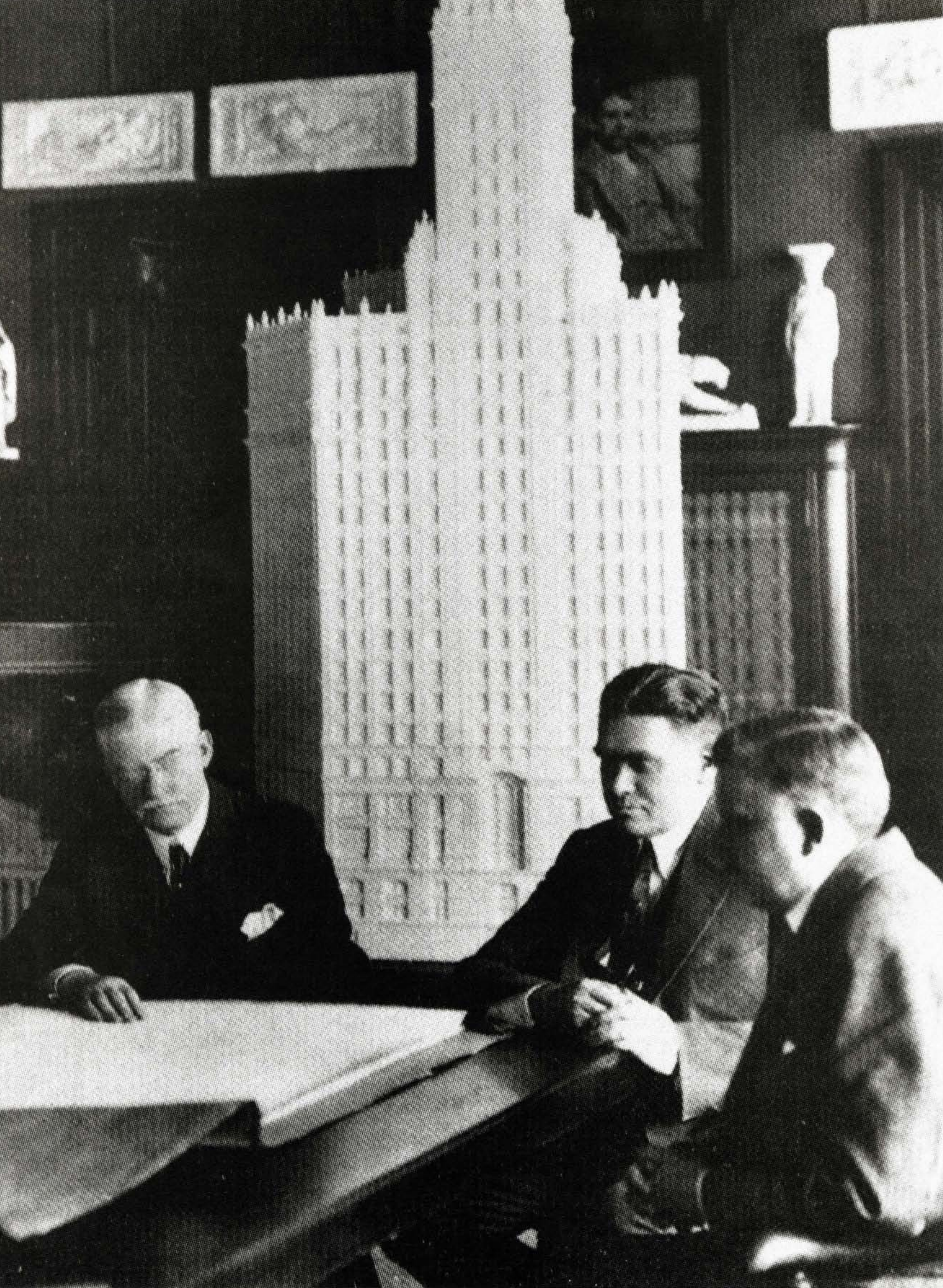
Above: The Fed has three primary methods of influencing the amount of funds available to financial institutions and, thus, to the public. It can raise or lower reserve requirements. It can increase or decrease the discount rate at which institutions can borrow from the Fed. It can also buy and sell Treasury securities in the open market.

Open market operations are the most frequently used of the three. In open market operations, the Fed can sell U.S. government securities to established securities dealers. These dealers pay for securities with checks drawn on financial institutions. To collect these checks, the Fed charges the reserve accounts that institutions hold with the Fed. This process decreases the amount of loanable money and, therefore, the amount of money in circulation. On the other hand, if the Fed buys securities, overall reserves, loanable funds, and money in circulation are increased.

Decisions regarding monetary policy actions are made by the Federal Open Market Committee (FOMC). Open market operations are conducted daily through the Trading Desk at the New York Fed. Here, specialists carry out instructions from the FOMC to buy and sell marketable securities. They maintain a telephone link with about three dozen dealers in U.S. government securities.



Right: Computer-to-computer connections became possible with the introduction of the Dallas Fed's RESPONSE network in the early 1980s.



# Buildings of the Past and Present

"THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE,

AFTER MUCH DELIBERATION AND CAREFUL THOUGHT AS TO VARIOUS

OFFERS OF BUILDINGS AND LOTS ON NOVEMBER 16, 1918,

PURCHASED A SITE 162 BY 183 FEET ON SOUTH AKARD STREET,

ONE BLOCK REMOVED FROM COMMERCE STREET, THE LATTER BEING

ONE OF THE PRINCIPAL DOWNTOWN THOROUGHFARES."

J. L. Lumpkin
*Credit Manager of the Dallas Fed, 1920*

**Prominent Chicago architectural firm Graham, Anderson, Probst and White was selected to design the headquarters building of the Federal Reserve Bank of Dallas in 1919. Shown here (left to right): Ernest Robert Graham, William Peirce Anderson, and Howard Judson White, with a model of their design for another landmark building—the Wrigley Building in Chicago.**

1305 MAIN STREET

**Above: The Federal Reserve Bank of Dallas opened for business in rented space in the Guaranty State Bank and Trust Company Building on November 16, 1914. The building was located at 1305 Main Street, where the Davis Building now stands.**


1101 COMMERCE STREET

**Above: The first permanent home of the Federal Reserve Bank of Dallas was located at 1101 Commerce Street in a building originally designed for a jewelry wholesaler. The Bank remodeled the space to fit its unique needs and moved into these quarters on October 30, 1915.**

400 S. AKARD STREET

**Left: For 71 years, the building at 400 S. Akard Street served as the headquarters for the Federal Reserve Bank of Dallas. Above the entrance stand "Integrity" and "Protection." Designed by New York sculptor Henry Herring, the figures were carved in place. Crowning the building is an interesting mingling of classic design with a Southwestern touch—steer heads wreathed with garlands. Employees moved in officially on March 12, 1921.**

# FORMER ADDRESSES

THE FEDERAL RESERVE BANK OF DALLAS opened for business on November 16, 1914, in temporary quarters on the first floor of the Guaranty State Bank and Trust Company on Main Street in downtown Dallas. Even with a small staff of 27, these quarters soon proved to be inadequate. The vault space, especially, was too small to serve the Bank's needs.

By April 1915, the Bank's board of directors authorized leasing a building that had been occupied by a wholesale jewelry firm at the corner of Commerce and Martin Streets. The lease agreement included a purchase option, and after extended negotiations, the board decided to purchase the building in August 1915.

This purchase made the Dallas Fed the first Reserve Bank to own its own facilities. In the early years, however, the proper procedures for doing this kind of thing were not specifically written down. When the Federal Reserve Board learned of the purchase, it criticized the Dallas Fed's directors for not notifying the Board in advance. Matters were smoothed out when the directors adopted a resolution expressing their regret and giving assurances that approval would be obtained before taking such a step in the future. Employees moved into their newly remodeled facilities on October 30, 1915.

Because the staff was expanded in 1918 to handle extensive war financing operations, Dallas Fed staff members were working in four buildings. The Bank decided that it was time to expand its facilities and purchased land on the corner of Wood and Akard Streets—this time with prior approval.

The building rose quickly. On April 2, 1920, the cornerstone, with a time capsule inside, was laid. Special efforts were expended to finish the Transit Department, which sorted the growing number of checks for the Eleventh District. The department's employees moved to the third floor on December 12, 1920. Remaining employees moved in March 12, 1921.

For the next 71 years, the building at 400 S. Akard Street was the headquarters for the Federal Reserve Bank of Dallas. The building was designed by the Chicago architectural firm Graham, Anderson, Probst and White. The design borrowed symbols of beauty and strength from classic Italian architecture, with some appropriate Southwestern influences, such as the steer heads draped with garlands that decorate the top level of the building. Griffins, the traditional guardians of wealth, stand guard around the base of the light posts on either side of the Akard Street entrance. Figures bearing the names "Integrity" and "Protection" were carved in place above the doors of this entrance by New York sculptor Henry Herring.

The original building had five stories, with a central "light-court"—an inspiration for today's atrium designs. The first floor was known as the Banking Room and housed the teller windows of the Cash Department, among other offices. By the late 1930s, expanding operations necessitated some remodeling. The light-court was closed in, and two more stories were added to the original structure in 1940.

By the late 1950s, the Bank purchased adjacent property for a large expansion at the back of the building. The addition housed a new vault, had expanded cash facilities and security functions, and provided additional general office space to all floors of the Bank.

In tribute to its architectural design and in recognition of its role in the development of the area, the Dallas Fed building was designated a historic landmark by the city of Dallas in May 1979.

EL PASO BRANCH

HOUSTON BRANCH

SAN ANTONIO BRANCH

# BRANCH BUILDINGS

*El Paso Branch*

Branch banks are an important part of the regional structure of the Federal Reserve System. The first Branch in the Eleventh District opened in El Paso on June 17, 1918, to better serve member banks in the extreme western portions of the District in Texas, New Mexico, and, at that time, portions of Arizona as well. Fourteen employees opened the new Branch in rented space in Rooms 318–326 in the First National Bank Building.

By May 1919, the Bank had purchased property on Myrtle Avenue for a new building. Construction began in November 1919, and in August 1920, employees moved into the new building.

Expanding responsibilities and increased volumes necessitated the move to new space in the mid-1950s. Groundbreaking ceremonies for the new building were held in 1956 on the half block bounded by Main, Stanton, and Kansas Streets and the Texas and New Orleans Railroad. Built to accommodate future growth, the offices at 301 E. Main Street, in the heart of the central business district, opened for business on December 18, 1957.

*Houston Branch*

The second Branch office of the Federal Reserve Bank of Dallas opened in Houston on August 4, 1919, in a portion of the first floor of the old Cotton Exchange Building at the corner of Travis and Franklin, now known as the Hermann Building. The vault of the adjacent Union National Bank of Houston was used to store cash and securities.

The Houston Branch quickly outgrew its initial home, and a new facility was built to house the Branch. Employees moved into this first permanent location on the corner of Texas Avenue and Caroline Street in February 1922. The cash and securities were moved in armored trucks that were surrounded by an escort composed of the Houston police, Branch guards, and the male employees of the Branch. This escort walked the $25 million through the streets of Houston to the new building. This facility served the Houston Branch well until the mid-1950s, when operations had grown sufficiently to warrant another move. The Branch built another facility and on March 31, 1958, moved into the building it occupies today on San Jacinto Street.

*San Antonio Branch*

In October 1926, representatives from the San Antonio Clearing House Association appeared before the Dallas Fed's board of directors for the second time to present an application for the establishment of a Branch at San Antonio. This time, their request was granted; on July 5, 1927, the Branch opened for business in temporary quarters in the Frost National Bank Building. A staff of 57 operated at this location until a Branch building was opened in 1928.

Over the years, as the San Antonio Branch grew in responsibilities and staff, the need for a new headquarters became more and more evident. In 1952, the Gibbs MacDaniel property was purchased for the site of a new building. On the property stood the old two-story Vance House, believed to have been the headquarters of General Robert E. Lee, who spent two of his six years in Texas as an officer in San Antonio. Although the Vance House had to be destroyed to make way for the new Branch building, a marble commemorative plaque was placed on the northwest corner of the grounds as a reminder of the house's historical significance. The new facility officially opened October 11, 1956.

Right: Groundbreaking ceremonies, June 14, 1990


2200 N. PEARL STREET

# REASON TO CELEBRATE

"WE NEVER HAD ORDINARY GOALS IN BUILDING this building," says James L. Stull, the Dallas Fed senior vice president who has overseen the building of the Bank's new headquarters. "We wanted to build it on a fast-track schedule, bring it in under budget, and apply higher quality standards in building a state-of-the-art headquarters.

"In addition to those goals, we also had a mission that revolved around making the building a special environment for the employees of the Dallas Fed. We wanted to have the building be a pleasant and efficient space within which to work, and I feel we have achieved all of these goals."

When the Federal Reserve Bank of Dallas announced in 1989 that it was going to build a new headquarters facility, a long and complicated process began. Building the facility on a fast-track schedule meant saving millions of dollars but also meant that construction had to begin before plans were developed and finalized for the entire project.

"We are the first Federal Reserve Bank to ever build a building this way," says Stull. "It is a reflection of the confidence the Board of Governors had in the people involved in this process that they allowed it to be done this way."

More than 17 alternatives were considered before the site on the northeast corner of Pearl Street and Woodall Rodgers Expressway was purchased. "This site was selected because we needed a large amount of land to accommodate the footprint of the building," says Stull. "We narrowed our choice down to three locations and picked this one because it offered great access and would accommodate our space requirements. It also provided a dramatic setting that allowed the architects to create a building which relates to the beauty of the surrounding architecture." Groundbreaking ceremonies were held on June 14, 1990. At the ceremonies, former Dallas Fed President Robert H. Boykin said, "Today, the Federal Reserve Bank of Dallas is casting its vote of confidence for the long-term economic viability of the city of Dallas and the Eleventh Federal Reserve District." Employees first started moving into the building in May 1992.

Special features of this new facility include an automated vault that uses robotics for storage and retrieval of currency, raised flooring throughout the building to facilitate the wiring needs of the automated environment of the 21st century, and floors designed around the work-flow needs of the individual departments.

"Special efforts were made to make the building a pleasant and relaxing place to be," says Stull. "We wanted employees to want to be here. Having a good place to work will help us recruit quality employees and retain them for the future."

Features were also incorporated in the building for bankers and the public. A 300- to 500-person auditorium and special training rooms have been built to accommodate conferences both large and small. In addition, two areas have been set aside for educational exhibits, and an extensive tour program is planned. The public can even enter on the ground level to buy U.S. Treasury securities more easily than in the past.

"I think it is a great addition to the city of Dallas, and I think everyone on the project just did the right thing," says Stull. "You know that saying, 'If you don't know where you're going, any road will take you there'? Well, we did know where we wanted to go, and with some luck, we were able to get here."

# A Point in Time

"WHAT WILL DIFFERENTIATE THE FUTURE FROM THE PAST

IS THE EFFORT WE MAKE TO LOOK FOR BETTER WAYS TO DO OUR JOB.

MAYBE JUST DOING SOMETHING BETTER DOESN'T SOUND LIKE A CHALLENGING GOAL,

BUT COMPANIES THAT HAVE THIS AS THEIR GOAL ARE SUCCESSFUL.

WE HAVE TO SERVE ALL OF OUR CUSTOMERS AND PROVIDE A

FOUNDATION FOR THE AMERICAN ECONOMY."

Harvey Rosenblum
*Senior Vice President and Director of Research*

**Management Team: (first row, from left) Jay K. Mast, Tony J. Salvaggio, Robert D. McTeer, Jr., Robert F. Langlinais; (second row, from left) Harvey Rosenblum, Robert D. Hankins, James L. Stull, Millard E. Sweatt. Not pictured: Sam C. Clay, Thomas H. Robertson, Robert Smith, III.**

Right: Branch Management (from left) Thomas H. Robertson, San Antonio; Sam C. Clay, El Paso; Robert Smith, III, Houston.

Below: The Boardroom at the Dallas Fed.

# A Point in Time

*For the staff of the Federal Reserve Bank of Dallas and its Branches, everyday activities are an important component of the smooth operation of the nation's economy, the careful supervision of its banking industry, and the reliability of its payments system.*

*Some of the issues dealt with each day are part of a continuing discussion regarding the role of the Federal Reserve in serving the United States and its banking system. Some issues are a result of new technology and innovations in providing financial services. Some arise from new legislation. This section takes a brief look at issues currently being discussed by the senior management of the Federal Reserve Bank of Dallas and considers the impact of those issues on the future.*

"THE FEDERAL RESERVE IS RESPONSIBLE FOR maintaining the health of the economy for 250 million Americans," says Dallas Fed Senior Vice President and Director of Research Harvey Rosenblum. "It is an awesome responsibility when you think about it, and we have to think about it every day.

"The main role of the Fed, both now and in the future, is to maintain the integrity of the nation's financial system and its most visible asset—the U.S. dollar," says Rosenblum. "I don't mean integrity in a moral sense, but in the sense of having value.

"Our efforts in conducting monetary policy for the United States are aimed at ensuring the integrity and availability of credit and money in the economy to keep it functioning efficiently.

"Our Supervision and Regulation area maintains integrity by considering the quality of the assets held by banks. When you think that much of our wealth is held in the banking system, maintaining its integrity is of utmost importance to the nation's financial system.

"In addition," he says, "the smooth functioning of the nation's payments system—having payment information transferred efficiently and reliably—is another aspect of that integrity."

*Federal Reserve Independence*

Crucial to the successful operation of the Federal Reserve has always been its so-called independence from political pressures. While the Fed does not have to get approval from the President of the United States for its actions, it does report to the Congress on the direction it plans to take and the programs it plans to pursue.

"Our powers are Congress' powers," says Rosenblum. "What we do, we do for Congress. We were established as an independent central bank because Congress knew that we would have to make decisions that may be unpopular in the short term, but worthwhile over the long term.

"We are the organization that has to pick between the trade-offs in the economy. Our independence, therefore, has to be used judiciously and very cautiously because we are answerable to Congress and, through Congress, to the American people."

Dallas Fed President and Chief Executive Officer Robert D. McTeer, Jr., agrees. "We have a very delicate balance to preserve. There are checks and balances built into the system to ensure that we consider all aspects of the economy when we make decisions. The regional structure of the Federal Reserve System is what makes it an effective organization in meeting the economic needs of this country, and I feel that it will remain the backbone of our effectiveness.

"What sustains independence is our credibility in carrying out the right policy," McTeer says. "If Congress felt we weren't carrying out the right policy, we would have zero independence. We have to earn it by earning credibility. We have to have goals consistent with those of the American people. It isn't something you write into law; it's something you have to earn."

*The Regional Structure*

"Our structure is what distinguishes us from a government agency," says Rosenblum. "Because we have regional Reserve Banks spread across the country, information flows from throughout the country to Washington, D.C., rather than from Washington, D.C., out to the rest of the country. We get the benefit of the collective wisdom of the entire country rather than the wisdom of a few people in Washington.

"There is no question in my mind that this information is truly utilized, and not just there for the record. All voices are heard, and when there is a consistent pattern, we sit up, take notice, and act accordingly."

"The root strength of the Federal Reserve is its regional structure," says Senior Vice President Robert Smith, III. As the officer in charge of the Houston Branch, Smith sees the importance of this regional structure on a daily basis. "Each Branch plays a significant role in filtering regional economic and banking information to the District's president and, through that president, to the Board of Governors in Washington."

"Our uniqueness comes from our decentralization," says McTeer. "In the whole world, only the United States and Germany have decentralized central banks, and Germany's is patterned after ours. People looking at our structure may think it is unnecessarily complicated, and they want to streamline it. But it is as it is for a reason. There is a place for many voices within the Fed—especially through the boards of directors who represent all types of businesses and the public. The character of the American people and of the American system itself called for a decentralized Federal Reserve System. It is as unique an organization as America is a country, and both have worked well for a long time."

*Issues for Now and the Future*

According to Senior Vice President and General Counsel Millard Sweatt, the most intellectually engaging aspect of the work the Federal Reserve does is attempting to balance the public and private aspects of its mission. "Because we operate as a provider of services and as an overseer of the financial system," he says, "the work we do is always a little out of the ordinary. We're not always going over ground people have gone over before. There is an opportunity for continual discovery.

"Each day, we have to maintain a sense of continuity in our operations and yet remain flexible enough to meet changing conditions. As an organization, we have to constantly redefine, renew, and reestablish the rules we operate under. But at the same time, we have to let people know that we're the same institution with the same purposes, ideals, and goals, but that we are flexible enough to be innovative."

Innovation will be a key aspect in all areas of financial services in the 1990s. "There is a lot of healthy competition in the provision of financial services," says First Vice President and Chief Operating Officer Tony J. Salvaggio. "But the Fed is the only entity that can do research and development in basic payments system services with the broad public interest in mind. We are investing resources into developing imaging systems for check transactions, introducing new equipment to handle cash faster and

more efficiently, and consolidating data services to meet the changing face of banking in the United States.

"Over the next decade, we will see the centralization of the operations of the Federal Reserve," he says. "Fed District boundaries will become less important in the provision of financial services. The challenge will come in maintaining the regional character of each Fed, but we need to make sure that as we consolidate, we don't overlook the valuable relationships we have with our customers."

"The future is in quality," says Senior Vice President James L. Stull. "We have to be a low-cost, high-quality provider of financial services. What matters now and will matter more in the future is providing information to our customers so they can make business decisions with better data."

To make business information and financial services more streamlined and useful for the nation's banking system, the Federal Reserve System has decided to consolidate its data services operations in three locations, rather than having 12 separate operations. Dallas, Richmond, Virginia, and East Rutherford, New Jersey, were selected as consolidation sites. "It will be a lot of work to accomplish this, but the goals are worthwhile," says Senior Vice President Jay K. Mast. "The goals are to improve the reliability of electronic services, improve the availability of products, and become more standardized from a business sense in the products we offer the banking industry. This means that as banks become more nationwide in scope, our products will be similar around the country. This will facilitate decision-making and will help us implement new services as well."

In the bank supervision and regulation area, the 1990s will be the decade when deposit insurance issues, possible expansion of bank powers, and the reshaping and consolidation of the regulatory entities that supervise the banking industry will be decided by the Congress. "The question is," says Senior Vice President Robert D. Hankins, "what will be the impetus for new legislation that finally deals with these issues?

"Supervision and regulation duties are an integral part of the Federal Reserve System in terms of the Board of Governors having immediate access to the condition of financial institutions so they can have some idea of the ramifications of monetary policy.

"On the District level, our efforts are aimed at providing financial institutions with an outside look at their operations to help them determine whether they are performing well. If we make suggestions that are reasonable, well-thought-out, and tailored to their individual needs, we can contribute to the effective management of the nation's banks."

*An Outlook*

For the Eleventh District, the past 10 years were hectic ones in the banking industry. "We gave real meaning over a long period of time to what the Fed is all about during the 1980s," says Sweatt. "We provided necessary liquidity to the economy and kept the payments system going by making sure we provided the foundation to help keep the system viable."

For the future, the Dallas Fed hopes that the lessons of the 1980s will allow it to help build a stronger financial system in this District. Although the makeup of the District's banks changed significantly during the 1980s, with out-of-state organizations purchasing most of the large, locally owned institutions, the goals in supervising and providing financial services for those organizations never change for the Federal Reserve.

When the Federal Reserve System was created by the Congress in 1913, one reason for establishing 12 separate regional Reserve Banks was that each Bank's board of directors would give the nation's central bank greater contact with and knowledge of local business conditions.

Reserve Bank directors also provide input to management and monetary policy decisions. They bring the benefit of broad experience and training and provide sound judgment and advice on their region's business conditions and credit problems. Their contributions enhance the overall quality of the System's economic information and business outlook perceptions, allowing the Federal Reserve to better understand the viewpoints of the private sector.

The Federal Reserve Bank of Dallas' board has nine directors, six of whom are elected by members banks in the Eleventh District; three directors are appointed by the Board of Governors in Washington, D.C. The Bank's three branches—El Paso, Houston, and San Antonio—have their own seven-member boards of directors, who are appointed either by the members of the Dallas Office board or by the Board of Governors.

*"I've always been committed to the notion that an economy can only function effectively over time if it has a sound currency. The people at the Fed are clearly focused on maintaining the stability and soundness of our currency."*

Leo E. Linbeck, Jr.
*Chairman of the Board*

*"When I became a member of the board, I wasn't that familiar with how the Fed or the country's banking system operated. Being on the board has given me insight into those areas. It is an incredible learning experience."*

Cece Smith
*Member, Board of Directors*

*"Serving on the Dallas Fed's board gives me an opportunity to focus on the workings of the financial and economic systems as they affect Texas and the Southwest."*

Henry G. Cisneros
*Deputy Chairman of the Board*

# BOARD OF DIRECTORS
*Federal Reserve Bank of Dallas*

*Chairman*
Leo E. Linbeck, Jr.
*Chairman of the Board and Chief Executive Officer*
Linbeck Construction Corporation
Houston, Texas

*Deputy Chairman*
Henry G. Cisneros
*Chairman and Chief Executive Officer*
Cisneros Asset Management Company
San Antonio, Texas

J. B. Cooper, Jr.
*Farmer*
Roscoe, Texas

T. C. Frost
*Chairman of the Board*
Frost National Bank
San Antonio, Texas

Robert G. Greer
*Chairman of the Board*
Tanglewood Bank, N.A.
Houston, Texas

Eugene M. Phillips
*Chairman of the Board and President*
The First National Bank of Panhandle
Panhandle, Texas

Cece Smith
*General Partner*
Phillips–Smith Specialty Retail Group
Dallas, Texas

Gary E. Wood
*President*
Texas Research League
Austin, Texas

Peyton Yates
*President*
Yates Drilling Company
Artesia, New Mexico

*Federal Advisory Council Member*
Ronald G. Steinhart
*Chairman of the Board and*
*Chief Executive Officer*
Team Bank
Dallas, Texas

## *El Paso Branch*

*Chairman*
Alvin T. Johnson
*Senior Vice President*
Management Assistance Corporation of America
El Paso, Texas

*Chairman Pro Tem*
Diana S. Natalicio
*President*
The University of Texas at El Paso
El Paso, Texas

W. Thomas Beard, III
*President*
Leoncita Cattle Company
Alpine, Texas

Hugo Bustamante, Jr.
*Owner and Chief Executive Officer*
CarLube Inc.
El Paso, Texas

Veronica K. Callaghan
*Vice President and Principal*
KASCO Ventures, Inc.
El Paso, Texas

Ben H. Haines, Jr.
*President and Chief Operating Officer*
First National Bank of Dona Ana County
Las Cruces, New Mexico

Wayne Merritt
*Chairman of the Board and President*
Texas National Bank of Midland
Midland, Texas

## *Houston Branch*

*Chairman*
Judy Ley Allen
*Partner and Administrator*
Allen Investments
Houston, Texas

*Chairman Pro Tem*
Milton Carroll
*Chairman of the Board and Chief Executive Officer*
Instrument Products, Inc.
Houston, Texas

T. H. Dippel, Jr.
*Chairman of the Board and President*
Brenham Bancshares, Inc.
Brenham, Texas

Jenard M. Gross
*President*
Gross Builders, Inc.
Houston, Texas

Walter E. Johnson
*President / Chief Executive Officer*
Southwest Bank of Texas
Houston, Texas

I. H. Kempner, III
*Chairman of the Board*
Imperial Holly Corporation
Sugar Land, Texas

Clive Runnells
*President and Director*
Mid-Coast Cable Television, Inc.
El Campo, Texas
*President and Director*
Runnells Cattle Company
Bay City, Texas

## *San Antonio Branch*

*Chairman*
Roger R. Hemminghaus
*Chairman of the Board,*
*President, and Chief Executive Officer*
Diamond Shamrock, Inc.
San Antonio, Texas

*Chairman Pro Tem*
Erich Wendl
*President and Chief Executive Officer*
Maverick Markets, Inc.
Corpus Christi, Texas

Gregory W. Crane
*Chairman of the Board,*
*President, and Chief Executive Officer*
Broadway National Bank
San Antonio, Texas

Javier Garza
*Executive Vice President*
The Laredo National Bank
Laredo, Texas

Lawrence E. Jenkins
*Vice President (retired)*
Lockheed Missiles & Space Company, Inc.
Austin, Texas

Jack Moore
*Owner/Manager*
T. J. Moore Lumber, Inc.
Ingram, Texas

Sam R. Sparks
*President*
Sam R. Sparks, Inc.
Progreso, Texas

# OFFICERS

*Federal Reserve Bank of Dallas*

Robert D. McTeer, Jr.
*President and Chief Executive Officer*

Tony J. Salvaggio
*First Vice President and Chief Operating Officer*

Robert D. Hankins
*Senior Vice President*

Jay K. Mast
*Senior Vice President*

Harvey Rosenblum
*Senior Vice President and Director of Research*

James L. Stull
*Senior Vice President*

Millard E. Sweatt
*Senior Vice President, General Counsel, and Secretary*

Basil J. Asaro
*Vice President*

Lyne H. Carter
*Vice President*

Jack A. Clymer
*Vice President*

W. Michael Cox
*Vice President and Economic Advisor*

Billy J. Dusek
*Vice President*

Billy D. Fuller
*Vice President*

Joseph T. Gholson
*Vice President*

Jerry L. Hedrick
*Vice President*

Helen E. Holcomb
*Vice President*

Joel L. Koonce, Jr.
*Vice President*

Robert F. Langlinais
*Vice President and General Auditor*

Rebecca W. Meinzer
*Vice President*

Gerald P. O'Driscoll, Jr.
*Vice President and Economic Advisor*

Dean A. Pankonien
*Vice President, Assistant General Counsel, and Assistant Secretary*

Larry J. Reck
*Vice President*

Jesse D. Sanders
*Vice President*

Eugenie D. Short
*Vice President*

Larry M. Snell
*Vice President*

W. Arthur Tribble
*Vice President*

Uzziah Anderson
*Assistant Vice President*

Stephen P. A. Brown
*Assistant Vice President and Senior Economist*

Richard J. Burda
*Assistant Vice President*

Terry B. Campbell
*Assistant Vice President*

Robert G. Feil
*Assistant Vice President*

Johnny L. Johnson
*Assistant Vice President*

C. LaVor Lym
*Assistant Vice President*

James R. McCullin
*Assistant Vice President*

John R. Phillips
*Assistant Vice President*

Larry C. Ripley
*Assistant Vice President*

Mary M. Rosas
*Assistant Vice President*

Robert J. Rossato
*Assistant General Auditor*

Philip R. Spear
*Assistant Vice President*

Martha Gayle Teague
*Assistant Vice President*

Michael N. Turner
*Assistant Vice President*

Stephen M. Welch
*Assistant Vice President*

Marion E. White
*Assistant Vice President*

Robert L. Whitman
*Assistant Vice President*

Bob W. Williams
*Assistant Vice President*

Emilie S. Worthy
*Assistant Vice President*

Gloria V. Brown
*Community Affairs Officer*

Joanna O. Kolson
*Operations Officer*

Bobby G. Moore
*Senior Project Manager*

## *El Paso Branch*

Sam C. Clay
*Vice President in Charge*

J. Eloise Guinn
*Assistant Vice President*

Javier R. Jimenez
*Assistant Vice President*

## *Houston Branch*

Robert Smith, III
*Senior Vice President in Charge*

Vernon L. Bartee
*Vice President*

René G. Gonzales
*Assistant Vice President*

Luther E. Richards
*Assistant Vice President*

## *San Antonio Branch*

Thomas H. Robertson
*Vice President in Charge*

Taylor H. Barbee
*Assistant Vice President*

John A. Bullock
*Assistant Vice President*

Richard A. Gutierrez
*Assistant Vice President*

## Chairmen of the Board and Federal Reserve Agents

*Federal Reserve Bank of Dallas*

E. O. Tenison
*1914–1916*

W. F. Ramsey
*1916–1922*

W. B. Newsome
*1922–1923*

Lynn P. Talley
*1923–1925*

C. C. Walsh
*1925–1937*

James H. Merritt
*1938–1941*

Jay Taylor
*1942–1945*

J. R. Parten
*1946–1954*

Robert J. Smith
*1955–1960*

Robert O. Anderson
*1961–1965*

Carl J. Thomsen
*1966–1970*

Charles F. Jones
*1971–1973*

John Lawrence
*1974–1976*

Irving A. Mathews
*1977–1980*

Gerald D. Hines
*1981–1983*

Robert D. Rogers
*1984–1986*

Bobby R. Inman
*1987–1990*

Hugh G. Robinson
*1991*

Leo E. Linbeck, Jr.
*1992–*

## Presidents*

*Federal Reserve Bank of Dallas*

Oscar Wells
*1914–1915*

R. L. Van Zandt
*1915–1922*

B. A. McKinney
*1922–1925*

Lynn P. Talley
*1925–1931*

B. A. McKinney
*1931–1939*

R. R. Gilbert
*1939–1953*

Watrous H. Irons
*1954–1968*

Philip E. Coldwell
*1968–1974*

Ernest T. Baughman
*1974–1980*

Robert H. Boykin
*1981–1991*

Robert D. McTeer, Jr.
*1991–*

* Originally, the head of the Reserve Bank was known as governor. That designation was changed to president with the passage of the Banking Act of 1935.

## CREDITS

*Writer:* **Susan August Brown**
August Communications

*Designer:* **Susie Buffalow**
Federal Reserve Bank of Dallas

*Editor:* **Virginia M. Rogers**
Federal Reserve Bank of Dallas

*Cover:* **Joe Patronite, Photographer**

*Illustration (page 14):* **Mary Erikson**

**The Bettmann Archive:** page 26, right; page 30, second from top; page 36. **Board of Governors of the Federal Reserve System:** page 8, above; page 18, Glass, top; page 22, Eccles; page 26, Martin; page 34, Volcker. **Andrew F. Brimmer:** page 30, portrait used with permission. **Bill Canfield/*Newark Star–Ledger:*** page 34, cartoon reprinted with permission. **Henry G. Cisneros:** page 52, portrait used with permission. **Dallas Historical Society:** pages 4–5; page 12, above; page 16, right. ***Dallas Morning News:*** page 10 (April 3, 1914, front page reprinted with permission). **Federal Deposit Insurance Corporation:** page 21, middle. **Federal Reserve Bank of Dallas:** inside front and back covers; page 6, left; page 12, right; page 15; page 24, bottom left; page 26, above; page 29, above; page 30, third from top; page 37, right; page 40; page 44, top. **Federal Reserve Bank of New York:** page 14, left; page 16, Strong; page 21, bottom. **Federal Reserve Bank of Richmond:** page 29, left. **FPG International:** page 12, Wilson; page 16, above, left; page 18, right; page 20; page 21, top; page 22, right; page 24, top left; page 25; page 26, left; page 28; page 30, left, right; page 32, first left, second left. **Graham, Anderson, Probst and White:** page 38, photo used with permission. **Pete Lacker Photography:** page 8, right, below right; page 42. **T. J. Morrow:** page 22, above; page 24, above. **The Nixon Project:** page 32, Nixon. **Joe Patronite, Photographer:** cover; page 6, top, middle; page 8, below left; page 44, left, middle, bottom; page 46; page 48; page 52, top, bottom. **Stephen Seeger, Photographer:** page 2. **Show Works:** pages 50–51. **Peter Tenzer Photography:** page 37, above. **Texas Bankers Association:** page 18, above. ***Texas Monthly:*** page 34, above (October 1983 cover reprinted with permission). **U.S. Navy:** page 22, top.