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## THE EUROPEAN RECOVERY PROGRAM AND ITS EFFECTS UPON THE SOUTHWEST

R. B. JOHNSON, *Industrial Economist*  
*Federal Reserve Bank of Dallas*

Since the end of the war, the United States has extended peacetime foreign aid on an unprecedented scale while converting its industry and attempting to satisfy accumulated domestic demands. During the period from July 1, 1945, to June 30, 1947, \$16,300,000,000 were made available to foreign countries in the form of loans, property credits, grants, and other relief, of which \$10,100,000,000 were for Great Britain and other western European countries and \$2,100,000,000 for the rest of the European continent. Despite this large volume of assistance, the economy of western Europe has deteriorated, and the President of the United States has recommended authorization of an additional \$17,000,000,000 to support a 4-year program of rehabilitation in that area.

### The Genesis of the Aid Problem

The difficulties of the European economy which have created the need for outside aid are the result of extensive disruption of political and economic processes as well as widespread physical destruction. The western European peoples had developed an intricate economic structure which before the war enabled them to maintain a standard of living somewhat higher than most other parts of the world despite the relative scantiness of the resources at their disposal. This economic organization, founded on very productive agriculture and industry, on highly developed international trade, and on world-wide services to other countries, achieved its productivity, however, at the price of instability. Even minor variations in the output of agriculture abroad, changes in the preferences of consumers, and vagaries in monetary policies of other countries were apt to set in motion undercurrents of imbalance which disturbed their profitable dealings with one another and with the rest of the world.

The war destroyed the delicate equilibrium which permitted them to support superior standards of living and advanced cultures. Nor was it possible when the war ended to reconstitute immediately the balance between them and other countries, for the tools and skills upon which their specialties had been constructed were impaired or destroyed, and the flow of international commerce to which they once had contributed importantly had been diverted to new channels. When the war ended, European transport was nearly at a standstill, iron and steel production almost completely shut off, and the important fuel industries seriously impaired by mechanical breakdown and labor shortages. Rehabilitation efforts were retarded by Germany's inability to fulfill her prewar role as principal supplier of many basic materials, fabricated products, and capital items. Population had been displaced, skilled mechanics lost, and many managerial groups destroyed. Agriculture also had suffered grievous injury through depletion of soils, liquidation of livestock, and deterioration of equipment.

Despite the many hindrances, recovery of western Europe outside the occupied areas appeared to proceed encouragingly during the first eighteen months after the end of fighting. Industrial production was increased to near prewar levels in some countries and recovered substantially in all others. Agricultural output was raised significantly from the low levels prevailing during the war. Generous



aid from the United States appeared to be assisting the European peoples in restoring economic health outside the occupied areas more rapidly than had been anticipated.

During the winter and spring of 1946-1947, however, the encouraging trends of the preceding eighteen months were reversed. An especially severe winter reduced already short coal supplies and injured crops in England and throughout much of the European continent. The summer drought which followed burned out grains and other crops, reducing yields to abnormally low levels. These set-backs were transmitted throughout the economy of western Europe. Shortage of coal hampered transport, reduced steel output, and thereby cut industrial operations generally; shortage of grains further jeopardized the already low caloric diet of Europeans and contributed to unrest. It seems likely, moreover, that the recovery trend could not have been sustained even had the winter and summer weather been favorable, for the 1945-1946 recovery in production was achieved in large part by depletion of stock piles and by reliance upon United States aid in forms which provided current support but assisted very little in rehabilitation and could not be continued indefinitely.

### The Proposals of the Sixteen Western European Nations

On June 5, 1947, the Secretary of State proposed that all Europe cooperate in devising a plan of self-help which the United States might support. Russian opposition developed immediately, however, and the nations bordering Russia did not participate in the Paris conference which was called to develop an economic recovery plan. The sixteen European nations<sup>1</sup> which participated, and western Germany, which was included in their general planning, have a total population of 270,000,000. They include the areas of Europe in which industry and agriculture were most highly specialized before the war and which in the past have been most dependent upon foreign trade. Although they perhaps have suffered no more devastation than the eastern sections of Europe, the disruption of international commerce has affected them more acutely, since they are not self-sufficient in agricultural products and other raw materials. The report<sup>2</sup> submitted to the Secretary of State by the Paris conferees consolidated the anticipations and needs of the sixteen nations and western Germany, thus constructing a picture of western Europe<sup>3</sup> as an integrated economy. The recovery program proposed by the report is based upon four points:

- a. A strong productive effort by the participating countries
- b. Creation of internal financial stability in each country
- c. Maximum cooperation between the countries
- d. A solution of the problem of the participating countries' trade deficit with the American continent.

By 1951 it is proposed that the western European area restore cereal production and increase other foodstuff output appreciably; rehabilitate its major industries, including coal mining, electricity generation, oil refining, and steel production, and expand their capacity considerably above prewar levels; restore and expand inland transport and bring merchant fleets to prewar levels; and supply from European production most of the capital equipment required by these programs.

In order to provide an environment conducive to energetic production efforts, the countries propose to restore and maintain internal financial and monetary stability. All have been affected by some degree of inflation, either "open" and directly reflected in rapid increases in prices, or "suppressed," in which case disparities between costs and prices, and the presence of excessive purchasing power have caused serious disorders in the economy by reducing incentives and thus retarding production and diverting workers into unproductive trading or speculative activities. The imperative need for diminishing inflationary pressures and providing monies which people will "seek and save" is recognized by the conferees, but specific programs of monetary control are not advanced.

Economic cooperation also is proposed to achieve the objectives of the 4-year plan. The governments pledge themselves to abolish as soon as possible the abnormal restrictions at present hampering their mutual trade and to aim at a sound and balanced multilateral trade system. Mutual

<sup>1</sup>United Kingdom, Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, and Turkey.

<sup>2</sup>Committee of European Economic Cooperation, Vol. I, General Report, September 21, 1947, Vol. II, Technical Reports, July-September 1947, United States Department of State.

<sup>3</sup>"Western Europe" is a misnomer, since Greece and Turkey are included. This area is also and more properly referred to as the CEEC countries (i.e., Committee of European Economic Cooperation Countries).



cooperation is pledged also in other efforts to stimulate production, including arrangements for free movement of labor, development of common planning for the exploitation of new sources of electrical power, standardization of equipment, pooling of freight cars, and general exchange of information concerning availability of various goods, particularly steel.

The core of the committee report is the estimate of imports necessary to accomplish the general rehabilitation plan. In order to carry out the production program, the participating countries estimate that they and western Germany will need a continuous flow of goods and services from the rest of the world. Import needs during 1948-1951 are estimated at \$57,300,000,000. This import program is somewhat above the normal prewar volume, and the indicated sources of goods are markedly different. Before the war, some 45 per cent of the participating countries' imports from the rest of the world came from the American continent; it is proposed that in 1948 the proportion be two-thirds. The change in the sources of imports as compared with the prewar experience, which reflects primarily the effects of war devastation in eastern Europe and diminution of imports from that area, the Soviet Union, and Asia, is not expected to be permanent. A westward flow of food and agricultural and forestry products within Europe is expected gradually to be resumed, and as rehabilitation progresses, requirements for fuels, many capital goods, and other imports from the American continent are expected to decline. The 4-year program, however, involves heavy dependence upon American sources, particularly the United States. Total import requirements from the United States are estimated at about \$20,400,000,000 to be distributed as follows:

- 42 per cent—food, fuel, and fertilizer
- 27 per cent—other raw materials
- 25 per cent—capital equipment
- 6 per cent—other goods.

Foods and fertilizer are placed among the most important categories of imports. Import requirements for wheat, rye, and coarse grains are very high initially and scale down rather slowly. Important quantities of sugar, fats and oils, meat, oil cake, fruits, and vegetables also are requested, as well as of nitrogen fertilizer, an urgent requirement to restore the productivity of Europe's soils, which must be imported by the western European countries in large quantities during the first two years of the rehabilitation program in order to meet agricultural goals set by the Paris committee. Estimated

**TABLE II**  
**IMPORT PROGRAM OF WESTERN EUROPE\***  
**FROM THE AMERICAN CONTINENT**  
(Billions of dollars at prices of July 1, 1947)

	1948		1948-1951	
	U. S. A.	Total America	U. S. A.	Total America
Food, fertilizer.....	1.5	3.3	5.4	13.7
Coal.....	0.3	0.3	0.7	0.7
Petroleum products.....	0.5	0.5	2.2	2.2
Iron and steel.....	0.4	0.4	1.2	1.3
Timber.....	0.1	0.3	0.4	1.0
Equipment†.....	1.1	1.1	3.3	3.4
Other imports†.....	2.1	3.3	7.2	12.9
Total imports.....	6.0	9.2	20.4	35.2
Shipping services.....	0.6	0.6	1.7	1.7

\*Sixteen CEEC nations (excluding their dependent territories) and Western Germany.

†See Table 3 for detailed breakdowns.

SOURCE: Committee of European Economic Cooperation.

requested of the United States is machinery and other capital equipment. Imports of tractors, plows, and other agricultural equipment were scheduled in large volume in the initial stages of the agricultural rehabilitation and reduced only a little for later years in the program. Mining equipment, petro-

**TABLE I**  
**IMPORT PROGRAM OF WESTERN EUROPE\***  
(Billions of dollars at prices of July 1, 1947)

Year	From U. S. A.	From Rest of American Continent	From Other Non-Western European Countries	Total
1948	6.0	3.2	4.7	13.9
1949	5.3	3.9	5.4	14.5
1950	4.8	3.8	5.9	14.5
1951	4.3	3.9	6.2	14.4
1948-1951	20.4	14.7	22.2	57.3

\*Sixteen CEEC nations (excluding their dependent territories) and Western Germany.

SOURCE: Committee of European Economic Cooperation.

raw-material requirements from the United States other than raw food and fertilizer are comparatively small, and consist principally of coal, petroleum, and iron and steel. Requirements for many other basic raw materials which must be obtained in part from the United States were not considered specifically by the technical committees of the Paris conferees nor dealt with in detail in the Paris report. Such commodities are included, with others, in the miscellaneous classification of imports required from the United States and are estimated in Table III. Among these unclassified material requirements are included large amounts of cotton, some wool, nonferrous ores, and metals, hides and leather, and chemicals.

Another important category of imports



leum refining equipment, and various machine tools also will be important components of imports, if the Paris conference plan is effected. Total imports of capital equipment from the American continent, nearly all to be obtained in the United States, is set at \$1,368,000,000 in 1948 and at \$4,533,000,000 during the 1948-1951 period.

In addition to these goods, various services would be required which add to the total dollar deficit in trade of the European aid countries, the principal service being shipping, in which the western European nations are deficient, in contrast with their position before the war when they carried a very substantial part of ocean commerce.

It is the expectation of the participating countries that, if the imports indicated can be provided, the western European economy can be restored by the end of 1951 to a tenable balance which will provide a minimum healthy standard of living for their peoples. The serious problem which the participating nations face is that during the period of rehabilitation their economies will not be able to supply goods and services for export in sufficient volume to provide the means of payment for the imports which rehabilitation will require. A common account for the participating countries and western Germany was prepared by the committee which shows deficits in their trading relations with the American continent of \$8,040,000,000 in 1948 and \$22,440,000,000 for 1948-1951. Since such deficits must be settled principally in dollars, the problem of supporting the necessary imports is essentially a problem of dollar availability, and, in the words of the report of the Paris conferees, "Unless means can be found of filling this gap, Europe will be unable to receive the flow of goods and services which the recovery requires, and a catastrophe will result."

Over the 4-year period, the committee estimates that under very favorable circumstances the trade deficit with the American continent could be reduced to a point at which it could be counterbalanced by trade surpluses with other parts of the world, but attainment of this objective

would require the successful completion of the recovery program, rapid expansion of exports to the American continent from \$2,160,000,000 in 1948 to \$3,940,000,000 in 1951, and development of a new balance of world trade in which the western European nations participate at least to the same degree as before the war. Meanwhile, the full trade deficit could be met only by grants of aid in dollar resources or in commodities, principally by the United States, although a small portion could be met by loans by the international financial institutions.

The dollar-aid figures and the quantitative estimates of need involve important assumptions. The dollar-import and trade-deficit figures assume

TABLE III  
IMPORT REQUIREMENTS OF WESTERN EUROPE  
FROM AMERICAN COUNTRIES

Selected Categories of Commodities  
(Millions of dollars)

	1948		1948-1951	
	U. S.	Total American	U. S.	Total American
Scheduled Requirements*	3,800	5,879	13,200	22,219
Food, fuel, and fertilizer..	2,300	4,162	8,300	16,570
Steel, timber, and other raw materials.....	500	636	1,600	2,264
Equipment.....	1,000	1,081	3,300	3,385
Agricultural.....	N.E.	370	N.E.	1,188
Coal mining.....	N.E.	80	N.E.	220
Inland transport.....	N.E.	203	N.E.	490
Petroleum.....	N.E.	168	N.E.	555
Steel plant.....	N.E.	100	N.E.	400
Timber.....	N.E.	10	N.E.	32
Nonprogrammed requirements†.....	2,059	3,255	7,170	12,750
Food.....	51	110	190	550
Other raw materials.....	968	1,970	3,900	8,400
Cotton.....	400	600	2,000	3,000
Wool.....	5	80	..	350
Hides and leather.....	40	200	50	750
Pulp.....	10	27	10	85
Chemicals.....	260	310	850	1,000
Copper.....	50	195	..	550
Lead.....	1	46	125	350
Zinc.....	25	85	140	280
Tin.....	..	60	..	90
Aluminum.....	2	102	..	300
Other nonferrous metals	25	65	235	930
Other raw materials...	150	200	490	715
Machinery.....	525	530	1,750	1,800
Other goods.....	..	..	..	..
Semimanufactures.....	15	25	70	110
Consumer goods.....	250	370	760	1,390
Ships and airplanes....	250	250	500	500
Total requirements.....	5,859	9,134	20,370	34,969

\*By CEEC countries.

†Estimated by House Select Committee on Foreign Aid.

N.E.—Not estimated; account for principal portion of total American equipment.

SOURCES: Reports of Committee of European Economic Cooperation and Preliminary Report Nine, Breakdown of European Requirements by Major Categories, House Select Committee on Foreign Aid.

TABLE IV  
WESTERN EUROPEAN\* DEFICIT WITH THE  
AMERICAN CONTINENT  
(Billions of dollars)

	1948	1949	1950	1951	1948-1951
U. S. A.....	5.64	4.27	3.28	2.62	15.81
Rest of American Continent.....	1.94	1.82	1.30	0.91	5.97
Total.....	7.58	6.09	4.58	3.53	21.78
Deficit of Dependent Territories.	0.46	0.26	0.07	0.13†	0.66
Total.....	8.04	6.35	4.65	3.40	22.44

\*Sixteen CEEC nations and Western Germany.

†Surplus.

SOURCE: Committee of European Economic Cooperation.



that United States prices will decline from the level of July 1, 1947, that trade with Eastern Europe and the Orient can be revived rapidly, and that the United States will import more than formerly from the CEEC countries.<sup>4</sup> The estimates of quantities to be imported assume that the United States and other sources of supply will be able to produce and transport the goods which are desired. Obviously, the amount and kind of aid needed and our Nation's ability to supply it cannot be measured exactly in advance, partly because of difficulties arising from inadequacies of data and also because of the impossibility of anticipating all developments over a 4-year period. The general magnitude of aid likely to be required from the United States in order to restore the European economy to a tenable balance probably is indicated, however, by the Paris Conference estimates of need.

### Appraisal of the Effects of an Aid Program Upon the American Economy

Voluminous reports have been published which appraise the foreign aid requirements, our ability to support them, and the possible effects upon our domestic economy. The first of these reports, issued October 9, 1947, by the Secretary of the Interior, titled *National Resources and Foreign Aid*, and generally referred to as the Krug report, reviews foreign needs and United States' capacities, but does not propose a specific program for the United States. The second, the report to the President by the Council of Economic Advisers concerning *The Impact of Foreign Aid Upon the Domestic Economy*, submitted October 28, 1947, focuses mainly upon the effect of exports on domestic production, consumption, and price level. The third, submitted November 7, 1947, was prepared by the President's Committee on Foreign Aid. This nonpartisan committee, appointed June 22, 1947, to advise the President on the limitations within which the United States might safely and wisely plan to extend economic assistance to foreign countries, consisted of twenty private citizens under the chairmanship of the Secretary of Commerce. Its report, known as the Harriman report, complements the Krug and Council reports in that it prescribes the conditions upon which an aid program should be provided, appraises the magnitude of aid which is possible, scaling down the Paris requests, and proposes techniques for administration of a European recovery plan.

In addition to these reports, Congressional committees have prepared analyses of the proposed aid program and its probable effects upon the availability of specific commodities and the rate of depletion of domestic resources. These committees also have considered various proposals for administration of an aid program.

Analysis of the magnitude and effects of aid to western Europe obviously must leave unanswered many questions which the aid program raises, since the course of the future is unpredictable and the extent of American responsibility cannot be measured precisely. It is not clear, for example, whether the European Recovery Program will be the principal obligation of our Nation abroad during the 1948-51 period, or whether it will be necessary to supplement it with additional support to Europe and to other areas. There is no assurance that the European Recovery Program will succeed in its broad purpose of renewing the economic vigor and the political stability of the western European nations. The vagaries of nature and the failures of men may seriously limit the success of the recovery plan, thus confronting the United States with perhaps still greater foreign demands. Moreover, the long-range consequences of aid are not easily anticipated. To the extent that aid is advanced in the form of loans, how will the indebtedness ultimately be repaid, and will it impose a heavy debt-service burden upon western Europe which will further complicate that area's trade balance problems? Will the international order to which an aid program may lead provide a secure and productive world economy?

Such questions, although germane to the aid problem, at this time are imponderable. It is possible, however, to evaluate with greater precision the immediate effects of the contemplated western European recovery plan upon the domestic economy, although here, too, definitive answers are impossible.

As the Council of Economic Advisers points out in its report, high levels of net exports have been supported by the United States for several years, with dollar values and physical quantities since the end of the war vastly exceeding prewar totals. The annual rate of United States exports of goods and services to all countries reached the extraordinary figure of \$19,850,000,000 during the first six months of 1947, as compared with the 1936-1938 average of \$4,100,000,000, and the export

<sup>4</sup>The Committee of Economic Cooperation Countries.



surplus of the country amounted to \$11,850,000,000, as compared with \$500,000,000 in the earlier period. Thus far, however, the export surplus has not prevented attainment of record domestic levels of real consumption and capital accumulation. In fact, shipments of goods overseas have not excessively reduced the domestic availability of goods in general, although substantial portions of our output of wheat, fats and oils, coal, freight cars, trucks, and steel have been exported. Nor have exports absorbed an unusually large portion of the national output. Even at the peacetime record level of exports during the first half of 1947, the export surplus accounted for only 5.3 percent of the gross national product.

Very considerable portions of United States postwar exports have been to CEEC countries. During the January-June period of 1947, commodity exports to those countries were at an annual rate of \$5,922,000,000, and constituted approximately 40 per cent of all United States commodity exports. The United States export balance to CEEC countries, supported partly by liquidations of their gold and foreign exchange holdings but principally by United States aid, was at an annual rate of about \$4,600,000,000, and constituted nearly 50 percent of the total United States commodity export balance during the period.

TABLE VI

## EXPORTS AS PERCENT OF TOTAL UNITED STATES OUTPUT OF SELECTED COMMODITIES\*

Commodity	1939	1946	1947†
Meat.....	1.4	5.1	1.3
Dairy products.....	0.4	5.2	2.9
Food fats and oils.....	7.9	13.3	15.2
Wheat.....	16.3	40.3	48.8
Eggs.....	0.1	8.9	3.4
Agricultural machinery and imple- ments.....	16.6	15.9	N.A.
Chemicals and related.....	5.3	6.1	N.A.
Coal, anthracite.....	5.8	11.5	14.3
Coal, bituminous.....	3.0	7.7	9.6
Electrical machinery and apparatus..	5.9	6.8	8.3
Freight cars.....	0.7	19.5	41.0
Lumber, saw mill products.....	4.4	2.1	4.2
Motor trucks.....	21.4	19.7	21.5
Passenger cars.....	5.7	6.7	7.7
Crude petroleum.....	5.8	2.5	2.4
Rolled steel products.....	7.2	9.0	10.5
Wearing apparel.....	0.7	2.1	2.6

\*Total distribution in case of agricultural products; production in case of manufactured and mined products.

†1947 based on first six months or longer period, where available.

N.A.—Not available.

SOURCES: U.S. Departments of Agriculture and Commerce

cent of our national income during the life of the program.

The aid program, nevertheless, would be a significant factor in the United States economy during 1948-1951. Although the export surplus which aid would support would be small relative to the economy's output, it would be a net withdrawal of goods from which an early return in kind could not be expected. The withdrawals probably would be taken from the economy at a time when resources, manpower, and facilities could be fully employed in satisfying domestic requirements, and aid could be continued, therefore, only at the cost of limiting consumption at home.

Furthermore, the effect of the program would not be distributed evenly throughout the four years. The President has requested \$6,800,000,000 to support United States aid to western Europe from April 1, 1948, to June 30, 1949, or 40 percent of the total authorization requested for 1948-

TABLE V  
UNITED STATES TOTAL EXPORTS AND IMPORTS OF  
GOODS AND SERVICES

(Billions of dollars, annual rate)

Period	Total Exports*	Total Imports*	Export Surplus	U.S. Govt. Aid†
1936-38 average.....	4.1	3.6	0.5	..
1945—Third quarter.....	13.8	8.3	5.5	6.5
Fourth quarter.....	13.0	6.9	6.1	5.3
1946—First quarter.....	14.3	7.2	7.1	5.0
Second quarter.....	16.4	6.5	9.9	6.5
Third quarter.....	15.0	7.1	7.9	5.8
Fourth quarter.....	15.3	7.6	7.7	4.2
1947—First quarter.....	18.7	8.0	10.7	5.3
Second quarter.....	21.0	8.0	13.0	7.1
Third quarter @.....	18.3	8.0	10.3	7.8

\*Include income on investments.

†Excludes Government investment in and disbursements by the International Bank for Reconstruction and Development and the International Monetary Fund.

@—Preliminary.

SOURCE: U. S. Department of Commerce.

The annual rate of dollar assistance to the CEEC countries proposed by the President does not differ appreciably from the aid extended annually to them since the end of the war. From July 1, 1945, to June 30, 1947, the United States made available to the sixteen western European countries and Germany approximately \$10,100,000,000 in the form of loans and property credits, grants, and other relief, of which \$770,000,000 were for the support of Germany. About \$8,400,000,000 of the total were used during the period, or an annual average of \$4,200,000,000, as compared with the annual rate of aid of about \$4,000,000,000 proposed by the President. It appears, therefore, that in the aggregate the European recovery plan, if inaugurated and maintained in the form and magnitude proposed by the President, might no more than continue the export surplus to western Europe which has been supported recently by the United States. The aggregate dollar aid to that area would constitute only a small part of the product of the United States, absorbing no more than 2 or 3 per-



1951. This scheduling appears realistic. Western Europe's most acute needs probably confront the United States now, and, it is hoped, will rapidly diminish.

In addition, the impacts of the aid program would be unevenly distributed among different commodities. The crucial immediate import needs of Europe are foods (particularly grains), fertilizer, raw materials, and the fuels and machines with which to produce and process these products. Principal demands on the United States to fulfill European requirements will be for wheat, fertilizer, steel, and capital equipment, especially farm machinery and other agricultural equipment, freight cars, and mining equipment. These desired commodities, for the most part, can neither be supplied from surpluses nor easily met by increasing production, and all are in great demand by domestic consumers and producers. The number of direct "supply impacts" is small, but the commodities involved are basic items of consumption or essential in the operation of our economy, and any changes in demand for them which create supply difficulties and stimulate price increases will be felt throughout the economy and probably transmitted to many other commodities which are not shipped under the aid program.

As well as "supply impacts," there would be several critical "resource impacts" if high levels of domestic activity were coupled with maintenance of an export surplus: upon land, which may be wasted by soil erosion resulting from intensive utilization of land stimulated by high prices for agricultural products; upon metals—particularly iron ore, copper, lead, and zinc; and upon coking coal and petroleum.

Thus it appears that the foreign demands arising from the aid program may exert pressures upon the United States economy much greater than the aggregate dollar trade deficit figures indicate. Foreign aid probably can be extended by the United States without injuring the domestic economy if the aid program is properly devised and steps are taken in advance to counteract the effects of intensive utilization of our productive capacity. An export surplus of the size contemplated should not prevent continued advancement in the general standard of living of the American people unless crop years are unfavorable or other factors retard production, although in the short run its effects may be to slacken the speed of the advance and to maintain inflationary pressures by limiting additions to domestic supplies. As the Krug report points out, however, high levels of net exports and domestic activity probably cannot be maintained without comprehensive programs for expanding, developing, and replenishing our basic resources, for adding materially to our productive capacity in key industries, and for importing raw materials where domestic supplies are inadequate.

It is questionable whether such programs can be effected in time to assist in the foreign aid program. Moreover, even if they could be completed in time to make a significant contribution, the diversion of manpower and materials from production of goods for current consumption to longer-range projects might seriously curtail the output of goods available for export during the period of most urgent need. It has been suggested, also, that expansion of facilities and other enlargements of productive capacity might over-equip the economy in terms of post-aid requirements for some commodities.

For these reasons it has been proposed that domestic controls of various types be authorized in anticipation of impacts arising from the aid program. The President's Council of Economic Advisers indicates that relative shortages of specific commodities require export controls, allocations for domestic use, discouragement of misuse or excessive use, efficient transportation and distribution, and the curbing of speculation and hoarding of goods. As well, the combined impact of foreign and domestic demand is said to require the continuation of tax revenue at present levels, maximum economy in government expenditures, stimulation of individual saving, and the enlargement and aggressive use of measures to control dangerous expansion of credit. The Krug report emphasizes the necessity of greater efforts in conservation of resources, and Congressional analyses have strongly advised stockpiling of materials delivered by CEEC countries in partial payment of aid extended by the United States.

Emphasis also has been placed upon the desirability of careful American government supervision of the aid program. The Harriman Committee proposes that an aid program extended to Europe should be on a year-to-year basis and subject to the constant vigil and review of the United States Congress, since changing circumstances may effect significant shifts in needs. It also proposes direct administration of the aid program through a new federal administrative unit with a chief



representative in Europe to deal with the continuing committee set up by the participating countries and to coordinate the activities of the various local representatives of the organization in those countries.

### Implications of the Aid Program to the Southwest

The supply and resource impacts of foreign aid upon the United States inevitably will make associated impacts upon the regional economies of the country. No section will be isolated from the effects of continuation of a large export surplus, shifts in the character of aid as the program progresses, and termination of some types of exports when the aid program is completed. The Southwest may prove more susceptible and more responsive to these influences, however, than some other regions, since it is an important supplier of some of the principal raw materials required by Europe and a potential competitor with Europe for some scarce materials and equipment.

Perhaps the most important implication to the Southwest of the European Recovery Program is its sustaining influence in the national and regional economies. The aid program, however, is no guarantee against domestic readjustment. Decline in the volume of domestic expenditures for new productive facilities and equipment, cessation of inventory accumulation and subsequent liquidation of stocks, or cutback of personal consumption expenditures could more than counterbalance the stimulus to the economy derived from net exports created by the aid program. Moreover, variations in the quantity and character of foreign purchases may occasion severe readjustments in some industries and in specific agricultural products during the 4-year period. Nevertheless, by providing virtually a guaranteed market for a significant portion of the output of several basic agricultural and industrial products, the European recovery plan will tend to offset minor, and to ameliorate major readjustments arising from domestic influences. On the whole it may be a strong factor in sustaining employment, demand for materials, and prices in the Nation and in the Southwest, particularly at the inception of the program.

Maintenance of demand for agricultural products and diversion of potential agricultural surpluses abroad will tend to support higher and more stable prices for the principal agricultural products of the Southwest than were expected to follow the war. The foreign aid program is expected to provide a sizable 4-year demand for wheat and other grains, among them Southwestern grain sorghums, rice, and corn. Cotton, as an important raw material component of the aid program, likely will be exported in volume approaching that of the 1946-1947 season, and Southwestern vegetable oil products will find a more ready sale abroad than before the war. As well, total agricultural demands will tend to be maintained by the stimulus which domestic employment and consumer incomes derive from the production and processing of industrial commodities required in the aid program. Thus the European Recovery Plan may be considered a stabilizing factor in agriculture, permitting Southwestern farmers to undertake improvement programs with greater assurance.

Comparable benefits also may accrue to Southwestern industry. Much of the industry of the area is new and untested by a period of severe economic readjustment. The facility expansions of the war are not completely assimilated into peacetime operations, and the efficiencies which are gained by experience in operating on a large scale probably are not yet fully realized in all plants. Market positions of many new manufacturers are still unconsolidated, and potential markets which the plants may serve if given time are not yet developed. A sudden cutback in industrial demands might prevent full realization of the potentials of Southwestern industry and defer for some time further industrial growth of the region. To the extent that the aid program sustains industrial activity, it will provide time for the consolidation of Southwestern industrial progress.

All Southwestern industries may derive benefits from the general stimulus of the aid program, and several appear in virtually assured positions. Manufacturers of agricultural machinery and equipment already are filling foreign and domestic orders based in part upon the anticipated aid program; producers of oilfield and refining equipment will encounter foreign demands in addition to domestic



requirements which already are taxing their capacity; new iron and steel facilities in the area may benefit from direct orders from abroad, and certainly will participate in supplying the enlarged domestic requirements for iron and steel created by extension of aid; producers and processors of nonferrous metals may experience similar impacts; and the petroleum and chemical industries will find a ready foreign market for most of their products which can be diverted from domestic channels.

Southwestern transport also will feel the impact of continuation of heavy traffic arising directly from exports and indirectly from high levels of domestic activity created in part by export demand. The great tonnage of cargo carried by Gulf ports in 1946 and 1947 probably will be duplicated or exceeded while the aid program continues, and equivalent demands will face Southwestern inland transport. Timber requirements, as dunnage and for other industrial uses, as well as for construction, will reflect the stimulus of continued foreign aid. Industrial and commercial construction will receive indirect support from expanded needs based upon foreign market anticipations.

It should be observed that exports to western Europe will tend to deprive the Southwest of materials and equipment needed to support its economic growth. To the extent that agricultural machinery, equipment, and fertilizer are diverted abroad, Southwestern agriculture may be deprived of needed supplies, and thereby may be unable to achieve the efficient levels of operation which large domestic and foreign demands make desirable. Export of pipe and other iron and steel products may limit expansion of the petroleum and chemical industries of the area and may curtail operation of new metal industries. On balance, however, the Southwest probably will gain at least initially from the support derived from the maintenance of large volumes of exports under the aid program.

Whether permanent benefits are derived will depend largely upon the wisdom with which agricultural and industrial operations are conducted in the Southwest during the 1948-51 period. Should Southwestern farmers impair their positions by accumulating heavy indebtedness and by further depleting soil resources in an attempt to maximize returns during the aid program, the transient benefits derived may be far outweighed by subsequent readjustments. In appraising the agricultural outlook, the possibility should be considered that, before the aid program is terminated, favorable weather in Europe, combined with greater use of fertilizer and more extensive cultivation, may yield bumper crops and reduce the need for grain and other crop imports from the United States. Moreover, eventually western Europe may turn again to the sources of supply from which it derived most of its raw materials and foods prior to the war. Prudent planning would seem to dictate caution on the part of farmers in undertaking large financial obligations during the period when agriculture is receiving unusual stimulation from United States extension of foreign aid.

Southwestern industry also, in order to derive permanent benefits from the stimulating effects of the aid program, may find it well to take advantage of the 1948-51 period to effect the consolidation of its position. Should Southwestern industrial plants which are greatly benefiting from the boom and which stand to derive additional benefits from the continuation of foreign aid neglect the opportunity to achieve the efficiency of careful administration, postwar readjustments in them may have been only delayed, not avoided.

More important to the Southwest than these relatively short-run possibilities, however, are the changes which acceptance of the aid plan may bring about in the relations of the national and regional economies with the world economy. The new role the United States is assuming abroad may require basic changes in our traditional attitudes toward foreign economic and political affairs. The isolationism and protectionism which frequently have dominated economic policy in past decades seem unlikely to survive four years of intimate participation in the economic processes of an area containing 270,000,000 people. Changes in tariff policies and rates, modifications of regional specialization in production of certain commodities, and increased reliance upon exporting and importing appear likely to be continuing consequences of the aid program, with possibly significant effects upon the Southwestern area.



# Review of Business, Industrial, Agricultural, and Financial Conditions

## DISTRICT SUMMARY

Significant developments and trends of the year 1947 in the business, agriculture, finance, and industry of the Eleventh Federal Reserve District are reviewed and summarized on this and following pages. During the closing month of the year, dollar volume of sales in department stores of the district rose to a new peak, exceeding the previous record sales for the same month in 1946 by 16 percent and those for the previous month by 35 percent. The seasonally adjusted monthly index of sales stood at 388, as compared with 348 in December of the preceding year and with the all-time record of 415 set in November 1947. Sales of retail furniture stores likewise reached a new high, with the total rising 27 percent above that of December 1946, and 23 percent above the preceding month and with credit sales sharply exceeding those of comparable earlier periods. Indicative of the brisk movement of trade in the district, the total bank debits in 24 reporting cities during December passed the \$4 billion mark, setting a new record. Production of crude oil in the district during December was at an average daily rate of 2,579,000 barrels, only 14,000 barrels below the record set in October and 386,000 barrels in excess of the daily average rate a year earlier. Construction contract awards for the month, estimated at \$50 million, approximated those of the previous month and exceeded the awards made in December 1946 by about 16 percent. Aided by generally favorable weather conditions, small grains and range feeds made good progress during December and early January, overcoming in part the effects of the drought that had prevailed in important western sections of the district until mid-November. Texas wheat acreage for harvest in 1948 was estimated on December 1 at about 8 per cent less than the record acreage harvested in 1947, and, based on condition of the crop on that date, production was estimated at about the 10-year average, or one-third as large as last year's unprecedented crop of 124 million bushels. Commercial vegetables made good growth during December and the first half of January, and vegetable shipments were running at a higher rate than at the same time a year ago. A record production of citrus fruits is forecast, but shipments continued to lag throughout December and early January, due chiefly to the late maturing of the crop.

## BUSINESS

In terms of dollar volume of goods sold, wholesale and retail trade in the United States and in the Eleventh District for the year 1947 rose to the highest totals in history. Contributing to this result were: a continuing strong demand for consumer goods of almost every type; income payments and disposable income of individuals reaching the highest annual rate yet known; a declining rate of personal savings; an expanding output of many consumer goods, particularly durables, which had been in short supply; rising price levels, especially during the second half of the year; and a continuing notable expansion in the use of consumer credit. When consideration is given, however, to the effect of sharply rising prices on the unit volume of wholesale and retail sales, it appears that there was little, if any, increase—possibly a slight decrease—from 1946 in the physical volume of goods passing through domestic trade channels during 1947. The January index of wholesale prices was up 32 percent from January 1946, and the December index stood 15 percent above that of the same month a year before. The extent of the rise in retail prices is suggested by the fact that the index of consumers' prices was 18 percent higher in January and 8 percent higher in November than in the cor-

responding months of 1946. Nevertheless, the desire for a great variety of consumer goods, and purchasing power sufficient to transform desire into effective demand, largely offset consumer resistance to high prices and pushed total spending to a new record.

Industrial production, with better balanced output and suffering fewer interruptions than in 1946, made possible replenishment of distributors' stocks of many items which had been scarce at the beginning of the year. Exceptions were chiefly in such durables as automobiles, some silverware and fine furniture, mechanical refrigerators, and certain important building materials. A peacetime record volume of exports diverted from domestic consumption a sufficient quantity of agricultural products, raw materials, semiprocessed, and processed goods to exert additional upward pressure on prices of those goods in the domestic market.

## WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in				
		Net sales		Stocks †		
		December 1946	1947 from November 1947	Jan. 1 to Dec. 31, 1947 from 1946	December 1946	1947 from November 1947
Department stores:						
Total 11th Dist.....	48	16	35	7	10	-12
Dallas.....	4	13	48	5	1	12
Corpus Christi.....	7	10	34	1	-7	-15
Fort Worth.....	4	14	41	7	11	-17
Houston.....	7	31	32	12	35	-6
San Antonio.....	5	14	34	5	11	-7
Shreveport La.....	3	11	39	9	..	..
Other cities.....	18	16	37	13	16	-11
Retail furniture:						
Total 11th Dist.....	43	27	23	..	10	-1
Dallas.....	3	32	11	..	-7	5
Houston.....	5	33	28	..	..	..
Port Arthur.....	4	46	10	..	4	-1
San Antonio.....	4	20	30	..	..	..
Wholesale trade*:						
Drugs.....	3	8	No chg.	..	..	..
Groceries.....	19	9	-2	14	17	8
Hardware.....	7	-1	-18	17	18	3
Tobacco & products.....	7	10	6	..	8	4

\*Compiled by United States Bureau of Census. (Wholesale trade figures preliminary.)

†Stocks at end of month.

‡Change less than one-half of one per cent.

## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-1939=100)				Adjusted			
	Dec. 1947	Nov. 1947	October 1947	Dec. 1946	Dec. 1947	Nov. 1947	October 1947	Dec. 1946
District.....	633	507	396	567r	388	415	360	348r
Dallas.....	579	467	382	547r	366	386	347	346r
Houston.....	726	595	419	585r	457	491	381	368r

## Stocks—(1935-1939=100)

	Unadjusted*			Adjusted		
	Dec. 1947	Nov. 1947	October 1947	Dec. 1947	Nov. 1947	October 1947
District.....	337Ⓢ	382	346r	306	401Ⓢ	357
Dallas.....	337Ⓢ	382	346r	306	401Ⓢ	357
Houston.....	726	595	419	585r	457	491

\*Unadjusted for seasonal variation.

r-Revised.

ⓈPreliminary.

The movements in wholesale and retail trade were much more brisk and confident during the second half of 1947 than in the first half. At the beginning of the year growing consumer resistance to rising prices—manifested chiefly in greater selectivity in buying and more concern about the quality of merchandise—inspired a feeling of caution among retailers of soft goods and off-brand durables, leading to curtailment in orders and advance commitments and to special efforts to reduce excess inventories and avoid the dangers of an unsound accumulation of stocks. Contributing to this mood of caution, were the widely advertised forecasts and predictions made during the closing months of 1946 that the postwar boom in business was heading for a recession—if not a mild depression—during the second or third quarter of 1947. Adjusted national indexes of dollar sales of department stores showed a tendency



to level off during the first half of the year, and in this district there was a moderate dip from the high levels of the previous year extending from June through September. Employment remained at high levels, however, and wage increases affecting most of the workers of the Nation helped to maintain consumer purchasing power in the face of rising prices.

As the year progressed and both consumers and businessmen noted the continuation of inflationary forces and the failure of prices to come down, a significant change occurred in the attitude of the business community. Consumer buying increased, and businessmen, in fear of shortages and a renewal of price increases, began replenishing inventories more actively. Concurrently, rising trends began in other fields of activity, such as construction and the replacement and expansion of capital goods and equipment. Export trade, though declining moderately from the peak reached in May, continued during the rest of the year at a rate high enough to add support to both the price structure and the national income.

These developments were reflected nationally and regionally in an upturn soon after midyear in the rate of consumer spending and in dollar volume of wholesale and retail trade. The more rapid rise in prices of food than of most other commodities occasioned some shifts in the pattern of spending—mostly affecting apparel and luxury items. Stimulated by the buying or building and furnishing of an abnormally large number of homes and by an unremitting scramble to buy automobiles at high prices, expenditures for durables appear to have regained, if not exceeded, their prewar ratio of total consumer spending.

Cumulated total sales for the year of monthly reporting department stores in this Federal Reserve District exceeded those for 1946 by 7 percent. The moderateness of this year-long gain and the effect of the leveling off in sales which characterized much of the year are evident when it is recalled that total sales of these same stores in 1946 exceeded those of 1945 by 28 percent. Other facts regarding sales trends of these stores during the year are reflected in the accompanying table. Sales of retail

but as a result of energetic efforts to reduce excessive inventories of soft goods, coupled with sharp cutbacks in orders, the margin of year-to-year increase in value of stocks dropped to 8 percent by midyear—less than offsetting the effect of rising prices—and remained at or near that figure for the rest of the year. The upturn in sales during the second half of the year, of course, also contributed to holding stocks down to conservative levels.

Increased use of credit was an important factor contributing to the gains made in wholesale and retail trade during 1947. Rapid expansion of commercial loans both nationally and in this district reflected the increase in use of credit by wholesalers and retailers for carrying inventories. Consumer credit of all types showed significant gains, and total consumer credit outstanding in the United States probably exceeded \$13 billion at the end of December, compared with the prewar record figure of slightly less than \$10 billion at the end of 1941 and with \$5.3 billion on December 31, 1943. Charge accounts increased nearly 20 percent during the first 11 months of the year. Total instalment sale credit registered a gain of more than 60 percent during the same period, although still falling considerably short of the record total of \$3.7 billion of such credit outstanding in the United States at the end of 1941. Apparently the potential of instalment sale credit is far from exhausted in view of the much smaller ratio between total consumer credit and total individual incomes at present than in 1941.

At department stores and furniture stores in this district the ratio of credit sales to total sales increased throughout the year, constituting 61 percent of department store sales and 83 percent of furniture stores sales during December, as compared with 56 percent and 78 percent, respectively, in December 1946. End-of-month receivables at these stores increased month by month at a rapid pace over corresponding months in 1946, usually exceeding the gain in total collections. The ratio of collections to receivables on department store charge accounts was from 3 to 10 points lower month by month, except December, during 1947 than in the preceding year. On department store instalment accounts the ratio declined from 31 percent to 27 percent during the year, and collections on furniture instalment accounts showed a similar trend. Even so, collection rates are regarded by most retailers as satisfactory, and many stores are making aggressive bids for new credit accounts.

At the end of 1947, businessmen generally appeared to share the view of many economists and business forecasters that business will continue at or near current levels through at least the first half of 1948. To many business executives at the beginning of the new year there seemed to be more basis for confidence in the short-term future than there was at the same date in 1947.

## AGRICULTURE

Weather conditions throughout the district during December and early January generally were favorable to small grains, commercial vegetables, and citrus crops and facilitated completion of cotton, peanut, and pecan harvesting. The condition of cattle was reported to be from fair to good, with supplemental feeding continuing in many western areas. Range and pasture feeds continued to improve but were still quite short, and small grains were furnishing only limited grazing. The 6,980,000 acres of wheat for harvest in Texas in 1948, while about 8 percent below last year's record high of 7,587,000 acres, is greater than in any prior to 1946 and is almost one-half larger than the 10-year (1936-45) average. In the important northwest wheat area of Texas, seeding operations were delayed by prolonged drought, but considerable volunteer wheat

### Eleventh District Department Store Sales, 1947

	Percentage change from same period in 1946	Adjusted index, final month of period	
		In 1947	In 1946
January.....	20	363	306
January-March.....	10	347	336
January-June.....	6	361	368
January-August.....	3	376	381
January-September.....	4	368	376
January-December.....	7	388 <sup>Ⓐ</sup>	348

<sup>Ⓐ</sup>—Preliminary.

furniture stores in the district followed a similar but somewhat stronger upward trend, registering a gain of 11 percent for the year. The sharpest increases over 1946 occurred during September, when the cashing of large numbers of Armed Forces Leave Bonds made money available to ex-servicemen for cash buying or for down payment on instalment purchase of furniture, and during November and December, following termination on November 1 of the restrictions of Regulation W on the terms of instalment credit.

Indicative of cautious inventory policies among department stores of the district, orders outstanding month by month throughout the year until December were down from the totals for corresponding months in 1946, the margin of difference running to more than 50 percent in the period from March through June, but diminishing thereafter as store executives developed more confidence during the third and fourth quarters. The value of merchandise on hand at the beginning of the year was high by comparison with the situation a year earlier,



came up. Even though mid-November rains afforded growers an opportunity to plow up and reseed much of the volunteer growth, an unusually large acreage of volunteer wheat was left on land originally intended for seeding. On December 1, the Department of Agriculture forecast for Texas a production in 1948 of 41,880,000 bushels, which would be about an average crop but only one-third as large as last year's crop. Shipments of citrus continue to lag, but the movement of vegetables is considerably ahead of last season, and shipments up to mid-January were about 20 percent above those made prior to the same date a year ago.

Total agricultural production in the Eleventh Federal Reserve District during 1947 was at a very high level despite an unfavorable late growing season throughout much of the area. The production of cotton, wheat, rice, peanuts, and citrus was particularly large compared with the crops of 1946, and considerably above average. Other crops which exceeded the previous year's totals were oats, barley, hay, and pecans. On the other hand, production of corn, sorghums, Irish and sweet potatoes, and peaches declined in 1947 as compared with the previous year.

CROP PRODUCTION—(Thousands of units)

Unit	Texas			Five States <sup>1</sup>		
	1947	1946	1936-45 average	1947	1946	1936-45 average
Cotton.....	Bales	3,360	1,669	3,021	4,570	2,478
Corn.....	Bushels	48,592	55,012	71,963	87,664	98,502
Winter wheat.....	Bushels	124,270	62,916	41,287	238,712 <sup>2</sup>	154,393 <sup>2</sup>
Oats.....	Bushels	31,248	36,366	33,236	69,006	65,022
Barley.....	Bushels	2,520	2,610	3,913	9,230 <sup>2</sup>	8,005 <sup>2</sup>
Rice.....	Bushels	23,700	17,716	14,877	45,155 <sup>2</sup>	40,392 <sup>2</sup>
Broomcorn.....	Tons	6	6	4	20 <sup>4</sup>	25 <sup>4</sup>
Sorghums for grain.....	Bushels	68,313	73,742	50,164	77,130	84,180
Sorghums for forage.....	Tons	1,925	2,920	3,970	2,921	4,535
Tame hay.....	Tons	1,246	1,263	1,149	4,044	3,989
Wild hay.....	Tons	190	191	199	700 <sup>2</sup>	638 <sup>2</sup>
Peanuts picked and threshed.....	Pounds	372,725	395,005	211,538	540,750 <sup>5</sup>	521,455 <sup>5</sup>
Irish potatoes.....	Bushels	4,536	5,883	4,009	9,260	11,839
Sweet potatoes.....	Bushels	4,675	6,570	4,828	12,565 <sup>5</sup>	17,890 <sup>5</sup>
Peaches.....	Bushels	1,696	1,856	1,628	2,554	3,205
Oranges.....	Boxes	5,800	5,000	2,942	7,160 <sup>7</sup>	6,610 <sup>8</sup>
Grapefruit.....	Boxes	24,000	23,300	16,121	28,100 <sup>9</sup>	27,400 <sup>10</sup>
Pecans.....	Pounds	21,000	22,500	25,605	49,900 <sup>6</sup>	38,500 <sup>6</sup>

<sup>1</sup>Arizona, Louisiana, New Mexico, Oklahoma, Texas. <sup>2</sup>Arizona, New Mexico, Oklahoma, Texas. <sup>3</sup>Louisiana and Texas. <sup>4</sup>New Mexico, Oklahoma, Texas. <sup>5</sup>Louisiana, New Mexico, Oklahoma, Texas. <sup>6</sup>Louisiana, Oklahoma, Texas. <sup>7</sup>Arizona, Louisiana, Texas, December 1 estimate. <sup>8</sup>Arizona, Louisiana, Texas. <sup>9</sup>Arizona, Texas, December 1 estimate. <sup>10</sup>Arizona, Texas.

SOURCE: United States Department of Agriculture.

The acreage of crops harvested in Texas in 1947 has been estimated by the United States Department of Agriculture at 28,696,000 acres, compared with 26,937,000 acres harvested in 1946 and a 10-year average of 27,296,000 acres. Large increases in the acreages of wheat and cotton and substantial increases in acreage of rye, flaxseed, rice, hay, cowpeas, and peanuts more than offset declines in corn, oats, barley, sorghums, and potatoes. There were increases in total acreage harvested also in Arizona, Louisiana, New Mexico, and Oklahoma.

The Texas cotton crop of 3,360,000 bales produced in 1947 was about twice as large as the 1,669,000 bales harvested in 1946, and considerably above the 10-year average of 3,021,000 bales. Weather conditions in 1947 were generally favorable for cotton production in most areas of the State. Spring rains, though causing some delay in planting, favored early growth, while the dry summer and fall kept insect infestation at a low level and at the same time favored harvesting operations. As a result, a yield of 195 pounds of lint per acre was produced on the 8,273,000 acres harvested, compared with a yield of 134 pounds of lint per acre from 6,000,000 acres in 1946. The 10-year average yield is 168 pounds of lint per acre from an average of 8,620,000 acres. Cotton production in the Texas High Plains, in the Lower Valley, and in the Trans-Pecos counties reached all-time records in 1947. The total 1947 cotton pro-

duction in the five states lying wholly or partly in the Eleventh Federal Reserve District was 4,570,000 bales.

The 1947 Texas wheat crop was estimated at 124,270,000 bushels, which was almost double the 62,916,000 bushels produced in 1946 and three times the 10-year average of 41,287,000 bushels. Moisture conditions were favorable for the seeding and growth of the crop, and acreage abandonment was small. The acreage harvested was estimated at 7,310,000 acres, or 22 percent above the previous record of 5,992,000 acres harvested in 1946 and more than twice the average annual acreage. The 1947 yield of 17 bushels per acre was 50 percent above the 10-year average and has been exceeded in only three years since 1865.

Corn acreage in Texas continued its downward trend in 1947, as only 2,945,000 acres were harvested, compared with 3,236,000 acres in 1946 and a 10-year average of 4,538,000 acres. The summer drought reduced yields on late-planted corn, but good yields on early-planted acreage brought the State's average corn yield up to 16.5 bushels per acre, compared with 17.0 bushels in 1946 and an average yield of 15.8 bushels per acre. The year's corn production amounted to 48,592,000 bushels, which was about 12 percent below the 55,012,000 bushels produced in 1946 and about two-thirds of average.

Due principally to the expansion of wheat acreage in the northern High Plains and to the increase in cotton acreage in the southern High Plains, the acreage of grain sorghums in Texas in 1947 was considerably less than that planted in 1946. The 1947 crop included 3,801,000 acres of sorghums harvested for grain, which comprised 66 percent of the total acreage and represented a continuation of the trend toward a higher utilization of the sorghum acreage for grain. Production of sorghum grain was estimated at 68,313,000 bushels, or 7 percent less than the 73,742,000 bushels harvested in 1946, but 36 percent above the 10-year average. Yield per acre harvested was estimated at 18 bushels, or 2 bushels above the 1946 yield. Also included in the 1947 sorghum crop were 1,750,000 acres harvested for forage and 72,000 acres harvested for silage. Forage production, set at 270,000 tons, was more than one-fourth below that of 1946 and 71 percent below average.

VALUE OF TEXAS CROPS

Crops	Value of Production (Thousands of dollars)		Percent of total	
	1947 <sup>②</sup>	1946	1947 <sup>②</sup>	1946
Corn.....	\$ 102,043	\$ 84,718	7.1	9.1
Wheat.....	279,608	113,878	19.3	12.2
Rice.....	67,545	40,038	4.7	4.3
Sorghums for grain.....	116,815	103,976	8.1	11.2
Other grains.....	37,175	38,594	2.6	4.1
Peanuts for nuts.....	35,782	33,970	2.5	3.6
Cotton lint.....	514,080	268,438	35.5	28.8
Cotton seed.....	116,705	50,870	8.0	5.5
Vegetables and fruits.....	94,293	111,108	6.5	11.9
Other crops.....	82,173	86,658	5.7	9.3
Total value of field crops, fruits, nuts and feed-crops.....	\$1,446,219	\$932,248	100.0	100.0

②—Preliminary.

SOURCE: United States Department of Agriculture.

Both oats and barley suffered severe damage in northcentral Texas from the hard winter freeze in January last year. Due partly to this condition and partly to reduced acreage as compared with 1946, the 1947 Texas oat crop of 31,248,000 bushels was down 14 percent from 1946 and 6 percent below average. The acreage of oats, estimated at 1,488,000 acres, was 10 percent below that of 1946 but slightly above average. Yields were estimated at 21 bushels per acre, as compared with 22 bushels in 1946. The 1947 Texas barley crop was the smallest in 9 years—production totaling 2,520,000 bushels in comparison with 2,610,000 bushels produced in 1946 and an average of 3,913,000 bushels.



The 474,000 acres of rice harvested in Texas in 1947 are the largest acreage ever reported in the State, exceeding the previous record of 1946 by about 15 percent. The early part of the rice-growing season was extremely dry, and irrigation facilities were taxed to capacity in some instances until heavy, beneficial rains came in late August. The year's production of 23,700,000 bushels was one-third above the previous record crop produced in 1946. The yield per acre, estimated at 50 bushels, was about 7 bushels above that of 1946 and 2 bushels above average.

Peanuts harvested in Texas in 1947 totaled 372,725,000 pounds, compared with 395,005,000 pounds in 1946. Although the 877,000 acres harvested were about 14 percent above the acreage of 1946, excessively high summer temperatures with below normal rainfall were unfavorable to peanuts, especially in the northern area, resulting in a yield of only 425 pounds per acre, compared with 515 pounds in 1946 and an average of 446 pounds. Texas flaxseed production of 864,000 bushels and average yield of 9.5 bushels per acre were 56 percent and 30 percent, respectively, above the record production and yield of 1946. Flax acreage was estimated at 91,000 acres, compared with 76,000 acres in 1946. Production of sweet potatoes was estimated at 27 percent and of Irish potatoes at 23 percent below the crops of the preceding season. The production of hay and other roughage combined, estimated at 3,679,000 tons, was about 23 percent less than the 4,799,000 tons harvested in 1946.

CASH FARM INCOME  
(Thousands of dollars)

	October 1947		October 1947	Total receipts		
	Receipts from Crops	Livestock*		October 1946	Jan. 1 to Oct 31 1947	1946
Arizona.....	\$ 7,370	\$ 7,005	\$ 14,375	\$ 15,661	\$ 135,177	\$ 121,067
Louisiana.....	49,857	9,556	59,413	47,471	235,431	173,960
New Mexico.....	12,608	23,921	36,529	31,808	128,883	98,487
Oklahoma.....	40,992	39,564	80,556	66,061	562,614	376,209
Texas.....	189,442	73,450	262,892	177,182	1,566,045	1,087,878
Total.....	\$300,269	\$153,496	\$453,765	\$337,983	\$2,628,150	\$1,867,591

\*Includes receipts from the sale of livestock and livestock products.

SOURCE: United States Department of Agriculture.

The total value of all crops produced in Texas during 1947 reached an all-time high of \$1,446,219,000, or 55 percent above the 1946 total and nearly double the value of the crop produced in 1945. The increase during 1947 was accounted for primarily by higher returns from cotton and cottonseed, wheat, and rice. The value of cotton and cottonseed totaled \$630,785,000, or about double that in 1946, reflecting entirely an increase in production. A record production of wheat and all-time high prices raised the value of that crop to \$279,608,000 in 1947, compared with 113,878,000 in 1946. An increase in the value of the rice crop from \$40,038,000 in 1946 to \$67,545,000 in 1947 was due also to a combination of record production and high prices. The value of citrus and all classes of commercial truck crops, however, declined about 14 percent in 1947 and totaled only \$65,101,000, compared with \$76,136,000 in 1946.

Range and livestock conditions in the district during 1947 were sharply, and for the most part adversely, affected by weather conditions. At the beginning of the year the situation was unfavorable, due principally to below freezing temperatures which extended as far south as the Rio Grande. Cold weather killed or retarded development of grains in many areas, and grazing of grain pastures was reduced. Unseasonably cool, dry weather over most of the district continued into February, retarding field work and checking the growth of crops and the development of range feeds. Moisture conditions were generally improved during early March, but low temperatures, accompanied by snow or sleet in the northern and western

parts of the district, caused some damage to ranges and deterioration in the condition of livestock. The improvement during the spring in ranges and the condition of cattle was interrupted by lack of moisture in some western, extreme southern, and southeastern portions of the district and by cool, wet weather in other areas. During the early summer, grazing areas throughout the district continued to supply range feed, but drought conditions developing during July over most of the western part of the district extended through the fall, causing rapid deterioration of ranges, delay in seeding winter grains, and loss of weight by livestock in spite of supplemental feeding. About mid-November, however, rains fell throughout most of the range and grazing areas of the district and brought some improvement in grazing conditions. Grain fields provided only limited grazing, however, due to the lateness of the crop and the need for additional moisture in many areas. Pastures and ranges were improved but still short. As the year ended, livestock were in fair to good condition, but supplemental feeding was continuing.

Receipts of livestock at the Fort Worth and San Antonio markets showed divergent trends during 1947, as compared with 1946. Reflecting the influence of abnormally high prices and of a tight feed situation, cattle received at the two markets in 1947 totaled 1,413,602, or 13 percent more than were marketed the preceding year. Receipts of hogs likewise were higher, amounting to 764,145 head, compared with 669,140 head in 1946. Receipts of calves, however, declined fractionally to a total of 730,556, while sheep receipts, declining 24 percent from the heavy marketings of 1946, amounted to 2,268,386 head. Diminished receipts at these markets during December of all categories of livestock except hogs followed seasonal patterns.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	Dec. 1947	Dec. 1946	Nov. 1947	Dec. 1947	Dec. 1946	Nov. 1947
Cattle.....	58,315	75,816	81,671	27,667	41,048	41,934
Calves.....	38,405	49,954	60,153	20,583	24,650	35,691
Hogs.....	103,042	71,457	65,911	11,712	6,793	7,184
Sheep.....	54,222	66,373	89,458	27,429	25,508	32,266

COMPARATIVE TOP LIVESTOCK PRICES  
(Dollars per hundred weight)

	Fort Worth			San Antonio		
	Dec. 1947	Dec. 1946	Nov. 1947	Dec. 1947	Dec. 1946	Nov. 1947
Beef steers.....	\$32.00	\$25.00	\$31.00	\$26.50	\$21.00	\$25.00
Stocker steers.....	24.00	18.00	22.00	21.00	14.50	17.00
Heifers and yearlings.....	33.00	27.00	26.00	27.50	17.00	25.00
Butcher cows.....	20.00	16.00	18.25	21.00	14.50	17.00
Calves.....	28.00	20.00	24.00	26.00	21.00	22.00
Hogs.....	28.00	25.00	26.50	27.00	25.00	25.75
Lambs.....	23.50	22.00	23.50	22.75	19.50	21.00

Prices received by Texas farmers for most products continued to move upward during the last month of the year, and prices of dairy products, turkeys, and many grains and meat animals reached new record levels. For the year as a whole, prices received averaged well above those of 1946. The most noteworthy increases occurred in the prices of grains, meat animals, milk cows, and eggs, although moderate increases occurred also in the case of cotton, cottonseed, and dairy products. Prices received for sweet potatoes and hay were at about the same level as in 1946, while those received for chickens, citrus fruits, and wool were generally lower.

## FINANCE

During 1947, most of the principal items of condition of the weekly reporting member banks in the Eleventh Federal Reserve District experienced substantial expansion. Exceptions to this trend were total investments, which declined by slightly more than 1 per cent as a result of reductions in holdings of



Treasury bills, certificates of indebtedness, and Treasury notes; United States Government deposits, which declined almost 54 percent; and loans to brokers and dealers and to others for purchasing or carrying securities, which declined by about 24 percent.

Commercial, industrial, and agricultural loans of the weekly reporting banks, following a decline of about 2 percent during the first six months of the year, increased rapidly to total \$711,487,000 on December 31, in contrast with a total of \$560,005,000 on the first of the year, an increase for the year as a whole of about 27 percent. Real-estate loans also showed a very substantial increase during the year, as the total rose from \$59,637,000 on December 31, 1946, to \$76,979,000 on December 31, 1947. The increase in commercial, industrial, and agricultural loans occurred entirely during the last six months of the year, whereas a very substantial part of the increase in real-estate loans occurred during the first six months. "All other" loans of these banks declined during the first six months of the year but then reversed their trend to end the year at a level almost 11 percent higher than that which prevailed on December 31, 1946.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS  
IN LEADING CITIES—Eleventh Federal Reserve District  
(Thousands of dollars)

	January 7, 1946	January 8, 1947	Dec. 10, 1947
Total loans and investments.....	\$2,267,461	\$2,114,622	\$2,307,081
Total loans.....	1,023,265	840,885	1,099,312
Commercial, industrial, and agricultural loans.....	716,747	538,355	707,348
Loans to brokers and dealers in securities.....	7,030	13,045	6,887
Other loans for purchasing or carrying securities.....	96,999	83,450	87,172
Real estate loans.....	77,439	90,171	76,156
Loans to banks.....	239	308	193
All other loans.....	154,761	144,890	151,556
Total investments.....	1,244,196	1,273,737	1,297,769
U. S. Treasury bills.....	8,542	41,435	40,884
U. S. Treasury certificates of indebtedness.....	167,892	258,555	172,458
U. S. Treasury notes.....	119,033	132,561	127,286
U. S. Government bonds (inc. gtd. obl.).....	839,191	752,393	845,680
Other securities.....	109,568	88,773	111,461
Reserves with Federal Reserve Bank.....	502,336	457,193	507,180
Balances with domestic banks.....	307,208	270,337	287,184
Demand deposits—adjusted*.....	1,865,466	1,724,407	1,875,223
Time deposits.....	384,920	364,012	376,449
United States Government deposits.....	19,890	43,552	20,144
Interbank deposits.....	678,494	592,984	676,465
Borrowings from Federal Reserve Bank.....	2,500	1,500	12,500

\*Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.

These changes with respect to loans of the weekly reporting member banks paralleled, to some extent, the trend of business activity in the district during the period and reflected the rather strong revival of inflationary forces and the upward turn of business which occurred during the latter half of the year. It will be recalled that, following some halting tendencies in business activity at times during the first six months of 1947, there developed a shift in business and consumer attitudes and actions as deflationary expectations gave way to a revival of business optimism and inflationary movements.

Holdings of Treasury bills, Treasury notes, and certificates of indebtedness declined 20.4 percent, 10.4 percent, and 5.9 percent, respectively, during the first half of 1947, but those losses were more than offset dollarwise by gains of 6.5 percent and 7.7 percent, respectively, in United States Government bonds and other securities. Considering the second half of the year as a whole, the shift to long-term holdings of Government and other securities continued, and holdings of United States Government bonds increased to a total of \$846,210,000 and holdings of other securities rose to \$108,776,000.

Increases in demand deposits adjusted and in time deposits during the year more than offset a substantial decline in United States Government deposits, with the consequence that total deposits of the weekly reporting member banks at the end of 1947 amounted to \$3,204,029,000, as compared with \$2,949,799,000 at the end of 1946, an increase for the year of

8.6 percent. Whereas the rate of increase of demand deposits adjusted accelerated during the last six months of the year, the upward trend of time deposits was at a much slower rate during that period, possibly indicating that the rising cost of living was pressing heavily upon savings and current income.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District  
(Average of daily figures in thousands of dollars)

		Combined total		Reserve city banks		Country banks	
		Gross demand	Time	Gross demand	Time	Gross demand	Time
December 1945.....		\$5,109,360	\$451,887	\$2,634,630	\$285,371	\$2,474,730	\$166,516
December 1946.....		4,837,618	506,672	2,323,619	321,379	2,513,999	185,293
August 1947.....		4,845,031	540,172	2,324,633	338,401	2,520,398	201,771
September 1947.....		4,925,009	540,511	2,360,755	337,883	2,564,254	202,648
October 1947.....		5,100,591	541,504	2,437,292	337,197	2,663,299	204,307
November 1947.....		5,286,063	543,685	2,524,890	337,324	2,761,173	206,361
December 1947.....		5,284,150	549,698	2,516,849	342,638	2,767,301	207,060

SAVINGS DEPOSITS

Reporting Banks—Eleventh Federal Reserve District

		December 31, 1947		Percentage change in savings deposits from	
	Number reporting banks	Number of savings depositors	Amount of savings deposits	Dec. 31, 1946	Nov. 30, 1947
Beaumont.....	3	12,012	\$ 6,578,916	-13.6	- 0.6
Dallas.....	8	138,884	79,442,310	4.4	1.2
El Paso.....	2	34,893	23,976,992	0.6	0.9
Fort Worth.....	3	42,168	34,937,643	2.5	0.7
Galveston.....	4	23,136	21,880,207	6.6	- 0.7
Houston.....	8	105,497	70,120,885	- 1.3	0.4
Lubbock.....	2	1,314	1,947,215	-11.0	3.6
Port Arthur.....	2	6,024	4,943,132	- 5.9	- 1.2
San Antonio.....	5	39,581	48,236,036	4.6	2.1
Shreveport, La.....	3	32,800	25,898,579	- 1.9	- 0.4
Waco.....	3	10,102	9,750,146	3.4	1.1
Wichita Falls.....	3	6,978	4,672,570	0.6	- 0.6
All other.....	56	63,292	55,440,228	4.1	1.3
Total.....	102	516,681	\$387,822,859	1.9	0.8

Figures of bank debits received from 24 reporting cities in the district showed an increase of approximately 20 percent in December 1947 as compared with December 1946. Largest increases were reported by banks in Lubbock, where the increase amounted to 47 percent, and banks in Tucson, Arizona, and in Abilene, Amarillo, Dallas, Houston, and San Angelo, Texas, which reported increases ranging from 22 percent to 29 percent. On the other hand, banks in Laredo and Austin reported the smallest increases, namely, 1 percent and 2 per-

BANK DEBITS, END-OF-MONTH DEPOSITS, AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Dollar figures in thousands)

	Dec. 1947	Dec. 1946	Nov. 1947	End-of-month deposits*	Dec. 1947	Dec. 1946	Nov. 1947
City	Dec. 1947	Dec. 1946	Nov. 1947	End-of-month deposits*	Dec. 1947	Dec. 1946	Nov. 1947
Tucson, Ariz.....	\$ 64,763	25	22	\$ 84,724	9.2	7.9	7.7
Monroe, La.....	35,222	14	2	43,933	10.0	9.5	10.4
Shreveport, La.....	131,941	9	7	160,053	10.2	10.0	9.7
Rowell, N. M.....	15,689	12	7	19,778	9.6	8.3	9.1
Abilene.....	37,017	24	11	42,387	10.8	9.1	10.0
Amarillo.....	89,234	28	3	84,807	12.6	11.3	12.1
Austin.....	101,848	2	6	106,333	11.8	12.7	11.3
Beaumont.....	84,046	1	—	99,735	10.3	10.6	10.7
Corpus Christi.....	76,471	8	6	76,547	12.1	12.2	11.8
Corpus Christi.....	12,896	14	26	20,610	7.6	7.1	6.0
Dallas.....	1,130,925	22	22	709,859	19.2	16.9	15.8
El Paso.....	131,059	11	14	121,666	13.4	12.7	12.6
Fort Worth.....	366,159	16	20	274,561	15.8	13.9	13.1
Galveston.....	67,246	12	11	92,955	8.8	8.8	8.0
Houston.....	1,053,901	29	17	855,318	15.1	13.2	13.3
Laredo.....	17,277	1	13	18,990	10.3	9.8	8.9
Lubbock.....	85,538	47	—	72,868	14.9	12.1	16.6
Port Arthur.....	33,817	17	9	41,692	10.1	9.0	9.5
San Angelo.....	32,456	26	11	38,970	10.0	8.0	8.9
San Antonio.....	269,099	12	21	321,937	10.1	9.0	8.4
Texarkana.....	16,566	5	6	23,788	8.5	7.9	8.4
Tyler.....	40,915	17	13	52,774	9.7	9.5	8.9
Waco.....	56,666	12	11	66,750	10.2	9.5	9.1
Wichita Falls.....	54,026	16	12	79,024	8.3	8.3	7.7
Total—24 cities.....	\$4,004,777	20	16	\$3,510,059	13.9	12.5	12.2

\*Demand and time deposits at the end of the month include certified and officers' checks outstanding but exclude deposits to the credit of banks.

†This figure includes only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District amounted to \$27,873.



## ANNUAL TOTAL BANK DEBITS TO INDIVIDUAL ACCOUNTS AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Dollar figures in thousands)

City	Debits		Percentage change from 1946	Annual rate of turnover	
	1947	1946		1947	1946
Tucson, Ariz.	\$ 621,442	\$ 553,800	12	7.7	7.4
Monroe, La.	358,289	308,193	16	9.3	7.7
Shreveport, La.	1,357,797	1,172,386	16	9.3	7.9
Roswell, N. M.	152,088	144,999	5	8.5	7.5
Ablene	352,182	295,486	19	9.1	7.3
Amarillo	943,710	725,424	30	12.1	10.0
Austin	1,163,280	1,097,828	6	11.7	11.1
Beaumont	898,040	749,648	20	10.4	9.0
Corpus Christi	843,046	776,257	9	12.1	11.3
Corpus Christi	117,965	100,849	17	6.1	5.3
Dallas	10,317,692	8,625,615	20	15.5	12.2
El Paso	1,222,995	1,081,920	13	11.3	9.8
Fort Worth	3,588,000	2,965,354	21	13.0	10.5
Galveston	715,411	641,410	12	8.1	7.6
Houston	9,926,139	8,183,040	21	12.8	10.5
Laredo	190,544	181,435	5	9.3	8.5
Lubbock	696,615	508,394	38	11.9	9.2
Port Arthur	384,914	317,359	15	9.3	7.9
San Angelo	313,325	286,692	9	8.5	7.6
San Antonio	2,714,839	2,485,139	9	8.6	7.6
Texarkana*	189,273	150,096	13	7.6	6.1
Tyler	413,042	371,241	11	8.8	7.8
Waco	583,732	508,705	11	9.0	7.4
Wichita Falls	552,396	472,237	15	7.9	6.7
Total—24 cities	\$38,556,606	\$32,705,707	18	11.8	9.8

\*This figure includes only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District amounted to \$287,604 for the year 1947.

cent, respectively. Bank debits during December in each of the two largest cities of the district, Dallas and Houston, were in excess of \$1 billion—the first time for a single month in the history of either city. The average annual rate of deposit turnover reported by banks in the 24 cities covered by the series was 13.9 in December 1947, as contrasted with 12.5 for the same month a year ago. Inasmuch as bank debits indicate, to a large extent, the activity of the use of funds by depositors, the trend of debit figures, especially during the last part of 1947, was in line with what might have been anticipated because of the very high level of business activity and the large volume of consumer and business purchasing. Bank debits, however, do reflect the volume of check transactions arising from all types of deposits and include payments for a variety of financial transactions, property transfers, and other types of transactions which are not closely related to the production and distribution of goods. Consequently, when relating bank debits to business activity, allowances for such limiting factors must be made.

During the early months of 1947, actual note circulation of the Federal Reserve Bank of Dallas followed a somewhat irregular but downward trend to reach a seasonal low for the year on May 25 at \$569,559,000. Expansion in the volume of notes of

this bank in actual circulation occurred during the following months, and early in November total notes in circulation exceeded the all-time high of \$627,029,000 which had been set previously in December 1945. By December 24 of this year, note circulation had risen to a new all-time peak of \$632,481,000, followed by a decline of approximately \$7,500,000 during the last week of the year.

## MEMBER BANK RESERVES AND RELATED FACTORS

## Eleventh Federal Reserve District

(Millions of dollars)

	Changes in weeks ended					Cumulative changes	
	Jan. 14, 1948	Jan. 7, 1948	Dec. 31, 1947	Dec. 24, 1947	Dec. 17, 1947	5 weeks ended Jan. 14, 1948	Jan. 1 to Jan. 14, 1948
Federal Reserve Credit—							
local	0.6	—0.6	—13.0	—0.8	5.6	—8.2	..
Interdistrict commercial & financial transactions	—0.8	—34.2	12.4	17.3	—8.7	—14.0	—35.0
Treasury operations	1.5	13.7	8.1	—4.9	—13.3	0.1	15.2
Currency transactions	9.0	8.1	11.0	—2.0	1.5	27.6	17.1
Other deposits at the Federal Reserve Bank	—0.3	0.5	—0.6	0.3	0.8	0.7	0.2
Other Federal Reserve Accounts	—0.1	0.6	0.7	0.5	0.7	2.4	0.5
Member Bank reserve balances	9.9	—11.9	18.6	10.4	—18.4	8.6	—2.0

Note: Amounts preceded by a minus sign reduces reserves; all others add to reserves.

## CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

	January 15, 1948	January 15, 1947	Dec. 15, 1947
Total gold certificate reserves	\$541,672	\$494,865	\$515,079
Discounts for member banks	1,500	1,750	11,000
Foreign loans on gold	2,747	4,505	1,313
U. S. Government securities	972,846	904,115	975,344
Total earning assets	977,093	910,370	987,687
Member banks reserve deposits	890,641	777,750	830,801
Federal Reserve Notes in actual circulation	611,881	593,956	627,735

Principal changes in the condition of the Federal Reserve Bank of Dallas during the past year, as measured by figures reported on January 15, 1947 and 1948, were an increase of approximately \$47,000,000 in gold certificate holdings and an increase in total earning assets of about \$67,000,000. The increase in total earning assets was represented by an increase in holdings of United States Government securities amounting to over \$68,000,000, offset in part by a slight decline in discounts for member banks and foreign loans on gold. Member bank reserve deposits with this Federal Reserve Bank during the period rose from \$777,750,000 to \$860,641,000.

## CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES OF THE ELEVENTH FEDERAL RESERVE DISTRICT ON DECEMBER 31, 1946, JULY 2, AND DECEMBER 31, 1947, WITH CHANGES INDICATED FOR THE FIRST SIX MONTHS AND FOR THE YEAR 1947 AS A WHOLE

(Dollars in thousands)

Principal Condition Items	December 31, 1946	July 2, 1947	December 31, 1947	Change between Dec. 31 and July 2, 1947		Change between Dec. 31 and Dec. 31, 1947	
				Dollars	Percent	Dollars	Percent
Total loans and investments	\$2,107,976	\$2,084,320	\$2,251,711	—23,656	—1.1	143,735	6.8
Total loans	865,012	820,434	1,025,062	—44,578	—5.2	160,050	18.5
Commercial, industrial, and agricultural loans	560,005	548,696	711,487	—11,309	—2.0	151,482	27.1
Loans to brokers and dealers in securities	9,557	8,038	7,026	—1,519	—15.9	—2,290	—26.5
Other loans for purchasing or carrying securities	90,990	68,903	69,361	—22,087	—24.3	—21,629	—23.8
Real estate loans	59,637	73,032	76,979	13,395	22.5	17,342	29.1
Loans to banks	930	157	693	—773	—83.1	—237	—25.5
All other loans	143,893	121,608	159,516	—22,285	—15.5	15,623	10.9
Total investments	1,242,964	1,263,886	1,226,649	20,922	1.7	—15,315	—1.3
U. S. Treasury bills	32,524	25,904	6,097	—6,620	—20.4	—26,427	—81.3
U. S. Treasury certificates of indebtedness	240,998	226,873	155,803	—14,125	—5.9	—85,195	—35.4
U. S. Treasury notes	133,043	119,213	109,763	—13,830	—10.4	—23,280	—17.5
U. S. Government bonds (incl. gtd. obl.)	747,715	796,343	846,210	48,628	6.5	98,495	13.2
Other securities	88,684	95,553	108,776	6,869	7.7	20,092	22.7
Reserves with Federal Reserve Bank	469,191	459,603	516,718	—9,588	—2.0	47,527	10.1
Balances with domestic banks	289,857	296,876	322,926	7,019	2.4	33,069	11.4
Total deposits	2,949,799	2,881,417	3,204,029	—68,382	—2.3	254,230	8.6
Demand deposits—adjusted*	1,691,979	1,755,470	1,852,408	63,491	3.8	160,429	9.5
Time deposits	363,013	380,210	384,559	17,197	4.7	21,546	5.9
United States Government deposits	52,788	12,491	24,399	—40,297	—76.3	—28,389	—63.8
Interbank deposits	643,622	572,641	707,272	—70,981	—11.0	63,650	9.9
Borrowings from Federal Reserve Bank	None	1,000	None	1,000	..	..	..

\*Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.



## NEW MEMBER BANK

*The National Bank of Sweetwater, Sweetwater, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business on January 3, 1948, as a member of the Federal Reserve System and of the Federal Deposit Insurance Corporation. The bank has total capital funds of \$200,000, including capital of \$100,000, surplus of \$50,000, and undivided profits of \$50,000. Its officers are: H. H. Simmons, President; E. M. Perkins, Jr., Vice President; and J. O. Kirk, Cashier.*

## NEW PAR BANK

*North Side State Bank, Houston, Texas, a newly organized nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Federal Reserve Par List on its opening date, January 3, 1948. This bank, a member of the Federal Deposit Insurance Corporation, has total capital funds of \$251,250, including capital of \$175,000, surplus of \$50,000, and undivided profits of \$26,250. Its officers are: Jesse Jones, Chairman of the Board; Damon Wells, President; Shanley Simpson, Vice President; H. D. Brown, Cashier; and L. B. Manry, Jr., Assistant Cashier.*

## INDUSTRY

Industry in the Eleventh District during 1947 participated extensively in the prosperity which accompanied the Nation's efforts to expand productive capacity, satisfy record consumer demands, and support an unusually large volume of exports. All major divisions of industry in the Southwest reached new peaks in employment and output for a peacetime year, and several attained levels of operation exceeding those of the war.

During much of 1947 unbalanced inventories and continuing difficulties in securing delivery of basic materials prevented many producers of metal products and other durables from expanding operations appreciably despite urgent demands for their output. Many producers of soft goods and semidurables, including apparel, textiles, and wood products, although generally able to obtain most basic materials in adequate quantities, also were deterred from expanding operations early in the year by uncertainties concerning the stability of prices and the magnitude of the market for their products. Late in

## DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	December 1947	December 1946	November 1947	August 1 to December 31 This season	August 1 to December 31 Last season
Consumption at:					
Texas mills.....	12,726	16,345	49,304	62,030	93,724
United States mills.....	753,406	776,350	759,498	3,777,169	4,263,419
U. S. stocks—end of month:					
In consuming estab'm'ts....	2,153,547	2,230,258			
Public stg. & compresses....	5,478,623	5,984,417			

## COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to December 31 This season	August 1 to December 31 Last season	August 1 to December 31 This season	August 1 to December 31 Last season
Cottonseed received at mills (tons).....	1,033,357	519,316	3,583,155	2,674,588
Cottonseed crushed (tons).....	623,253	399,659	2,256,672	1,756,915
Cottonseed on hand Dec. 31 (tons).....	464,632	176,911	1,426,011	1,035,479
Production of products:				
Crude oil (thousand pounds).....	189,808	118,486	639,650	546,354
Cake and meal (tons).....	294,516	187,525	1,042,907	776,103
Hulls (tons).....	139,558	88,313	510,677	404,618
Linters (running bales).....	207,068	136,335	702,223	560,737
Stocks on hand December 31:				
Crude oil (thousand pounds).....	17,747	8,265	50,408	36,752
Cake and meal (tons).....	13,433	39,490	74,035	120,182
Hulls (tons).....	20,170	35,902	71,651	96,339
Linters (running bales).....	40,155	17,989	188,851	100,401

SOURCE: United States Bureau of Census.

the spring, however, strengthening demands induced these manufacturers to increase output, and thereafter, manufacturing employment in the district moved significantly upward. In Texas, total employment in manufacturing establishments, which had remained at about 325,000 from January through May, rose rather steadily thereafter, principally reflecting increased activity in apparel, food-processing, chemical, and other nondurable goods establishments, and in iron and steel plants. At the end of 1947 manufacturing employment in the State totaled about 348,000, the highest level attained in a peacetime year.

Total civilian nonagricultural employment in Texas also advanced during 1947, due to increased employment in transportation, construction, finance, and service, as well as manufacturing, and at the end of the year was at an all-time high of 1,690,000, as compared with 1,640,000 a year earlier. Similar gains in total nonagricultural employment occurred in other sections of the Eleventh District and in surrounding states. Strong demands for all classes of labor were general throughout the Southwestern area, and unemployment was reduced to an unusually low level, estimated at somewhat less than 2 percent of the effective labor force.

The petroleum industry in the district in 1947 exceeded all former records for output of crude oil and finished products. The rate of crude oil production rose almost without interruption during the first 10 months of the year, attaining an all-time peak of 2,593,200 barrels daily in October. At that level, production approximately equaled maximum efficient recovery rates in all sections of the district, and possibly exceeded them in several areas. Production could not easily be sustained at the peak until additional developmental work in the fields could be completed, and, despite growing requirements and potential deficiencies in crude oil supplies, production was reduced fractionally. At the end of 1947, however, daily average production in the district still amounted to 2,579,000 barrels, as compared with 2,193,000 barrels a year earlier and a prewar rate of somewhat less than 1,500,000 barrels.

## CRUDE OIL PRODUCTION—(Barrels)

	December 1947		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Nov. 1947	Dec. 1946
District 1.....	771,550	24,889	332	6,029
2.....	5,086,950	164,095	1,888	28,973
3.....	15,143,000	488,484	1,437	64,926
4.....	7,993,800	257,864	3,783	48,591
5.....	1,312,950	42,353	795	7,708
6.....	9,114,800	294,026	-10,126	-21,609
Other 7.....	3,709,800	119,671	2,124	20,124
7b.....	1,306,500	42,145	695	7,642
7c.....	1,286,000	41,484	-174	13,732
8.....	20,129,250	649,331	5,671	150,834
9.....	4,245,200	136,942	3,207	18,819
10.....	2,770,400	89,368	1,195	8,252
Total Texas.....	72,870,200	2,350,652	10,827	354,021
New Mexico.....	3,723,850	120,124	406	21,450
North Louisiana.....	3,354,900	108,223	1,736	10,460
Total District.....	79,948,950	2,578,999	12,959	385,931
Outside District.....	83,558,408	2,695,432	3,744	190,073
United States.....	163,507,358	5,274,431	16,713	576,004

SOURCE: Estimated from American Petroleum Institute weekly reports.

All other divisions of the petroleum industry also operated intensively during 1947 to fulfill growing domestic requirements. Refineries in the Gulf Coastal region, as well as in other areas, advanced production above rated capacity. Pipe-line and barge carriers were fully employed, and additional loading and transport facilities were rushed toward completion. New records were established in the district, also, in total footage drilled and in number of exploratory wells completed. Approximately 11,000 wells were completed, as compared with 9,600 in 1946, including 2,500 exploratory wells—500 more than in 1946. The results of exploration and development were generally



satisfactory, the number of productive tests being substantially greater than in previous years and additions to proved reserves apparently being sufficiently great to offset the very large amount of crude oil produced during the year.

Resistance by potential home builders to high costs of residential construction and reluctance of prospective institutional, commercial, and industrial organizations to undertake facility expansion while costs and completion schedules were uncertain appeared to be stalling the construction boom early in 1947. The monthly value of awards in the Eleventh District declined abruptly from the postwar peak reached early in the year, and until late in the spring the dollar volume of awards was somewhat below the level maintained during 1946. Removal of governmental restrictions on nonresidential construction, however, and more extensive use in residential construction of loans guaranteed under Title VI of the National Housing Act contributed to revival of the upward trend of awards in mid-1947, and renewed optimism concerning the long-term outlook for business subsequently led to extensive commitments for new construction of nearly all types. The value of contract awards in the district rose to a new postwar peak of \$71,000,000 in October and continued near that level during the last two months of the year.

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

(Thousands of dollars)

	December 1947 <sup>Ⓐ</sup>	December 1946	November 1947 <sup>r</sup>	January 1 to December 31 1947 <sup>Ⓐ</sup>	1946
Eleventh District—total...	50,078	43,341	68,361	684,364	564,394
Residential.....	14,511	14,980	27,698	244,074	229,846
All other.....	35,567	28,361	40,663	440,290	334,548
United States*—total.....	625,363	457,278	715,108	7,759,868	7,489,722
Residential.....	226,796	193,365	290,220	3,163,773	3,142,102
All other.....	398,567	263,913	424,888	4,606,095	4,347,620

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

Ⓐ—Preliminary.  
r—Revised.

Total construction contract awards in the district during 1947 are estimated to have amounted to \$684,000,000, or about \$120,000,000 above 1946 and more than three times the prewar average. As in most years, awards for residential construction made up the largest category, accounting for about 37 percent of the total. The increase in the total value of awards as compared with 1946, however, was attributable principally to increases in public works and utilities, the former rising approximately 50 percent and the latter about doubling.

#### BUILDING PERMITS

	December 1947		Percentage change valuation from		Jan. 1 to Dec. 31, 1947	Percentage change valuation from 1946	
	No.	Valuation	Dec. 1946	Nov. 1947		No.	Valuation
Abilene.....	89	\$ 369,090	168	28	1,081	\$ 4,383,956	10
Amarillo.....	122	524,485	71	— 48	2,085	8,701,903	20
Austin.....	259	1,480,948	73	— 16	4,932	19,827,376	11
Beaumont.....	248	1,392,664	286	334	3,996	7,125,840	84
Corpus Christi.....	244	878,077	32	23	4,056	14,952,122	48
Dallas.....	1,355	5,700,914	206	37	16,921	58,460,549	26
El Paso.....	60	484,683	126	— 59	1,497	7,992,815	78
Fort Worth.....	473	1,984,430	84	— 38	7,420	27,696,264	21
Galveston.....	93	434,556	574	60	1,822	2,867,566	19
Houston.....	649	7,321,050	574	28	8,445	72,401,114	43
Lubbock.....	222	1,172,610	249	104	2,444	11,130,866	24
Port Arthur.....	25	70,660	40	— 70	1,904	2,253,349	11
San Antonio.....	1,097	2,383,917	85	— 42	14,784	28,978,584	24
Shreveport, La.....	232	652,357	54	— 67	4,037	12,392,519	40
Waco.....	114	703,234	— 15	18	1,792	9,078,885	58
Wichita Falls.....	48	639,135	400	446	822	2,927,929	48

†Change less than one-half of one percent.

The volume of new construction actually put in place in the district substantially exceeded that in 1946. Many projects started in 1946 but delayed by shortages of labor and materials were completed during 1947. In addition, improved flow of materials and a larger and more efficient construction labor force permitted initiation of a substantially larger amount of new construction. A greater amount of residential and com-

mercial building was completed in 1947 than in any prior year of record, and the amount of industrial construction put in place probably was exceeded only by that in 1943 and 1944.

Perhaps the most important industrial development in the Southwest during 1947 was the extensive facility expansion undertaken by every industry in nearly every section of this district. The chemical industry led in dollar value of expansion during the year. Among the major chemical projects announced or initiated and the estimated cost of each project were:

Carthage Hydrocol, Incorporated—Brownsville, Texas—\$20,000,000.

Standard Oil of Indiana—Brownsville, Texas—\$15,000,000.

Southern Alkali Corporation—Corpus Christi, Texas—extension.

Dow Chemical Company—Freeport, Texas—extension—\$20,000,000.

Rohm and Haas—Houston, Texas—\$5,000,000.

Commercial Solvents Corporation—Gulf Coast—\$20,000,000.

Diamond Alkali Company—Houston, Texas—\$6,000,000.

Shell Chemical Corporation—Houston, Texas—\$25,000,000.

Gulf Chemical Company—Houston, Texas—\$1,500,000.

E. I. DuPont de Nemours and Company—Orange, Texas—extension—\$30,000,000.

Jefferson Chemical Company—Port Neches, Texas—\$12,000,000.

McCarthy Chemical Company—Jefferson County, Texas—\$3,000,000.

Carbide and Carbon Chemical Corporation—Texas City, Texas—\$15,000,000.

Commercial Solvents Corporation—Sterlington, Louisiana—\$4,500,000.

These new facilities are to produce such diverse basic chemicals as synthetic methanol, vinylete resins, benzene, styrene, synthetic glycerin, nylon salts, phosphates, chlorine, caustic soda, soda ash, carbonic acid, and various other heavy chemicals and hydrocarbons. They will add the product components and the capacity which will establish the Gulf Coastal region as the most important chemical center in the world.

Very important additions to the facilities of the petroleum and natural gas industries also were undertaken in the district during 1947, including several large gas conservation plants, natural gasoline and recycling plants, and modern catalytic refineries. Two new carbon black plants were projected during the year for North Louisiana and West Texas, record-breaking pipe-line construction programs got underway throughout the district, and construction of major new petroleum laboratories and loading facilities was started.

The potential capacity of the building materials industry of the district was expanded by initiation of construction of large factories to manufacture or process sewer pipe, roofing and siding, cement, structural steel, and plate glass, as well as of numerous smaller plants throughout the district to produce brick and other building materials. Food processing plant expansions, although generally small, were very numerous, and several major projects were included, among them bottling plants; grain mills and feed processing facilities; the Corn Products Company, a \$10,000,000 plant at Corpus Christi, Texas, to manufacture starch and dextrose from grain sorghums; and bakeries, including the \$2,500,000 National Biscuit Company plant at Houston.



Other industries in the district also participated in the expansion. Construction got underway on large new paper and paper-products facilities at Houston, Texas, and Bastrop, Louisiana. In the iron and steel industry production was started at the Lone Star Steel Plant at Daingerfield, Texas, and facilities of manufacturers of plows and other agricultural equipment, oil-field tools, and various heavy industrial equipment were enlarged. The sulphur, potash, smelting, apparel, textile, wood-products, and rubber-products industries undertook numerous additions to existing plants and construction of smaller new installations. These and other facility expansions were accompanied by initiation of several power, water, rail, and port facility expansion programs which will enlarge the growth potential of industry in the region.

### Price Trends in 1947

Rising prices and movements within the price structure were among the more significant factors influencing agricultural, business, and industrial operations during 1947. At the beginning of the year, the prices of some categories of goods appeared to be moving toward stability after the rapid increase in market quotations which followed discontinuance of price controls in November 1946. There was a considerable body of opinion that agricultural prices had reached such high levels that a decline soon might be expected, while many believed that resistance of consumers to the rising prices of manufactured products might retard further price increases and perhaps even force downward adjustments. Contrary to these anticipations, the prices of most raw materials and many manufactured goods moved upward during the year. In December 1947, the average price of commodities at wholesale was 15 percent higher than a year earlier, and retail prices were up

an estimated 7 percent. Such important components of consumer's budgets as outlays for rent and household utilities rose less rapidly than commodity prices in general, but the average dollar cost of living for low-income families in metropolitan areas nevertheless increased 8 percent during the year.

The sharp increases in price levels during 1947 are traceable to the impacts of extraordinarily large demands for goods and services upon a taut economy. Productive facilities and the Nation's labor force were being used about as fully as social, business, and labor restrictions and customs would permit. Major increases in requirements could not be supplied from surpluses or by pressing unused plant facilities or manpower into production. Forecasts of early stabilization of prices and declines in the prices of some important commodity groups were based in part on the assumptions that many of the unusual demands accumulated during the war had been largely satisfied and that consumer resistance to high prices would reduce the demand for many other categories of goods. Total demand, however, continued to move upward. Industry diverted materials and labor from production of goods for current consumption to capital goods purposes as it attempted to modernize and expand facilities. Inventory accumulation continued at nearly all levels of manufacturing and distribution, shifting considerable quantities of current production from the stream of current consumption. Crucial needs in Western Europe led to record exports which were not counterbalanced by proportionate imports of goods. These developments combined to restrict the quantity of goods available to domestic consumers at a time when consumer demands and expenditures, supported by higher wages, high business and agricultural incomes, expansion of consumer and bank credit, and reduction in the rate of saving, were on the increase.

### SELECTED INDEXES OF PRICES, UNITED STATES

	(1935-1939=100)						December 1946	June 1947	October 1947	November 1947	December 1947
	1930	1940	1942	1944	1945	1946					
Wholesale commodity prices (U. S. Department of Labor)											
All commodities	107.2	97.5	122.6	129.0	131.3	150.2	174.8	183.1	196.7	197.9	201.0*
Farm products	116.2	89.1	139.3	162.2	168.7	195.9	221.2	234.1	249.6	247.2	258.0*
Foods	114.4	90.1	125.9	132.6	134.3	165.2	202.4	204.6	224.8	225.0	225.9
Raw materials	109.8	93.6	131.0	147.4	152.2	175.1	199.5	208.6	227.9	228.5	N.A.
Manufactured products	106.3	98.6	119.1	121.7	122.9	139.9	163.9	171.9	186.1	183.7	N.A.
All products other than farm products and foods	104.9	102.2	117.6	121.3	122.8	134.6	153.6	161.8	172.3	175.0	177.9*
Hides and leather products	104.6	105.4	123.1	122.1	123.5	143.5	184.8	181.2	200.5	211.7	N.A.
Textile products	113.1	103.9	136.5	138.6	141.0	163.8	189.7	195.6	201.4	203.8	N.A.
Fuel and lighting materials	104.1	95.1	104.1	110.1	111.4	119.5	127.5	137.8	153.7	156.6	N.A.
Metals and metal products	100.3	104.4	113.1	113.1	114.1	125.8	146.7	155.3	164.6	165.0	N.A.
Building materials	100.3	105.8	123.0	128.9	131.5	148.0	176.1	194.6	207.4	209.3	N.A.
Chemicals and allied products	112.7	97.8	121.3	121.0	121.0	128.8	159.7	152.7	163.4	172.6	N.A.
Prices received by farmers (U. S. Department of Agriculture)	120	93	149	182	189	218	247	253	270	268	281
Crops	123	91	146	200	207	233	239	270	269	276	290
Food grain	99	89	128	176	183	214	238	269	321	332	338
Cotton	120	93	180	198	206	275	292	331	298	310	331
Livestock and products	116	96	148	166	174	205	251	238	268	260	274
Meat animals	113	93	158	168	176	215	261	284	303	284	296
Dairy products	119	100	136	166	166	203	262	196	238	246	261
Poultry and eggs	117	88	139	160	180	182	207	188	230	222	240
Prices paid by farmers (U. S. Department of Agriculture)	117	98	122	141	144	162	170	184	191	194	196
Retail prices, all commodities (U. S. Department of Commerce)	N.A.	100.6	124.9	137.6	141.3	155.0	172.7	178.7	184.9	N.A.	N.A.
Consumers' price index (U. S. Department of Labor)											
All items	119.4	100.2	116.5	125.5	128.4	139.3	153.3	157.1	163.8	164.9	N.A.
Food	126.0	96.6	123.9	136.1	139.1	159.6	185.9	190.5	201.6	202.7	N.A.
Clothing	112.7	101.7	124.2	138.8	145.9	160.2	176.5	185.7	189.0	190.2	N.A.
Rent	137.5	104.6	108.5	108.2	108.3	108.6		109.2	114.9	115.2	N.A.
Fuel, electricity, and ice	111.4	99.7	105.4	109.8	110.3	112.5	115.5	117.7	125.2	126.9	N.A.
Household furnishings	108.9	100.5	122.2	136.4	145.8	159.2	177.1	182.6	187.8	188.9	N.A.
Miscellaneous	105.1	101.1	110.9	121.3	124.1	128.8	136.1	139.1	141.8	143.0	N.A.

\*-Estimated.

N.A.-Not available.

The accompanying table, tracing the course of prices of selected categories of commodities, illustrates the unusual magnitude of increase since 1940 and the rapidity of increase during 1947. The wholesale price average in December was approximately double that of 1940. Prices of farm products were nearly two and one-half times the 1940 level, and the average cost of living was 65 percent greater. Also, it will be observed that varying rates of increase among the commodity classifications have created dislocations within the price struc-

ture. In general, prices of manufactured products have risen much less than prices of raw materials and agricultural commodities; moreover, within certain categories of commodities some prices have risen much more than others. Time may prove that some of these divergences from prewar price relations are permanent, since changing costs of production and changing character of demand may have created new price patterns. It appears, however, that the commodity price inflation which the country has been experiencing has aggravated distortions in



the price structure, especially between certain competing commodities and between commodities at different stages of production and distribution. This development has resulted in an unbalanced condition which may be incompatible with price stability and may lead ultimately to readjustments within the price structure.

Inflationary forces still are operating. Abundant purchasing power is available; the credit expansion potential which can be used to support speculative accumulation of inventories, further extension of consumer credit, and competition for scarce materials among producers is quite large; continued large foreign requirements appear virtually certain under the European Recovery Program; and another round of wage increases seems likely to supply additional purchasing power to domestic consumers. On the other hand, here and there are indications that

price levels may have entered vulnerable areas. Backlogs of consumer demand for many soft and semidurable goods appear largely filled. Facility expansion, although at present at record levels, may not continue to exert the drain on materials and labor which was the case in 1947. Perhaps more important, the fruits of greater productivity, arising from expanded plant capacity and a more efficient labor force, may be passed on to consumers through lower prices. Which of the conflicting forces will prove dominant during 1948 seems likely to depend upon such unforecastable influences as the weather and its influence on agricultural production, the rapidity and success of foreign rehabilitation, the discipline with which American consumers channel income into saving and prudent purchasing, and upon the soundness and wisdom of the policies of the Nation's government, business, labor, and financial leaders.

