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A DECADE OF ECONOMIC GROWTH IN THE SOUTHWEST

The decade from 1939 through 1949 was not in any sense of the term a "normal" period. First the war and then a strong war-induced inflationary development, finally followed during the last year and a half of the period by a more or less moderate corrective readjustment from inflated peaks in many areas of economic activity, combined to create a continuing set of conditions which reflected the "abnormal" rather than the "normal." Obviously the economic growth pattern during such a decade should not be accepted necessarily as forecasting the future pattern or trend. It is helpful, however, in looking toward the future to review and appraise retrospectively economic developments and accomplishments which at least in some degree tend to set the stage for future trends.

During the war and postwar years the five-state area of the Southwest, including Arizona, Louisiana, New Mexico, Oklahoma, and Texas, which lie wholly or partly in the Eleventh Federal Reserve District, experienced greater-than-national-average growth in many important areas of economic activity. Perhaps the most spectacular development of the decade in the Southwest has been the rapid and remarkable industrialization that has given the Nation a new concentration of industry along the Texas and Louisiana Gulf Coast. However, the glamour that is frequently associated with new and fascinating industries and products and the construction of multimillion dollar plants should not cause one to lose sight of the notable growth and economic development that have occurred in other parts of the Eleventh District and the Southwest. Growth in the Southwest has not been confined to the Gulf Coast area or to large-scale industrialization—important though those developments have been—but has extended in varying degrees throughout the states of the region, being reflected in small industry, in agriculture, business and distribution, and banking and finance.

In this article some of the developments of the Forties as reflected in their effects upon a few important economic factors, such as population, industrial facility expansion, agriculture, banking, and income, will be highlighted. Such a general but brief treatment undeniably has certain shortcomings. It is necessary to omit subjects that are of importance equal to those included. Also, it is necessary to sacrifice detail and critical analysis in the interest of touching upon a larger number of developments than otherwise would be possible. Finally, although in many respects there seems to be a superabundance of statistical data available, too frequently such data are not comparable or continuous, and consequently it is not always possible to present a review of this sort with the nicety and completeness that might be desired. Such shortcomings, however, need not be fatal, for a general picture of the recent past, even though it may be somewhat incomplete and not precise, can be useful as an aid in looking objectively into the future.

The rate of growth of civilian population between July 1, 1939, and July 1, 1949, showed wide differences in the several states in the Eleventh District, ranging from an increase of 49.8 percent in Arizona to a decline of 1.8 percent in Oklahoma. On July 1, 1949, total civilian population of the

five-state area was estimated at 13,636,000, or an increase of 13.5 percent during the decade as compared with only a fractionally smaller increase of 13.1 percent for the United States. In addition to Arizona, Texas with a civilian population increase of 17.2 percent experienced a rate of growth greater than that characteristic for the Nation. In view of its relative size, this greater-than-national-average growth in Texas largely explains the fact that the five-state southwestern area grew in population at a slightly higher rate than did the United States. Other states in the District—New Mexico and Louisiana—showed substantial increases in population, although the rates of increase—10.5 percent and 11.8 percent, respectively—were appreciably less than the national rate of growth.

During the decade there was a rather marked movement of population from farms to cities in several of the southwestern states. Since this movement was initiated during the war years when farm workers and farm families migrated to the cities in large numbers to accept employment in the rapidly expanding defense plants and related industries, it was assumed that perhaps with the end of the war a reversal of that trend on a substantial scale would occur. Between 1945 and 1947 there was a trend back to the farm, but it was small in proportion to the trek away from the farms that had occurred during the war years. For instance, in the area defined by the Bureau of Agricultural Economics as the West South Central states and including three of the states in the Eleventh Federal Reserve District, farm population was reported to have declined from 5,066,000 in 1939 to 3,723,000 in 1945. In Texas during the same period the decline was from 2,168,000 to 1,577,000. Relatively speaking, in each of these cases the decline was somewhat greater than was experienced in the country as a whole. During the first two postwar years farm population turned upward in all of these areas, although the increase was relatively less in the West South Central area and in Texas than even the very moderate increase for the United States. Since 1947 farm population increased fractionally in the United States but renewed its decline in the West South Central states and in Texas. As a result of these developments, farm population of the West South Central states, which was about 16.6 percent of the national total in 1939, had declined by the end of 1949 to about 14.6 percent, while the downward trend in Texas was from 7.1 percent to about 6.1 percent.

Many factors have contributed importantly in bringing about this movement of farm population to urban centers. One of these probably has been the lure of the city, with its more appealing and perhaps better living conditions and easier accessibility to the basic social services. Another has been the rapid increase that has occurred in the mechanization of agriculture, bringing with it a shift toward types of production which require less farm labor. Then too, during the war and postwar years the relatively full employment that prevailed in the labor market, attractive wages, and industrial and trade employment opportunities have been strong inducements to the younger members of the farm population to move to urban centers. Also, closely related to the condition of full employment that has prevailed in recent years has been the opportunity for continuous employment at favorable wages in the cities, in contrast with the more or less seasonal employment that is still frequently characteristic of agriculture. Finally, during the postwar years, especially through 1948, there was a very marked increase in the number of new businesses and industries located in semirural and small-town areas.

This shifting population development has certain economic significance to the area. While at first thought one might conclude that a marked movement of population from the farms is undesirable, actually there have been favorable as well as unfavorable developments associated with the movement. For instance, the very recognition of the importance of preventing a large-scale exodus of farm workers to cities and a realization of some of the reasons why such a movement has been taking place have tended to stimulate corrective efforts which, in the long run, should result in a better and more stable agriculture. Undoubtedly, large strides have been taken toward the improvement of rural living conditions by providing better community services, extending electrification, and improving farm housing. Moreover, a stimulus has been imparted to diversification of agriculture and to better soil improvement and conservation practices as means of maintaining more profitable and more stable year-round farm operation. Finally, although the trend toward mechanization has tended to release some types of farm workers from rural employment, it will raise the quality and standards of farm employment; moreover, as farms become more mechanized in their operation and labor requirements

and inducements more nearly approximate those of business and industry in the urban areas, there will be less temptation to withdraw from farming activities. In the long run, such developments point not only toward a better farm life but also to larger markets for the products of industry of the Southwest and of other parts of the country.

Viewed from another aspect, the migration of farm population to urban centers during recent years of full employment and expanding industrialization in the Southwest has helped to provide an adequate, though in terms of existing demand not excessive, labor supply in most categories of employment. This development has been a real advantage during the past 8 years when requirements for employees were steadily expanding, although a different problem may be posed in the future if business conditions and industrial activity should decline sharply with a consequent increase in unemployment. There are no signs of such a happening in the foreseeable future, but the fact that it is a potential problem under certain circumstances should not be disregarded.

Even before the war a notable trend toward industrialization in parts of the Southwest had gained momentum. Wartime developments greatly accelerated that trend, however, as during the war years 610 war manufacturing facilities were constructed in the Eleventh District at a cost of about \$1,471,000,000, with 537 of these plants costing approximately \$1,371,000,000 being located in Texas. The major expenditures for wartime facility expansion in the Southwest were confined to few industries and a relatively small number of establishments rather highly concentrated in a few localities. The largest investments were in chemical and petroleum and related plants, types of industries in which capital requirements are relatively high and the labor needs from the standpoint of number of workers relatively small. Indicative of these characteristics of the industrial expansion in the area are the facts that the 60 largest facilities in the District involved a total cost of \$1,280,000,000; the authorized cost of chemical plants, including the basic chemicals essential to the synthetic rubber industry, accounted for more than one-third of total expenditures; refineries and related installations, about 23 percent; and ordnance, iron and steel, nonferrous metals, shipyards, and aircraft plants, all but about 6 percent of the remainder. The narrow geographic concentration of these facilities in the Eleventh District is emphasized by the fact that 22 of the 311 counties in the District received 95 percent of total expenditures and 6 Texas coastal counties received almost 60 percent of the total.

The successful conversion of many of these war manufacturing facilities to peacetime utilization has importantly influenced the future industrialization of the Southwest. Many major facilities financed either with private funds or public funds continue in operation and, in some cases, more intensively even than during the war. Most of the refineries and chemical plants, as well as the basic metals facilities, continued in operation without interruption at the war's end. In addition, smaller ordnance plants shifted to the fabrication of steel and the production of metal products, while many small plants are now being used intensively in the processing of food and in the production of rubber goods, glass, and other products.

One of the most important outcomes of this development was the creation of a better diversified industrial structure for peacetime production. For example, aircraft facilities and iron and steel plants gave to the Southwest important new industries. A nonferrous metals industry, including a large magnesium plant, tin processing plant, and facilities to process ores from abroad, was created on the Gulf Coast, adding to such established industries in the District as the major potash industry in New Mexico and the metals industries in New Mexico and Arizona. Chemical plants, refineries, and metal products plants added greatly to their prewar capacity, while coordination of the operation of large-scale refining and chemical plants using most modern methods, equipment, and scientific knowledge has opened new opportunities which continue to attract new investment. Finally, a by-product of this large-scale development has been the establishment of many smaller plants throughout the area to service the new major industrial structure.

Furthermore, the growth of both large- and small-scale industry in the District did not cease with the end of the war but continued at a rapid pace through each of the postwar years. While com-

plete and continuous figures are not available to show the amount of expansion and new capital investment in the Southwest since the end of the war, fragmentary data are adequate to establish that this part of the country has more than kept pace with the growth in other regions. Major new chemical projects, important additions in the petroleum and natural gas industries, record-breaking pipe-line programs, new carbon black plants, and other industrial projects have involved a cost in plant and equipment running into the hundreds of millions of dollars. Building materials plants have been expanded to meet the very large construction demand, and significant additions have been made to paper and paper products and food processing facilities.

Simultaneously with these major developments there has been a growing movement in the establishment of small-scale industrial plants in the smaller cities of the District. These plants, manufacturing a miscellany of products, have given local employment and have provided the stability of a pay roll to their communities. Moreover, they have played a major part in absorbing many of the farm workers who have migrated from farms to towns and cities.

Such factors as the notable industrial expansion in the area and the substantial growth in population, together with the restrictive conditions which prevailed in the construction industry during the war years, combined to raise new construction activity in the five states in the Eleventh District very sharply by the end of the decade. It is estimated that total new construction activity in the five-state area in 1939 amounted to about \$567,000,000 and by 1947 had risen to \$1,693,000,000. Further increases during 1948 and 1949 probably brought the total of new construction activity in this area to the neighborhood of \$2,150,000,000. On the basis of these figures, partly estimated, the increase in construction activity amounted to about 279 percent, as compared with an increase of about 206 percent for the United States, and the percentage of total United States construction activity in these five states rose from about 9 percent in 1939 to more than 11 percent in 1949.

Despite the industrialization of the past several years, however, the Southwest still is an area in which the extraction of basic minerals and the production of several major agricultural products represent the most important sources of income. Such basic mineral products as petroleum, natural gas, sulphur, and a host of others of lesser importance and such agricultural products as cotton, wheat, grain sorghums, rice, citrus, livestock, and others are the basis of this southwestern economy.

The Eleventh Federal Reserve District reported about 43 percent of the Nation's crude petroleum production in 1939 and more than 45 percent of the production in 1949. During 1949, however, substantial cutbacks in the production of crude petroleum were effected, with Texas accounting for virtually all of the reduction in the area. Consequently, the District's share of the national production of crude petroleum declined from the slightly higher figure of 49 percent which was reported in 1948.

Petroleum refining as measured by crude oil runs to stills increased in the Eleventh District but at a slightly lower rate than was characteristic for the Nation as a whole between 1939 and 1949. In 1949 approximately 30 percent of the Nation's petroleum refining was reported from this District, in contrast with about 34 percent in 1939. Refining activity in the District reached a peak in 1948 and then declined slightly during the last year of the period, partly in line with the decline which occurred in crude production. Largest volume increases in petroleum refining during the decade occurred in Texas in the Eleventh District and in southern Louisiana. In Texas, refining rose from 399,000,000 barrels in 1939 to 600,000,000 barrels in 1948, followed by a shrinkage in volume to 553,000,000 barrels in 1949; in southern Louisiana the trend was from 48,000,000 barrels to 160,000,000 barrels, followed by a decline to 155,000,000 barrels in the last year of the period.

The four petroleum-producing states in the Eleventh District are estimated to contain about 16,155,000,000 barrels of petroleum reserves, or almost 70 percent of the Nation's petroleum reserves as reported early in 1949. In this respect, the four southwestern states approximately held their

relative position during the decade. New discoveries and known reserves in these states maintained a pace roughly equal to that of discoveries and proved reserves in other parts of the country. Reflecting the strong demand for crude petroleum that existed continuously throughout the decade and the favorable price trend, especially during the postwar period, well completions per year rose from 10,621 in 1939 in the Eleventh District to approximately 15,500 in 1949. Furthermore, the percentage of new wells completed in the District as compared with the figures for the United States shows that in the last year of the decade the Eleventh District accounted for almost 42 percent of the total, while in 1939 the proportion was approximately 40 percent.

Natural gas production in the four southwestern producing states increased between 1939 and 1948 from about 2,070,000,000,000 cubic feet to more than 4,422,000,000,000 cubic feet, or approximately 115 percent. These states reported 74 percent of national production in 1948 in contrast with 66 percent in 1939. Early in 1949 proved reserves amounted to about 137,000,000,000,000 cubic feet, accounting for approximately 79 percent of the Nation's total. The rapid and widespread extension of pipe lines has broadened the market for the Southwest's huge natural gas supplies, while industrial users producing synthetics, carbon black, and other products have increased their demand for this valuable natural resource. The practice of wasting natural gas freely or selling it at giveaway prices—a practice which was not uncommon in earlier years—has undoubtedly passed, and this resource of the area will become even more important as a source of income than it has been in recent years.

Perhaps because of the widely recognized importance of petroleum to the Southwest one is sometimes inclined to overlook the importance of other mineral resources. For instance, virtually all of the Nation's sulphur and, in fact, about two-thirds of the world's supply are produced in Texas and Louisiana. A very substantial proportion of the magnesium produced in the United States comes from Texas, while many other important mineral products are present in commercial quantities and are being used more or less extensively. The production of iron and steel has risen in value in Texas from perhaps \$40,000,000 in 1939 to well over \$100,000,000, while the production of cement has more than doubled in Texas since 1939, rising from 6,500,000 barrels in that year to more than 15,000,000 barrels in 1949, or from slightly more than 5 percent of total United States production to about 7 percent.

The expansion of agriculture in the five-state area that lies wholly or partly in the Eleventh District more than kept pace with the growth of agriculture in the Nation as a whole between 1939 and 1949, as cash receipts from farm marketings rose from about 10.9 percent of the national total in 1939 to perhaps 12.3 percent in 1949. All of that relative gain, however, appeared in the last year of the decade and reflected the unusually bountiful crops harvested in Texas and other southwestern states. Between 1939 and 1948 the share of the national total of cash receipts from farm marketings received by the five states in this area fluctuated narrowly around 11 percent.

The most valuable of the crops of the five-state area—cotton—reached a record of about \$1,150,000,000 in 1949, as compared with \$236,000,000 reported for the five states in 1939. Unusually large harvested acreage in the last year of the period totaling 13,768,000 acres, very favorable yields, and relatively high prices combined to produce this most valuable crop. The production of wheat—the second most valuable crop of the five-state area—was valued in 1949 at approximately \$350,000,000, as compared with a value of production in 1939 of almost \$65,000,000. Again, as was the case with regard to cotton, very large harvested acreage, high prices, and satisfactory yields brought about the marked increase in value of the crop. Other major crops that have shown significant growth in value of production during the decade include corn—a crop largely used as feed for local consumption—the value of which rose from about \$74,000,000 to perhaps \$335,000,000; rice, from \$12,200,000 to \$106,000,000; grain sorghums, from more than \$30,000,000 to about \$130,000,000; citrus products, from almost \$8,400,000 to \$19,000,000; and peanuts, from about \$7,200,000 to approximately \$47,000,000.

Estimates of the value of livestock production, although representing only approximations, show that livestock production in the five-state area increased from a \$467,000,000 business in 1939 to an estimated \$1,600,000,000 operation in 1949, thus keeping pace with the increase in estimated value of livestock production for the Nation as a whole. During the war years there was a steady increase in the number of cattle in the Southwest, but since the war each year has shown a decline in cattle population, with the total on January 1, 1949, estimated at 14,081,000. The trend in numbers of cattle in the United States as a whole has been similar to that in the Southwest.

Recognizing the great importance of a sound and efficient agriculture to the Southwest, leaders in virtually all lines of economic activity throughout the area have given their support to the efforts of agricultural groups and workers attempting to improve the basic agricultural resource of the area, namely, its soil. The past decade has witnessed great forward strides in programs of soil conservation and improvement and water conservation. True, it is impossible to place a dollar value upon the benefits derived from these programs, nor do the available statistics showing the number of miles of terraces constructed, the number of acres seeded to legumes, and the extent to which other conservation practices have been instituted indicate the real significance of these programs to the Southwest. Such programs not only serve the important purpose of increasing current income derived from the soil, but of even more importance and lasting benefit to the area is the fact that they will have an effect upon farm income and the prosperity and economic stability of the area for years in the future.

With no intention of being all-inclusive, but merely to indicate some of the progress that has been made, a few figures may be worthy of mention. Between 1937 and 1941 all states in the Eleventh District passed legislation permitting the organization of farmer-directed and -controlled soil conservation districts. Working together through these organizations, farmers are attempting to solve the land use and the soil conservation problems of their individual farms and the surrounding farming areas. Excellent technical assistance is provided by the Soil Conservation Service. Since enactment of this legislation, virtually the entire Southwest has been blanketed by these cooperative organizations, and more than 90 percent of all farms and ranches in the area are included in the program. Of course, not all farms and ranches covered by soil conservation district programs are cooperating, but it is estimated that detailed soil surveys and individual farm plans have been prepared for perhaps 75,000,000 acres of farm and ranch land. Contour cultivation is being practiced on more than 5,000,000 acres in the area. Cover crops have been planted on more than 3,000,000 acres. Over 2,000,000 acres have been seeded to range and pasture grasses, while about 150,000 miles of terraces have been constructed. One of the most favorable features of the development is that reports consistently point to the fact that yields have been increased and that incomes have been raised where soil conservation and improvement practices are being followed.

Banking developments in an area usually reflect very closely the level and trend of major income-creating and -supporting economic activities. Consequently, it is not surprising to find that banking growth, as reflected by principal asset and liability accounts, has proceeded at a pace in the Eleventh District much more rapid than that which has been characteristic for the Nation during the past decade.

Total member bank deposits in the Eleventh District rose from \$1,577,000,000 to \$6,292,000,000 during the decade, an increase of approximately 300 percent as contrasted with an increase for all member banks in the United States of about 145 percent. Moreover, the trend of total deposits at member banks in the Eleventh District has differed from that for the United States as a whole in that during the postwar years member bank deposits in this District continued to increase, rising from about \$5,738,000,000 to the figure mentioned above for the end of 1949, while a decline in total deposits at all member banks in the United States—from \$129,670,000,000 to \$120,418,000,000—occurred. The decline in deposits over the Nation was largely a result of the retirement of bank-held Government securities during the period when the Federal Government was able to show a budgetary surplus, while the increase in deposits at member banks in the Eleventh District reflects the more than offsetting effect resulting from the continued postwar growth in the area.

At one time or another during the decade, various factors contributed their influence to bring about this greater relative increase in bank deposits in the Eleventh District. For instance, during the war period an excess of war production over displaced peacetime production increased the net inward flow of funds to the area. Then too, throughout the decade there has been virtually a steady increase in the demand for the raw materials and the products of the Southwest, while, fortunately, this part of the country has been favored with consistently better than average crop production during years when a relatively high level of prices for agricultural products prevailed. There has also been a steady, assured market at comparatively high prices for the products of the area's rapidly expanding and diversifying industrial organization. It was believed at times during the decade that a reversal of the sharply rising deposit trend might occur, probably soon after the war, but as the figures show, that situation has not developed. Now, to a considerable extent, it is probable that deposits which have moved into this District during the past few years have become pretty fully ingrained in the economic structure of the area and, therefore, it is unlikely that subsequent losses—although they may occur in some degree—will be sufficient to offset any very appreciable part of the wartime and postwar gains achieved through 1949. It should not be overlooked, however, that temporary shrinkages of deposits in the Southwest might occur if weakness should develop in the relative position of such basic sources of income to the area as agriculture and petroleum. The steady improvement that is being made in the soundness of the area's agriculture and the outlook for the petroleum industry, however, tend to minimize somewhat the probability of serious deposit shrinkages.

Other indicators of banking activity which reflect the more rapid growth at the member banks in this District as compared with member banks in the United States include an increase during the decade of somewhat more than 306 percent in total loans and discounts, as compared with an increase of about 157 percent for the United States; an increase of 283 percent in total resources of the District's member banks, as compared with 137 percent for the member banks in the United States; and an increase of 130 percent in the total capital accounts of the member banks in the Eleventh District, as contrasted with an increase of 67 percent for all member banks. These unusual increases in financial resources at the banks in this District have placed those institutions in a position to serve much more effectively and completely the financing requirements of the various economic segments of the area. Moreover, and perhaps equally important, the bankers throughout this area—both in the larger cities and in the smaller towns—have shown clearly that they are increasingly aware of the vital part that they can and must play in encouraging and supporting constructive efforts to improve the income and economic stability of the Southwest.

Reflecting to some extent the growth in retail trade in the Eleventh District during the decade of the Forties, the index of department store sales advanced from 112 percent of the 1935-39 average in the last prewar year to about 385 percent in 1949. Comparable data for the United States show an advance from 106 percent to 287 percent. Rough estimates of the growth in dollar volume of department store trade in the District and in the United States during the period indicate an expansion of about 245 percent in the Eleventh District, as contrasted with an increase of about 171 percent for the United States. These relative growth figures compare approximately with the growth in department store trade as reflected by the annual indexes for the District and the United States. Much of the substantial increase in department store trade in the District, however, relative to the increase in the United States occurred during the war years, for since 1945 the increase in the District and in the United States has been roughly similar.

Bank debits provide a useful though not entirely accurate or precise measure of levels and changes in business and trade activity. In 1939 bank debits reported from 10 centers in the Eleventh Federal Reserve District amounted to \$8,600,000,000 and by 1949 had increased to more than \$36,300,000,000, an increase of about 322 percent. Comparable figures for the 140 reporting centers in the United States, excluding New York City, show an increase from about \$218,300,000,000 to more than \$648,800,000,000, or about 197 percent. While bank debits include many financial and other types of

transactions which do not truly reflect changes or trends in business and trade activity, the figures for the District and for the United States are comparable and probably are useful in measuring broad growth trends. Changes in the District's proportion of total bank debits indicate a growth trend that is not greatly dissimilar from that which has been reported for a number of the individual components of economic activity, as the District's total debits in 1939 accounted for about 3.9 percent of the national total and by 1949 had risen to approximately 5.6 percent of the United States figure.

Estimates of income payments in the five states in the Eleventh District tend to show in an overall way the results of the various economic developments and growth trends that have been discussed in the preceding paragraphs of this article. Total income payments to individuals in the five-state area in 1939 amounted to \$4,584,000,000 and by 1949 had risen to a reported \$15,350,000,000, an increase of approximately 235 percent during the decade. At the same time, income payments to individuals in the United States were rising from \$70,600,000,000 to about \$205,500,000,000, or an increase of about 190 percent. All states in the Eleventh Federal Reserve District showed substantial percentage increases in income payments during the decade, reflecting a widespread and general distribution of the increased income over the area. For instance, on a state basis income payments to individuals increased approximately 290 percent in New Mexico, 250 percent in Texas and Arizona, 220 percent in Louisiana, and 190 percent in Oklahoma.

As a result of the very substantial increase in income payments in the states in the area, per capita income payments moved sharply upward. While this figure for the United States was advancing from \$539 in 1939 to \$1,391 in 1949, the comparable figures for the five-state southwestern area showed an advance from \$382 to \$1,126. In other words, as a result of the more rapid rate of growth in income payments to individuals in the Southwest, per capita income in these five states amounted to about 81 percent of the national average in 1949, as compared with only about 71 percent of the national average in 1939. Largest per capita income in 1949 was reported by New Mexico and Texas, with amounts estimated at \$1,211 and \$1,200, respectively. Of course, as a result of the combination of varying rates of growth in income and in population in the different states in the District, the rate of growth of per capita income varied considerably, ranging from 255 percent in New Mexico to 135 percent in Arizona, with the latter figure being reduced somewhat because of the unusually large increase in population that was experienced by that State.

These developments of the past 10 years have greatly strengthened the economy of the Southwest and in many respects have brought about a somewhat better balanced situation. It is true that agriculture and petroleum still dominate this area as economic factors, but the marked diversification that has occurred in industry and the introduction of new industries into the area, together with the steady progress made toward the improvement of agricultural production, have been strides in the direction of building a better balanced, more sound economic structure in this Federal Reserve District. From a long-run point of view, the outlook appears to be favorable by virtually all standards of measurement, although leaders in the area must continue their efforts to strengthen and stabilize agriculture and to blend into the industrial structure of the area an increasing number of firms and industries that can draw upon and use profitably the rich natural resources that are so abundant in the Southwest.

In conclusion, it may be appropriate to refer to a few comments drawn from a recent statement of Secretary of Commerce Charles Sawyer, a statement included in a report submitted shortly after Secretary Sawyer completed his visit to the Southwest as a part of an on-the-spot fact-finding survey which was conducted by the Secretary in all regions of the United States. In speaking of this area, Secretary Sawyer stated that the Southwest has been experiencing a period of economic growth typified by an extremely prosperous agriculture and remarkable developments in such relatively new fields as aircraft, chemicals, primary metals, metal fabrication, and machinery, all of which in turn have supported vigorous growth both in the number of establishments and in business volume throughout the retail and service fields. He concluded his statement by saying that he did not encounter elsewhere in the country any greater optimism concerning possibilities for growth in the years ahead nor any greater effort directed toward that end.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

The December business at department and furniture stores in the Eleventh Federal Reserve District turned out considerably better than had been expected. The improved tone in consumer buying, which apparently extended to several other lines of trade, became noticeable early in December and seemed to gain momentum as the month advanced. Sales of department stores and of furniture stores increased more than seasonally from November to December and were 2 percent and 10 percent, respectively, higher than in December 1948. Department store sales were at a new peak, although sales of furniture stores were under the record volume of December 1947.

Merchandise stocks at both department and furniture stores were reduced sharply during December by the unusually large sales, and the position of year-end inventories was generally favorable. Although the ability to obtain immediate delivery on most goods to replace depleted stocks enabled merchants to meet over-all consumer demands, stocks of some goods were too meager to satisfy consumer preferences.

The improvement in business is attributed chiefly to the better undertone of consumer confidence generated by the maintenance of consumer incomes at a high level, the expectation of some strengthening in prices, the payment of substantial year-end bonuses, anticipation of insurance refunds to veterans, and the general expectation that stability in business and industry will continue.

The daily average production of petroleum in the Eleventh District was cut back 161,000 barrels in December to a level 487,000 barrels below the near-peak reached in December 1948. Moreover, the December reduction canceled about 42 percent of the gain that had been made during the preceding 4 months. Further moderate reductions in Texas allowables were ordered by the Texas Railroad Commission for January and February. A significant development in the national petroleum situation during December was the sharp reduction of approximately 675,000 barrels per day in refinery stocks of kerosene and fuel oils, which apparently was occasioned by the widespread movement on the part of distributors and consumers to refill their tanks. In consequence of this reduction, year-end refinery stocks of these products were reduced to approximately the same levels as at the end of 1948. On the other hand, stocks of gasoline increased sharply in December to a level about 9 percent higher than a year earlier.

The value of construction contracts awarded in the District during December increased contraseasonally but was still 16 percent under the unusually high level reached in December 1948. The heavy December volume was accounted for by the large awards for residential building—chiefly low-cost housing—and for public works, which included numerous contracts for highway construction. In the nonresidential category, awards for manufacturing and educational buildings were small in comparison with the large totals for December 1948.

Nonfarm employment reached a new peak in December at a level about 2 percent higher than in the closing months of 1948, reflecting chiefly additions to forces at retail stores and some other nonmanufacturing establishments.

Despite interruptions on account of rains and cold weather, farmers made good progress with field work. Plowing and

seeding operations are now well advanced. Moisture supplies generally are adequate for immediate needs in most areas except in certain Texas Panhandle and eastern New Mexico counties, where additional moisture is needed badly for wheat and livestock ranges. Outside these dry areas, ranges and pastures are in good condition, with small grains, rescue grass, and clover furnishing considerable supplemental grazing. Livestock generally are in good condition and are gaining in weight in those areas where green feed is available.

BUSINESS

Reflecting the mild nationwide readjustment in business and industry, department store sales in the Eleventh Federal Reserve District declined moderately in 1949 following an unbroken rise for 16 consecutive years. The dollar volume of sales last year was 5 percent less than in the peak year 1948 but 3 percent greater than the excellent volume of 1947. The decline in the national average was about the same as in the District.

Sales during the first 7 months of 1949, adjusted for seasonal variation, continued the declining trend which began in October 1948, although the downward movement was very gradual as compared with the noticeable decline in the fourth quarter of 1948. The slackening in business activity, the increase in unemployment, and the downward trend in prices caused consumers to adopt a more cautious buying attitude during the first half of last year. Not only was their confidence in job security and in the maintenance of their income slightly impaired, but they tended to hold off buying in the expectation of further reductions in prices. Moreover, the reimposition of consumer instalment credit controls (Regulation W) in the fall of 1948 undoubtedly had a dampening effect on the purchase of consumer durable goods, while the major style change in women's clothes, which had stimulated sales considerably in the previous 2 years, was no longer as strong a force in maintaining department store sales.

With the first signs of weakening of sales in the fall of 1948, merchants recognized the need for readjusting their inventories and stepping up their merchandising efforts. The year 1949 started off with widespread clearance sales, increased advertising, and an expansion in other sales promotional activities. Prices were frequently slashed on slow-moving items and orders on these items cut. At the same time, stores aggressively sought attractively priced, fast-moving items which could be sold to the consumer at "bargain" prices. These aggressive merchandising policies were successful in maintaining the physical volume of sales and the turnover of inventories, but at the expense of lower profit margins and, in some cases, inventory losses.

Business conditions, after reaching a low point in the summer, began to strengthen. With business indicators in the District rising, expectations of price declines fading, and their income at continued high levels, consumers began to have increased confidence and department store sales began showing greater-than-seasonal improvement. Sales culminated the year with a record dollar volume in December, which, in view of a decline in prices of approximately 7 percent, becomes all the more impressive.

Sales in individual departments evidenced sharply divergent trends during the course of the year. In the major appliance department, sales dropped sharply in the early months of the year, in continuation of a decline which began in the fall of

1948, and then developed unusual strength in the summer and fall months, with the total sales volume for the year about 3 percent higher than that of the previous year. This was the only important department to show an increase for the year. Sales of silverware and jewelry, men's clothing, and basement store merchandise were practically the same as in 1948, although the last group tended to weaken during the latter part of the year. Stimulated by a tremendous demand for television sets, sales of radios, phonographs, etc., were extremely good during the last quarter of the year, and this favorable showing largely offset the substantial year-to-year declines noted in the first 9 months. Sales of women's accessories also showed only a small decline for the year as compared with 1948. On the other hand, sales of women's and misses' coats, suits, and dresses held up fairly well in the early part of the year, in sharp contrast to the weakness shown in consumer durable sales; but then, unlike consumer durable sales, fell appreciably below year-earlier levels during the remainder of the year. Total sales for the year of women's and misses' coats and suits were 16 percent less than the 1948 total, and the year's sales of dresses were down 11 percent. While domestic floor covering sales picked up near the end of the year, the 1949 volume was almost one-sixth less than that of the previous year.

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in				Stocks†	
		Net Sales		12 mo. 1949 comp. with 12 mo. 1948	from Dec. 1949 to Nov. 1949		
		Dec. 1949 from Dec. 1948	Nov. 1949		Dec. 1949 from Dec. 1948	Dec. 1949 from Nov. 1949	
Retail trade:							
Department stores:							
Total Eleventh District..	48	2	56	-5	-5	-22	
Corpus Christi.....	4	12	89	3	3	-27	
Dallas.....	7	4	55	-6	-10	-24	
Fort Worth.....	4	4	62	-2	4	-17	
Houston.....	7	-4	57	-8	4	-20	
San Antonio.....	5	4	48	-4	5	-13	
Shreveport, La.....	48	7	52	1	.....	.....
Other cities.....	20	5	55	-3	-10	-27	
Furniture stores:							
Total Eleventh District..	41	10	30	.....	-15	-7
Dallas.....	3	36	25	.....	-21	-6
Houston.....	4	6	53	.....	.....	.....
Fort Arthur.....	4	-5	1	.....	-32	-19
San Antonio.....	3	-2	31	.....	.....	.....
Wichita Falls.....	5	-5	32	.....	-14	-8
Wholesale trade:*							
Automotive supplies....	3	-24	25	.....	.....	.....
Drugs and sundries....	4	7	-12	6	10	-7	
Dry goods.....	4	-1	-24	-20	4	47	
Grocery (full-line wholesalers not sponsoring groups).....	38	-11	-8	-7	-7	-11	
Hardware.....	7	3	-10	-13	-15	-5	
Machinery equip. and supplies except elec....	4	-25	-28	.....	26	5
Tobacco products.....	11	8	6	3	-5	-36	
Wines and liquors.....	5	3	31	.....	.....	.....
Wiring supplies, construction materials distributors.....	4	0	-20	.....	-9	14

Indicates change of less than one-half of 1 percent.

* Preliminary data. Compiled by United States Bureau of Census.

† Stocks at end of month.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
Daily average sales—(1935-39=100)

	Unadjusted*			Adjusted				
	Dec. 1949	Nov. 1949	Oct. 1949	Dec. 1948	Dec. 1949	Nov. 1949	Oct. 1949	Dec. 1948
Eleventh District.....	861	442	414	646r	406	362	398	396r
Dallas.....	802	405	372	581	381	335	338	368
Houston.....	729	483	417	762r	459	400	379	479r

STOCKS—(1935-39=100)

	Unadjusted*			Adjusted				
	Dec. 1949	Nov. 1949	Oct. 1949	Dec. 1948	Dec. 1949	Nov. 1949	Oct. 1949	Dec. 1948
Eleventh District.....	N.A.	405	384	345r	N.A.	369	370	375r

* Unadjusted for seasonal variation.

r—Revised.

N.A.—Not available.

Department store sales of the different cities in the District showed considerable variation in 1949. In contrast with a 5-percent decline in sales for the District as a whole, sales at

Corpus Christi were 3 percent higher and in Shreveport were around 1 percent higher than in 1948. Fort Worth and San Antonio, meanwhile, reported declines of 2 and 4 percent, respectively, both cities making a more favorable showing in the latter months of the year than during the earlier months. On the other hand, sales in the two larger cities in the District showed the greatest declines, with Dallas sales down 6 percent and Houston sales down 8 percent.

An outstanding feature in department store trade during 1949—in fact, in general retail trade—was the continued large expansion in instalment sales, particularly during the last half of the year. Although the sharp contraction in sales of consumer durables during the first few months of the year reduced instalment buying below year-earlier levels, with the easing and subsequent elimination of Regulation W on June 30, instalment sales in the District picked up sharply and during the last half of the year averaged 30 percent higher than during the corresponding period of 1948. Instalment sales comprised a slightly higher proportion of total sales for the year as a whole than in the prewar year 1941.

The liberalization of instalment credit terms which followed the expiration of Regulation W undoubtedly had an important influence on the expansion of instalment sales. The reduction in down-payment requirements and the granting of longer pay-out periods resulted in a slowing in collections and an appreciable increase in instalment accounts outstanding. The ratio of collections to instalment accounts outstanding declined noticeably in the last half of 1949 to approach the prewar level prevailing in 1940. Moreover, instalment accounts outstanding climbed to successive highs and at the end of the year were 24 percent higher than a year earlier, a significantly larger increase than the 19-percent rise in instalment accounts outstanding in department stores of the Nation as a whole. While reports indicate that bad debt losses continued to run substantially below prewar experience, the liberalization of credit terms and the expansion of instalment sales cannot be expected to act indefinitely as a positive factor in promoting department store sales. It is worth noting that the net increase in instalment accounts outstanding in 1949 was only one-half as large as the increase in 1948.



Charge-account sales in 1949, unlike instalment sales, showed a small decline from their 1948 total, but this decline was considerably less than that of cash sales. Accordingly, charge-account sales formed a slightly larger proportion of total sales than in the previous year, thus continuing the trend

which has been in evidence since 1945. The proportion of charge-account sales to total sales, however, is still slightly below the prewar 1941 level. Moreover, although collections tended to be a little slower in 1949, the ratio of collections to charge accounts outstanding was considerably higher than during prewar years.

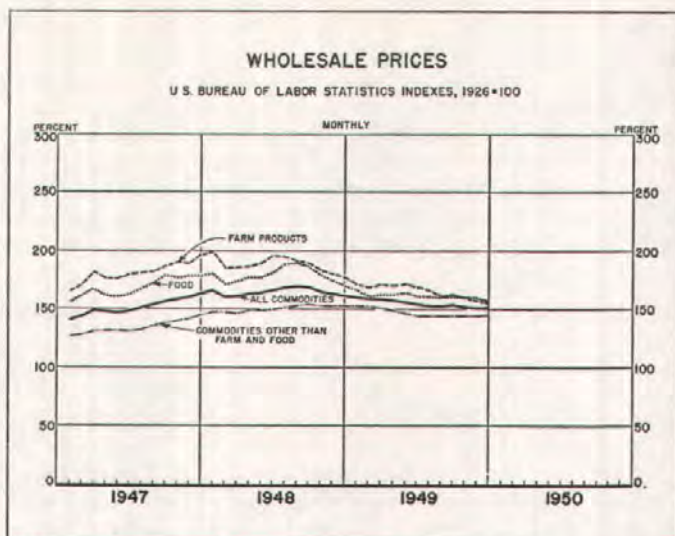
Inventory adjustment, which was probably the most prominent characteristic of business developments during 1949, was clearly evident in the department store inventory situation. With the downturn in sales in the last quarter of 1948, merchants found themselves with unduly large and unbalanced stocks. Receiving additional impulsion from a declining price level, merchants strenuously attempted to reduce stocks during the first half of the year. New orders were slashed and clearance sales pushed. These efforts were so successful that by mid-1949 many merchants found that they had reduced their inventories too sharply in the face of a generally sustained physical volume of sales. Inventories, which at the beginning of the year had been approximately the same as a year previous, by July were down 13 percent from the corresponding period of 1948. Part of this decline, however, was due to lower prices. Meanwhile, a substantial reduction in the placement of new orders had reduced orders outstanding at the end of May to 51 percent below the year-earlier level.

In the latter half of the year merchants began to build up their stocks selectively, still following, however, a cautious inventory policy. Long-term commitments were avoided. With the downward trend in sales arrested and Christmas buying better than expected, many merchants appeared to feel that their year-end stock position was fairly sound, with inventories generally in balance and the stores in a favorable position to avail themselves of new merchandise developments. Aggregate stocks at the year's end were 5 percent below the level of the same date of the previous year and orders outstanding were down 10 percent.

Sales of furniture stores in the District, after slumping badly in the first few months, made a strong comeback to amass a total for the year only 4 percent below the record high of 1948. The very high level of residential construction, the easing of credit terms, and the sustained high level of consumer incomes were important factors in the heavy volume of furniture store sales in the latter part of the year. Credit sales comprised a significantly higher proportion of total sales than in 1948, and accounts receivable outstanding continued the upward trend evident since 1945, although their rate of growth was considerably smaller than in the previous 2 years. Merchants trimmed their inventories during the first part of the year, with the development of weakness in the sales picture, and continued to follow a conservative inventory policy throughout the remainder of the year. Stocks at the year's end were down 15 percent from a year earlier.

Wholesale prices, continuing the downward movement from the postwar peak of August 1948, showed an almost uninterrupted decline during 1949. This decline, which was pronounced and general during the first half of the year, moderated and became spotty during the last half as business activity tended to stabilize. Prices of nonagricultural commodities, in the aggregate, which had been largely responsible for the decline in wholesale prices during the first half of the year, have shown practically no change since July. On the other hand, prices of agricultural commodities showed a larger decline in the last half of the year than in the first 6 months, as the bountiful 1949 crops were marketed. The Bureau of Labor Statistics' index of wholesale prices declined about 5 percent from December 1948 to June 1949 but showed only

a 2-percent decline in the succeeding 6 months. The wholesale price index in December was thus about 7 percent lower than a year earlier, about 11 percent lower than the August 1948 peak, but 101 percent higher than the prewar level of August 1939.



Of the individual commodity groups, farm products prices have shown the largest decline during the past year, 13 percent. Other groups having substantial declines were chemicals, including fats and oils, with a drop of 12 percent, and foods, with a drop of 9 percent. On the other hand, wholesale prices of metals and metal products and of hides and leather products were down less than 3 percent for the year. Moreover, these two groups, together with fuel and lighting materials, ended the year with prices slightly higher than 6 months previous.

Consumer prices have tended to follow the same trend as wholesale prices, but their decline has been of considerably smaller magnitude. The consumers' price index of the United States Bureau of Labor Statistics in December was down a little more than 2 percent from the corresponding month of 1948. During the past year retail prices of apparel and housefurnishings dropped approximately 7 percent, with the former group showing a steady decline for 14 consecutive months. Food prices were off almost 4 percent for the year. Meanwhile, rents, boosted by the relinquishment of rent controls in some areas, were a little over 2 percent higher in December than a year earlier, while prices of fuel and electricity and miscellaneous goods and services showed small increases. At the end of 1949 the consumers' price index was 4 percent below the peak levels of August and September 1948 but was 70 percent higher than the prewar August 1939 figure.

AGRICULTURE

Dwindling moisture supplies over the District were replenished by rains, snow, and sleet during December and early January, except in certain counties of northwest Texas and eastern New Mexico where additional moisture is needed to stimulate the growth of small grains and range grasses. Intermittent cold, rainy weather interrupted field work about mid-December and kept most farmers out of the fields during the first part of January. Winter grains and cover crops in northern, central, and eastern parts of the District withstood the freeze of early January and generally were benefited by the increased moisture supply. However, the cold wave froze wheat to the ground in parts of the High Plains, although roots do not appear to have suffered serious damage. The acre-

age of winter wheat seeded in Texas for harvest in 1950—estimated at 6,235,000 acres—is 19 percent less than the record acreage seeded for harvest last year but 21 percent above the 1938-47 average. The 230,000-acre crop of flaxseed for harvest in Texas this year is less than two-thirds of last year's planted acreage. Progress of the south Texas winter vegetable crops, which escaped serious damage from the cold wave, generally is satisfactory and the quality of crops being harvested is very good. Grapefruit were continuing to move actively at mid-January as growers were anxious to market their crop at the attractive prices prevailing; reflecting the reduced supply this year, prices received by growers for canning fruit have been the highest in a number of years. Harvest of early and midseason oranges also has been fairly active, although prices have been relatively less favorable.

The year 1949 marked an important milestone in southwestern agriculture because of the relatively favorable weather conditions that prevailed and the record volume of crops produced. The drought of 1947 and 1948 was effectively broken by rains, snow, and sleet during late 1948 and early 1949, which favored ranges, pastures, and winter grain and legume crops and provided subsoil moisture necessary for the growth of spring and summer crops. However, the sleet caused inestimable damage to vegetable crops and citrus groves in the Lower Rio Grande Valley. Late winter and spring rains maintained optimum growing conditions but became excessive for wheat in late May and in June, causing considerable damage to the crop in some areas.

ACREAGES HARVESTED, YIELDS, AND PRODUCTION OF CROPS IN FIVE STATES OF ELEVENTH DISTRICT¹, 1948 AND 1949

Crop	Acreages harvested (In thousands of acres)		Yields per acre		Production (In thousands of units)		
	1949	1948	Units	1949	1948	1949	1948
Cotton ²	13,768	11,075	Pounds	276	210	7,925 ³	4,847 ³
Corn.....	4,895	5,085	Bushels	22.2	18.9	108,620	96,178
Winter wheat ⁴	14,327	12,841	Bushels	13.7	12.6	196,845	161,941
Oats.....	2,288	1,978	Bushels	24.4	18.0	55,682	35,560
Barley ⁵	407	419	Bushels	25.9	25.2	10,550	10,563
Rice ⁶	1,125	1,157	Bushels	41.9	42.3	47,177	49,383
Broomcorn ⁷	164	120	Pounds	356	288	58,400	34,600
Sorghums for grain.....	4,054	5,538	Bushels	23.1	19.6	114,426	92,370
Sorghums for forage.....	2,317	3,234	Tons	1.41	1.28	3,277	4,146
All hay.....	3,340	3,726	Tons	1.45	1.27	4,827	4,730
Wild hay ⁸	587	604	Tons	1.17	1.12	689	676
Peanuts picked and threshed ⁹	737	1,070	Pounds	615	434	453,305	463,985
Irish potatoes.....	77.3	90.3	Bushels	94	98	7,253	8,813
Sweet potatoes ⁷	146	136	Bushels	100	85	14,566	11,498
Peaches ⁸.....	.....	.....	Bushels	.....	.....	3,518	1,824
Oranges ⁸.....	.....	.....	Boxes	.....	.....	3,100 ^p	4,410
Grapefruit ⁸.....	.....	.....	Boxes	.....	.....	8,900 ^p	12,180
Pecans ⁸.....	.....	.....	Pounds	.....	.....	62,640	90,000

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas. ² Cotton production in terms of bales. ³ Arizona, New Mexico, Oklahoma, and Texas. ⁴ Louisiana and Texas. ⁵ New Mexico, Oklahoma, and Texas. ⁶ Louisiana, New Mexico, Oklahoma, and Texas. ⁷ Louisiana, Oklahoma, and Texas. ⁸ Arizona, Louisiana, and Texas. ⁹ Arizona and Texas.

^p—Preliminary.

SOURCE: United States Department of Agriculture.

During the summer months the balance between timely rains and periods of hot, sunny weather was almost ideal for crop growth and maturity, with practically no serious drought experienced during the growing season. For most of the District, fall weather was unusually favorable for completion of harvest with a minimum of weather losses, except for damage to the rice crop caused by a tropical storm and subsequent rains in October. The very favorable weather conditions during the year, together with the improvements in seed, planting of more legumes, adoption of more efficient soil conservation practices, use of more machinery for timely performance of production and harvesting operations, use of more fertilizer and insecticides, as well as other factors, yielded a combined volume of agricultural production in the five states lying wholly or partly within the Eleventh District—Arizona, Louisiana, New Mexico, Oklahoma, and Texas—which probably is an all-time high. As compared with 1948, larger crops of

cotton, corn, wheat, oats, broomcorn, sorghum grains, hay, sweet potatoes, and peaches were produced. On the other hand, production of rice, peanuts, and Irish potatoes was slightly lower, principally because of smaller acreages, and the citrus fruit and pecan crops were sharply curtailed. The total land area from which crops were harvested in the five states in 1949 (excluding orchards and vineyards) was an estimated 49,676,000 acres, compared with a revised estimate of 47,232,000 acres in 1948.

ACREAGES HARVESTED, YIELDS, AND PRODUCTION OF CROPS IN TEXAS, 1948 AND 1949

Crop	Acreages harvested (In thousands of acres)		Units	Yields per acre		Production (In thousands of units)	
	1949	1948		1949	1948	1949	1948
Cotton.....	10,725	8,610	Pounds	264	176	5,900 [†]	3,153 [†]
Corn.....	2,587	2,700	Bushels	22.5	16.5	58,208	44,698
Winter wheat.....	7,093	5,629	Bushels	14.5	10.5	102,848	59,104
Oats.....	1,260	863	Bushels	27.0	16.5	34,020	14,240
Barley.....	146	122	Bushels	19.0	15.5	2,774	1,891
Rice.....	526	526	Bushels	43.0	46.5	22,678	24,459
Broomcorn.....	49	34	Pounds	380	235	18,600	8,000
Sorghums for grain.....	3,869	4,635	Bushels	24.0	16.5	92,676	76,434
Sorghums for forage.....	1,589	2,248	Tons	1.35	1.22	2,145	2,750
All hay.....	1,223	1,505	Tons	1.12	.87	1,366	1,311
Wild hay.....	163	175	Tons	1.15	.85	187	149
Peanuts picked and threshed.....	559	762	Pounds	615	400	343,785	300,800
Irish potatoes.....	38	44	Bushels	97	99	3,688	4,359
Sweet potatoes.....	65	60	Bushels	105	65	5,775	3,250
Peaches.....	.....	.....	Bushels	.....	.....	2,400	1,140
Oranges.....	.....	.....	Boxes	.....	.....	1,550	3,400
Grapefruit.....	.....	.....	Boxes	.....	.....	5,400	11,300
Pecans.....	.....	.....	Pounds	.....	.....	29,000	57,000

[†] Cotton production in terms of bales.

SOURCE: United States Department of Agriculture.

Crop production in Texas during 1949 established a new record for volume, rising substantially above the previous high attained in 1937. Cotton and flaxseed established new production records, while the wheat and sorghum grain crops were the second largest on record. Per acre yields were much above average for most crops and were near record levels for a number of crops. The acreage of crops harvested in the State in 1949, which is estimated at 30,141,000 acres, is 8 percent above that of 1948 and 11 percent greater than the 1938-47 average.

Larger acreage and higher yields combined in 1949 to give the five states of the District the largest total cotton crop of record, with increases over 1948 reported in each of the states except Louisiana, where yields were sharply reduced by insects and excessive rains. In Texas a record cotton crop of 5,900,000 bales, which compares with the previous record of 5,628,000 bales harvested in 1926, was obtained with an average yield of 264 pounds of lint per acre, the highest in 55 years. Summer growing conditions were very favorable for cotton in all parts of Texas; generally, rains were timely and plentiful with sufficient open weather to permit insect control. As the crop was so large and labor and equipment for harvesting and ginning were limited, some delay in completion of harvest was inevitable and more than the usual amount of cotton remained to be picked and ginned at the end of the year. Meanwhile, a large quantity of cotton was placed under government loan during the third quarter.

The large production of cotton in prospect in the United States in August 1949, together with the stocks carried over from the previous season, provided a supply more than adequate to meet expected demands. As a result, cotton prices began falling, and prices of some grades fell substantially below the government loan level as harvest progressed. However, in response to improved consumption and export prospects in late 1949 and to the decision to apply acreage controls and cotton quotas in 1950, the cotton market strengthened during December and early January. In looking ahead to the next crop, however, farmers are showing grave concern about over-

all prospects, as sharp cuts in acreage have been ordered and a substantial curtailment in income from cotton is most likely.

The production of small grains in the five states of the Eleventh District in 1949 was about 28 percent above that of 1948 and 29 percent above average, reflecting the generally favorable moisture supplies that existed in most areas during late winter and early spring. Compared with the previous year, the 1949 wheat and oat crops were up 22 percent and 57 percent, respectively, because of larger acreages and high yields. Barley production was virtually unchanged. In Texas the 1949 production of wheat, oats, and barley made substantial gains over the previous year, with increases reported for both acreages and yields. In the northern High Plains, moisture supplies during the fall of 1948 were adequate to bring the wheat up to a good stand, and timely rains sustained life through the winter months. Most other producing areas in the State were dry during late 1948, and much wheat did not germinate until after the January rains ended the drought. During the remainder of the season, moisture was adequate to excessive in all areas. By May a near-record crop was in sight, but rains and hailstorms continued into harvest time and reduced the production estimate some 15,000,000 bushels. As the large winter wheat and oat crops were harvested, the grain market suffered a serious drop in prices. The market gradually recovered during subsequent months, however, and prices were near the support levels at year's end. A smaller wheat crop is in prospect in the District in 1950 because of reductions in acreage due to control programs.

Despite the reduction in acreage, the production of corn in the five states in 1949 was up 13 percent because of the high yields attributed to favorable weather and the continued expansion in use of hybrids. Because of the large crop in the Nation as a whole, the corn market was seriously depressed during the fall and early winter months, and market prices remained below the loan rate during that period. In Texas in 1949, as in the District, more corn was produced on fewer acres than in 1948.

Although the acreage planted to grain sorghums in the five states in 1949 was curtailed (only to about the 10-year average) in favor of more acreage to wheat and cotton, a larger production of sorghum grain was achieved as a result of exceptionally high yields per acre. Favorable weather throughout the grain sorghum areas of the Low Rolling and High Plains of west Texas contributed to the abundant 5-state crop, which was up 23 percent over 1948 and 61 percent above average. The Texas sorghum grain crop exceeded that of 1948 by one-fifth and was 58 percent above average, with a near-record average yield of 24 bushels per acre. The market for grain sorghums, feeling the weight of large supplies of feed grains generally, was rather depressed throughout most of the year, with the trend in prices pointing slightly downward. However, it is expected that grain sorghum acreage will be increased sharply in 1950 as a partial offset to reductions in acreages of cotton and wheat.

Rice production in Texas last year fell 8 percent below the record harvest of 1948, chiefly because of damage from the tropical storm in October. The rice market in Texas weakened as harvest of the new crop became active, and prices offered to growers fell below the government support level. However, the market showed increased strength during November and December in response to a steady domestic and export demand, and prices at year's end were slightly above the loan rate.

The reduction of some 26 percent in peanut acreage harvested in Texas in 1949 was more than offset by increased yields, with the result that production rose 14 percent over that of 1948. Growing and harvesting conditions were exceptionally

good, and the average yield of 615 pounds per acre was the third highest of record. The 1949 Texas flaxseed crop—the largest on record—exceeded by 50 percent the record crop produced in 1948. Yields were below average because of damage inflicted upon the crop by the late January freeze, but the acreage was up sharply. Production of sweet potatoes was up nearly 80 percent over 1948, while the Irish potato crop, produced on the smallest acreage harvested since 1926, was down 25 percent from the preceding season. Despite a reduction of 19 percent in Texas hay acreage, favorable yields contributed to an increase of 4 percent in production over 1948.

LIVESTOCK RECEIPTS (Number)

Class	Fort Worth market			San Antonio market		
	Dec. 1949	Dec. 1948	Nov. 1949	Dec. 1949	Dec. 1948	Nov. 1949
Cattle.....	32,677	48,368	57,720	19,058	24,517	34,886
Calves.....	20,011	29,242	46,307	14,808	15,659	24,369
Hogs.....	57,785	76,819	62,950	12,167	6,675	8,784
Sheep.....	19,159	59,711	33,164	12,980	37,346	21,894

LIVESTOCK RECEIPTS, 1949 (Number)

Class	Fort Worth		San Antonio		Total	
	1949	1948	1949	1948	1949	1948
Cattle.....	577,974	785,706	331,230	369,579	909,204	1,155,285
Calves.....	244,578	329,250	198,932	272,148	443,510	601,398
Sheep.....	927,963	1,589,654	309,315	705,512	1,327,268	2,292,166
Hogs.....	583,856	748,930	80,179	97,818	670,035	846,748
Total.....	2,334,361	3,450,540	985,656	1,445,067	3,320,017	4,895,597

TOP LIVESTOCK PRICES (Dollars per hundredweight)

Class	Fort Worth market			San Antonio market		
	Dec. 1949	Dec. 1948	Nov. 1949	Dec. 1949	Dec. 1948	Nov. 1949
Slaughter steers.....	\$28.50	\$35.00	\$28.00	.....	\$26.50	\$21.50
Stocker steers.....	23.00	25.00	23.00	.....	.....	.....
Slaughter cows.....	17.50	21.00	17.50	.....	20.50	17.00
Slaughter heifers and yearlings.....	28.50	33.00	28.00	.....	26.00	25.00
Slaughter calves.....	25.00	26.00	24.50	.....	26.00	23.25
Stocker calves.....	24.50	26.00	24.50	.....	25.00	23.50
Slaughter lambs.....	23.00	25.00	23.75	.....	23.50	22.50
Hogs.....	16.50	24.00	17.50	.....	23.50	17.50

The livestock economy of the Southwest experienced a very good year in 1949. The improvement in moisture supplies during the first part of the year, bringing an end to the 2-year drought, effected rapid improvement in the condition of ranges and pastures. Although the cold spells of mid- and late winter made it necessary to continue supplemental feeding for some time, livestock began gaining weight and generally were in good condition by late spring. As grazing conditions improved and bumper feed supplies at reduced prices materialized, there appeared an increasing demand for stock animals during the summer and fall months to replenish depleted herds and flocks.

Partly as a result of the withholding of livestock from the market for replacement purposes, the volume of livestock marketing in the Southwest in 1949 was down considerably from the previous year. Combined receipts of cattle and hogs at the Fort Worth and San Antonio markets were down 21 percent each, calf receipts were off 31 percent, and 42 percent fewer sheep and lambs reached these markets. Slaughter of cattle under Federal inspection in Texas during the first 11 months of 1949 was off 25 percent. Slaughter of calves was down 16 percent; sheep and lambs, 52 percent; and hogs, 15 percent.

Market prices of livestock remained relatively favorable to producers in the Southwest throughout 1949, although the trends in prices of most classes of cattle and hogs were downward. Prices of sheep and lambs showed usual seasonal changes but otherwise remained relatively stable. United States prices of wool averaged slightly higher in 1949 than in 1948, as increases

for fine clothing wools more than offset declines in prices of fine combing wools—grades produced in the Southwest—which resulted largely from a slackening in the world demand for the higher grades. Prices of mohair made marked recovery from the low levels prevailing early in the year, having been influenced by the embargo on export of competing Argentine wools and later by the announcement of a support program for mohair in 1950. If rainfall is favorable and consumer incomes remain high, 1950 probably will be another good year for livestock producers.

SELECTED MIDMONTH PRICES RECEIVED BY TEXAS FARMERS IN 1949

Commodity	Unit	Year's high			Year's low		
		Jan. 15	Month	Price	Month	Price	Dec. 15
Wheat.....	Bushel	\$ 2.05	January	\$ 2.05	June	\$ 1.68	\$1.96
Corn.....	Bushel	1.51	January	1.51	September	1.03	1.11
Oats.....	Bushel	.97	January	.97	June	.87	.79
Grain sorghums...	Cwt.	2.25	January	2.25	September	1.67	1.80
Rice.....	Bushel	2.95	January	2.95	September	2.00	2.17
Cotton.....	Pound	.29	May	.30	December	.26	.26
Hogs.....	Cwt.	19.70	August	20.60	December	15.00	15.00
Beef cattle.....	Cwt.	20.00	March	20.40	August	17.00	17.30
Lambs.....	Cwt.	30.70	April	24.70	August	18.50	21.00
Chickens.....	Pound	.29	March	.30	August	.24	.28
Wool.....	Pound	.68	February	.69	November	.51	.53
Grapefruit.....	Box	.81	December	1.94	March	.35	1.94

SOURCE: United States Department of Agriculture.

As implied in foregoing statements, the general level of farm prices in the Southwest during 1949 continued the downward trend which began in August 1948. In Texas the index of prices received by farmers fell from 298 in January to 258 in October and in December was 259, or 19 percent (41 index points) below that of December 1948. Similarly, the index of prices received by farmers for crops in Texas on December 15 stood at 212, compared with 250 a year earlier. The index of prices received for livestock and livestock products was 322, compared with 366 the previous December. For individual commodities, the most pronounced price declines during the year were experienced by corn, flaxseed, grain sorghums, rice, sweet potatoes, cotton, cottonseed, hogs, cattle, turkeys, and wool, although others experienced periods of low prices during the year as a result of seasonal changes or temporary market instability.

VALUE OF TEXAS CROPS, 1949

(Amounts in thousands of dollars)

Crop	Value		Percentage of total value	
	1949p	1948	1949p	1948
Corn.....	\$ 66,939	\$ 69,282	4.4	6.0
Wheat.....	185,128	118,799	12.2	10.3
Rice.....	48,629	50,191	3.2	5.2
Sorghums for grain.....	90,822	94,014	6.0	8.2
Other grains.....	31,811	24,446	2.1	2.1
Peanuts for nuts.....	34,378	30,682	2.2	2.7
Cotton lint.....	814,200	466,939	53.5	40.6
Cottonseed.....	102,630	94,163	6.7	8.2
Vegetables and fruits.....	60,698	74,173	4.0	6.5
Other crops.....	86,810	117,156	5.7	10.2
Total value of field crops, fruits, nuts, and feed crops.....	\$1,522,043	\$1,148,845	100.0	100.0

p—Preliminary.

SOURCE: United States Department of Agriculture.

The farm value of crops produced in the five states of the District reached an all-time high in 1949, although total cash farm income may have been slightly less than in 1948 because of smaller marketings of livestock. In Texas the value of crops, surpassing the billion dollar mark for the third successive year, reached a record level of \$1,522,043,000, which is 5 percent above the former record in 1947 and 32 percent above the 1948 value. The largest cotton crop of record (lint and seed) accounted for 95 percent of the increase in value and for 60 percent of the total value of crop production. Substantially increased values were reported also for wheat, oats, peanuts, and sweet potatoes. On the other hand, values of the hay and forage crops, truck crops, and of all feed crops, except oats, were lower.

Changes in the principal asset and liability accounts of commercial banks, such as loans and discounts, investments, cash and balances, deposits, and capital, usually reflect the broad changes that occur in the strength of expectations or levels of activity prevailing in business, industry, and agriculture. Consequently, a review of banking developments during the past year should be more obvious and clear if it is prefaced by a brief outline of events in the nonbanking sectors of the economy.

Late in 1948 and then continuing on into the early months of 1949 it became increasingly apparent that a series of economic readjustments touching upon several parts of the economy had checked, at least for the time being, the inflationary trend. Although in some fields of economic activity, as for example, consumer spending, consumer incomes, and retail trade, the downward pressures were strongly resisted, economic activity in the District as well as in the Nation was marked by a reaction during the first 6 or 7 months of 1949 from the high levels which were achieved during the preceding year. Readjustments appeared in the form of gradually declining prices; lower inventories, accompanied by a reduction in business purchasing; a decline in farm income from levels of the comparable months during the first half of 1948; rather substantial cutbacks in petroleum production; and a decline in new construction, particularly in the fields of residential housing and commercial building, during the early months of the year as compared with levels of the same months in 1948.

During the last half of the year, as a result of such developments as the persistent high level of consumer demand, a resumption of business purchasing for inventory purposes, unusually favorable agricultural production, a sharp revival in construction activity, and a moderate increase in the production of petroleum, general levels of business activity in the District turned rather sharply upward and by the end of the year were in virtually all cases at positions that should be considered very favorable by almost any standard.

Those movements during the year in business, industry, and agriculture in the District were reflected in somewhat comparable changes in loans and discounts, deposits, and other banking items. For instance, loans of selected member banks in leading cities of the District declined by about \$129,000,000 during the first 7½ months of 1949, with almost \$111,000,000 of the decline appearing in loans for commercial, industrial, and agricultural purposes. As loan repayments exceeded the demand for new credit and as reserve requirements were reduced, the liquidity position of the District's member banks was strengthened. During the last half of April and again from the end of July through mid-September holdings of Treasury bills and certificates of indebtedness increased sharply as member banks sought to obtain earnings from the usable funds at their disposal. During the last quarter of the year the increase in holdings of short-term Government securities was moderate in amount as funds were used to meet the strengthening loan demand that accompanied the upturn in business, industrial, and agricultural activity.

Reflecting developments for the year 1949 as a whole, total loans at the selected member banks in leading cities in the District increased about \$51,000,000; commercial, industrial, and agricultural loans increased approximately \$40,000,000; holdings of Treasury bills rose by \$80,000,000; investments in certificates of indebtedness increased by about \$100,000,000; while the Government bond portfolios of these banks decreased by about \$48,000,000. To a considerable extent, the decline in holdings of Government bonds was due to the fact that certain

issues were called for redemption during the year and were converted into certificates of indebtedness or Treasury notes.

Adjusted demand deposits at selected member banks in the larger cities of the District followed a pattern during the year roughly comparable to that which has been outlined above with respect to loan changes, declining gradually during the first 6 months of the year and then rising more or less steadily throughout the remaining months. For the year as a whole, adjusted demand deposits of these banks increased by almost \$22,000,000 and totaled \$2,019,327,000 on December 28, 1949. Total deposits of these larger member banks in the District during 1949 rose to \$3,418,898,000, or an increase of almost \$150,000,000 during the period.

Similar trends to those which have been discussed for the selected member banks in leading cities in the District were reflected by changes which occurred at all member banks. Such items as loans and discounts and other demand deposits declined during the first 6 months of the year, the rate of decline being gradual and moderate, but then turned upward during the last half of the year, with the result that year-end totals for 1949 showed satisfactory growth in total resources, deposits, and capital accounts.

ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Amounts in thousands of dollars)

City	Debits*		Percentage change from 1948	Annual rate of turnover	
	1949	1948		1949	1948
Arizona:					
Tucson.....	\$ 658,144	\$ 733,802	-10	8.1	8.6
Louisiana:					
Monroe.....	436,528	419,557	4	10.2	10.2
Shreveport.....	1,600,089	1,649,723	-3	9.7	10.3
New Mexico:					
Roswell.....	173,520	174,138	-#	9.4	9.5
Texas:					
Abilene.....	393,206	408,281	-4	10.1	9.8
Amarillo.....	1,089,928	1,073,259	2	12.6	12.7
Austin.....	1,524,670	1,359,310	14	14.4	13.0
Beaumont.....	1,143,342	1,181,473	-3	12.0	12.1
Corpus Christi.....	920,782	945,827	-3	11.7	12.3
Corseana.....	132,677	130,734	1	6.6	6.6
Dallas.....	12,539,248	12,302,301	2	16.3	17.1
El Paso.....	1,530,720	1,499,532	2	12.9	13.0
Fort Worth.....	3,797,455	3,811,407	-3	12.8	14.0
Galveston.....	839,261	843,543	-1	8.8	8.9
Houston.....	12,762,453	12,894,892	-1	13.8	14.7
Laredo.....	193,518	201,913	-4	8.9	9.0
Lubbock.....	771,424	800,067	-4	11.8	11.8
Port Arthur.....	409,761	426,567	-4	10.4	10.8
San Angelo.....	350,537	372,974	-6	9.0	9.6
San Antonio.....	3,006,996	2,946,884	2	9.5	9.3
Texasarkana*	171,050	187,409	-9	7.5	8.3
Tyler.....	487,201	491,594	-1	9.6	9.3
Waco.....	603,339	614,370	-2	9.0	9.6
Wichita Falls.....	673,243	665,128	1	8.2	8.3
Total - 24 cities.....	\$46,208,892	\$46,214,785	-#	12.7	13.3

* Debits to deposit accounts except interbank accounts.

* This figure includes only one bank in Texasarkana, Texas. Total debits for all banks in Texasarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to \$294,575 for the year 1949.

Indicates change of less than one-half of 1 percent.

Total loans of the District's member banks declined from \$1,833,000,000 at the end of December 1948 to \$1,736,000,000 at the end of June. Successive monthly increases thereafter raised the total to approximately \$2,017,000,000 on the last reporting date in December 1949. Investments increased by approximately \$122,000,000 during the year, with \$120,000,000 of the increase being accounted for by an expansion in holdings of Government securities. Largely as a result of reductions in reserve requirements, member bank reserves held with the Federal Reserve Bank declined from \$949,000,000 at the end of 1948 to \$792,000,000 on the last reporting date in December 1949. During the first half of the year, when business, industry, and agriculture were undergoing readjustments, demand deposits, exclusive of interbank deposits, declined steadily; with the revival in business activity and the movement of agricultural production to markets beginning in July and August, however, this major class of deposits rose steadily and during the last quarter of the year quite sharply. At the end of

December 1949 total demand deposits, exclusive of interbank deposits, amounted to \$4,827,000,000 or about \$122,000,000 in excess of the amount reported a year earlier. Interbank deposits, which rose from \$711,000,000 to \$814,000,000 during the year showed their greatest growth during the fourth quarter, accounted for primarily by an increase in deposits at the Reserve city banks.

As a result of favorable earnings, comparatively conservative dividend policies, and the efforts being made to strengthen the capital structure of banks through the sale of new stock, total capital accounts of the District's member banks increased by about \$45,000,000, rising from \$339,000,000 in December 1948 to an estimated \$384,000,000 at the end of December 1949. This growth in capital accounts was continuous and rather steady throughout the year.

Changes in Federal Reserve credit policy which were designed to keep the policy of the central banking system consistent with changing business and financial conditions influenced banking developments importantly. Very soon after the turn of 1949 the Board of Governors of the Federal Reserve System indicated its belief that the general trend of business activity would be downward in the weeks and months ahead and expressed an intention to adjust Federal Reserve credit policy promptly as conditions warranted. The first step toward an easier credit policy consistent with a period of business readjustment occurred early in March when terms of payment under Regulation W were moderated somewhat and margin requirements under Regulations T and U were reduced by one-third. Again late in April a further easing of consumer credit terms occurred. Early in May and in June, July, and August reserve requirements were reduced, bringing the requirements to 18 percent of net demand deposits for Reserve city banks and 12 percent of net demand deposits for country banks. These figures compare with requirements of 22 percent and 16 percent, respectively, at the end of 1948. A reduction in reserve requirements against time deposits at all member banks resulted in lowering the reserve from 7½ percent at the end of 1948 to 5 percent at the end of 1949.

One of the most significant policy decisions of the System, announced on June 29, was to the effect that open market operations would be conducted with primary regard to the general business and credit situation but that the policy of maintaining orderly conditions in the Government securities market and the confidence of investors in Government bonds would be continued. Since that announcement, the System has, on the whole, permitted the market to establish prices on Government bonds and at times on bills and certificates, although there were occasions during the last half of the year when, in order to avoid too sharp a decline in the yield on short-term securities, System intervention was necessary to maintain orderly conditions.

Turning to more recent banking and financial developments in the District, total loans at selected member banks in leading cities increased by about \$19,000,000 between December 14, 1949, and January 11, 1950. Most of the increase, however, occurred during the last 2 weeks in December, with the first week in January showing only a minor increase, while a reduction of about \$8,400,000 was reported for the week ended January 11. Commercial, industrial, and agricultural loans during the same period increased by almost \$16,000,000 as a result of the rising demand for loans during the last 2 weeks in December, followed by decreases of approximately \$1,500,000 during each of the first 2 weeks in January. These loan figures reflect primarily the seasonal decline in the demand for loans that usually occurs at the turn of the year as businesses tend to reduce or repay indebtedness built up during the preceding holiday season.

Total investments of selected member banks in the District declined during the 4 weeks ended January 11 by about \$15,000,000, with most of the decrease taking place during the last 2 weeks in December. Increased lending activity just prior to the end of 1949, a large volume of outstanding currency in circulation, and year-end demands for funds tended to tighten bank positions slightly and contributed to the temporary reduction in holdings of short-term Government securities. With the return flow of currency from seasonal use and a contraction in loan volume, banks again tended to place usable funds into bills and certificates.

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

Item	January 11,	January 12,	December 14,
	1950	1949	1949
Total loans and investments.....	\$2,548,608	\$2,343,221	\$2,545,219
Total loans—net.....	1,174,980	1,122,901	1,156,714
Total loans—Gross.....	1,186,509	1,131,561	1,167,777
Commercial, industrial, and agricultural loans.....	835,532	796,316	819,561
Loans to brokers and dealers in securities.....	5,918	5,098	6,658
Other loans for purchasing or carrying securities.....	47,087	59,940	46,332
Real-estate loans.....	93,715	99,217	90,456
Loans to banks.....	79	75	79
All other loans.....	203,580	180,915	204,061
Total investments.....	1,362,099	1,211,660	1,377,442
U. S. Treasury bills.....	118,789	57,051	141,132
U. S. Treasury certificates of indebtedness.....	345,708	287,220	347,299
U. S. Treasury notes.....	95,082	41,343	45,452
U. S. Government bonds (inc. gtd. obligations).....	675,778	706,101	713,503
Other securities.....	126,742	119,945	130,056
Reserves with Federal Reserve Bank.....	492,942	563,744	472,558
Balances with domestic banks.....	349,228	340,475	366,029
Demand deposits—adjusted*.....	2,019,276	2,022,281	2,029,209
Time deposits except Government.....	452,157	412,853	446,315
United States Government deposits.....	49,151	33,406	47,336
Interbank demand deposits.....	724,267	644,153	717,643
Borrowings from Federal Reserve Bank.....	0	0	0

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

† After deductions for reserves and unallocated charge-offs.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS
Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Date	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
December 1947.....	\$5,284,150	\$549,698	\$2,516,849	\$342,638	\$2,767,301	\$207,060
December 1948.....	5,427,633	595,339	2,613,198	382,118	2,814,435	213,221
August 1 1949.....	5,020,379	635,311	2,443,350	410,782	2,577,029	224,589
September 1949.....	5,146,942	648,045	2,503,549	421,452	2,643,293	226,593
October 1949.....	5,278,671	652,043	2,573,396	421,811	2,705,275	230,232
November 1949.....	5,482,103	636,996	2,666,217	408,479	2,815,886	228,517
December 1949.....	5,612,558	648,676	2,712,547	417,067	2,900,011	231,609

SAVINGS DEPOSITS

City	Number of reporting banks	December 31, 1949		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Dec. 31, 1948	Nov. 30, 1949
Louisiana:					
Shreveport.....	3	43,360	\$ 24,894,081	-0.3	-0.02
Texas:					
Beaumont.....	3	12,000	6,059,143	-1.7	-0.3
Dallas.....	8	142,809	78,639,417	0.1	1.4
El Paso.....	2	32,954	22,781,754	1.1	1.7
Fort Worth.....	4	43,904	35,943,153	3.0	1.3
Galveston.....	4	22,243	21,172,548	-1.2	0.1
Houston.....	8	94,832	75,397,469	2.2	1.4
Lubbock.....	2	1,915	3,439,827	-6.2	3.6
Port Arthur.....	2	5,775	4,438,829	-5.6	-1.4
San Antonio.....	5	40,822	44,418,199	-2.8	1.5
Waco.....	3	9,872	10,394,026	1.2	1.9
Wichita Falls.....	3	7,651	4,625,695	-0.3	0.3
All other.....	55	65,047	55,619,049	2.1	1.5
Total.....	102	523,234	\$387,642,900	0.5	1.2

During December gross demand deposits at all member banks in the District averaged about \$5,613,000,000, or approximately \$131,000,000 more than the amount reported during the preceding month. About \$47,000,000 of the increase in gross demand deposits occurred at Reserve city banks, while the remaining \$84,000,000 was reported from country banks. Time deposits increased moderately during December, rising by almost \$12,000,000 to total \$648,676,000. Most of the increase

in time deposits, however, occurred at the Reserve city banks, as an increase of only \$3,000,000 was reported by the District's smaller banks.

Debits reported by banks in 24 cities throughout the District were about 20 percent higher during December than in the preceding month, a development, of course, which merely reflects the high seasonal level of business and trade activity. As compared with the amount of debits during December 1948, the latest month for which figures are available shows an increase of 1 percent. The annual rate of turnover of deposits at banks in these 24 reporting cities showed no significant change from the rate reported for December 1948 but was substantially higher than the annual rate of turnover during November 1949, again reflecting, however, a seasonal development.

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

(Amounts in thousands of dollars)

City	Debits*			End-of-month deposits* Dec. 31, 1949	Annual rate of turnover		
	December 1949	Pctg. change over Dec. 1948	Nov. 1949		Dec. 1949	Dec. 1948	Nov. 1949
Arizona:							
Tucson.....	\$ 56,256	-14	13	\$ 78,440	8.6	8.9	7.8
Louisiana:							
Monroe.....	40,249	-1	2	45,914	10.9	11.0	11.2
Shreveport.....	165,581	5	30	172,281	11.5	11.3	9.1
New Mexico:							
Roswell.....	16,539	-7	-4	19,751	10.0	10.6	10.6
Texas:							
Amarillo.....	39,622	6	5	42,077	11.8	10.6	11.9
Amarillo.....	100,944	3	2	95,252	12.8	13.7	12.8
Austin.....	148,949	27	36	108,064	16.7	13.7	11.9
Beaumont.....	113,503	7	17	92,929	14.8	12.5	12.7
Corpus Christi.....	80,896	-2	9	82,296	12.0	12.2	11.2
Corpus Christi.....	14,617	12	13	20,843	8.4	7.4	7.6
Dallas.....	1,342,321	3	29	797,132	20.3	20.4	15.7
El Paso.....	159,699	7	13	131,481	15.2	15.1	14.3
Fort Worth.....	393,934	-#	20	309,198	15.4	15.8	12.8
Galveston.....	73,079	-16	12	95,304	9.2	10.7	8.3
Houston.....	1,216,443	-6	16	980,021	15.0	16.7	13.3
Laredo.....	17,512	-5	15	21,884	9.7	10.0	8.5
Lubbock.....	103,689	36	14	78,663	16.9	13.2	16.3
Port Arthur.....	39,395	-7	13	40,456	10.9	11.8	9.8
San Angelo.....	37,163	15	12	43,182	10.7	9.5	10.0
San Antonio.....	293,797	7	19	319,209	11.0	10.1	9.2
Texarkana†.....	16,830	-#	10	24,131	8.4	8.6	7.9
Tyler.....	46,356	3	9	54,902	10.6	10.0	10.2
Waco.....	58,544	6	5	68,007	10.2	10.0	9.6
Wichita Falls.....	67,622	2	19	89,127	9.4	9.5	8.2
Total—24 cities.....	\$4,640,540	1	20	\$3,810,344	14.8	14.9	12.5

Indicates change of less than one-half of 1 percent.

* Debits to deposit accounts except interbank accounts.

† 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 \$28,613.

Total earning assets of the Federal Reserve Bank of Dallas rose by more than \$29,000,000 between December 15, 1949, and January 15, 1950, as the bank's holdings of Government securities rose from \$785,904,000 to \$815,409,000. Member bank reserve deposits showed an increase of about \$41,000,000, reflecting a substantial amount of excess reserves partly resulting from the return flow of currency from circulation. Actual circulation of Federal Reserve notes of this bank reached an all-time high on December 6 of approximately \$650,000,000. Following a slight decline from that peak level, the amount of circulation continued large in response to seasonal requirements until the 27th of December, when a return flow to this bank began. During December 15, 1949, and January 15, 1950, the actual circulation of this bank's notes declined by over \$21,000,000 and on the latter date amounted to \$624,409,000.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	January 15, 1950	January 15, 1949	December 15, 1949
Total gold certificate reserves.....	\$687,856	\$706,893	\$691,163
Discounts for member banks.....	0	0	0
Foreign loans on gold.....	2,391	6,189	2,468
U. S. Government securities.....	815,409	985,439	785,904
Total earning assets.....	\$1,505,646	\$1,698,521	\$1,465,535
Member bank reserve deposits.....	854,551	985,505	813,273
Federal Reserve notes in actual circulation.....	624,409	613,207	645,591

NEW MEMBER BANK

The West Texas State Bank, Snyder, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business January 14, 1950, as a member of the Federal Reserve System. This bank has paid-in capital funds of \$200,000, including capital of \$100,000, surplus of \$75,000, and undivided profits of \$25,000. The officers are: Wayne Boren, Chairman of the Board; Nolan Watson, President; H. H. Eiland, Vice President; Hugh Taylor, Vice President; H. W. Cargile, Vice President and Cashier; Olian Vinson, Assistant Cashier; and Billy Lloyd, Assistant Cashier.

NEW PAR BANK

The First State Bank, Frankston, Texas, an insured 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 January 1, 1950. This bank has capital of \$25,000, surplus of \$25,000, undivided profits of \$17,000, and reserves of \$12,500. Jeff Austin is President, and John B. Saunders is Vice President and Cashier.

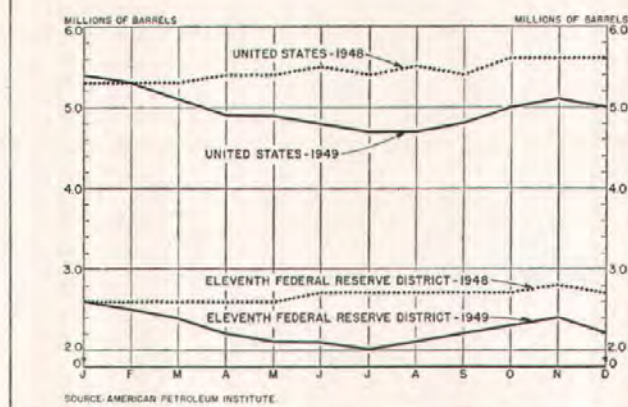
INDUSTRY

Nonfarm employment in the Eleventh Federal Reserve District reached a new peak in December 1949 at a level about 2 percent higher than a year earlier. Following a substantial decline in January and February, due largely to seasonal factors, employment followed an upward trend during most of the remainder of the year. A similar trend was evident in employment other than manufacturing, due chiefly to increased working forces in government, trade, and other business enterprises. On the other hand, construction employment was off about 6 percent from the level of the preceding year. Although manufacturing employment ended 1949 fractionally higher than a year earlier, such employment had declined steadily during the first 5 months of 1949 and showed only an irregular recovery during the remainder of the year. During the fall months the steel strike reduced employment in the District's iron and steel and machinery industries.

During 1949 the over-all domestic demand for petroleum products was only fractionally higher than during the previous year, with this small gain being offset by a decline in export demand. Since imports increased from the level of the previous year by about 160,000 barrels per day, the market for domestic crude oil production was smaller. An additional factor curtailing crude oil production was the approximate stabilization of stocks of crude petroleum and its products during 1949, in contrast to the increase that occurred in 1948. The failure of domestic demand to increase as much as in earlier postwar years was due largely to the reduced requirements for heating oils as a result of the unseasonably warm weather during the early part of 1949 and, to a somewhat lesser extent, during the last part of the year. The mild business recession of 1949 also acted to retard the growth of consumption. However, the demand for gasoline continued the series of annual increases which have characterized much of the last 17 years. This rising gasoline consumption reflects chiefly the increase in the number of motor vehicles in use.

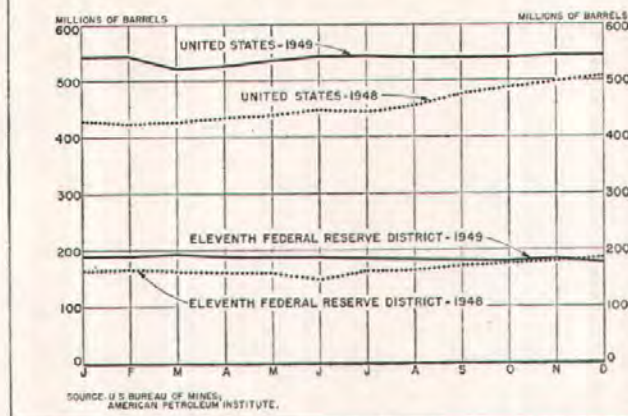
On the supply side, the petroleum industry in some respects made a better adjustment to the demand situation during 1949

CRUDE OIL PRODUCTION



than during the previous year. Whereas a slackening of demand during 1948 had resulted in inventory accumulation, during 1949 output was held fairly close to consumption requirements. This adjustment process to a large extent was concentrated in Texas, where allowable production was reduced by the Railroad Commission of that State during each of the first 7 months of the year. Following the year's low point in crude production in July, production allowables were increased gradually through November but were cut back during December when demand did not reach expectations. As a result of these adjustments, the stocks of crude oil and the four major petroleum products in the United States during the year fluctuated no more than 3 percent from the 1949 year-end level of 528,000,000 barrels.

STOCKS OF CRUDE OIL AND FOUR MAJOR PETROLEUM PRODUCTS



By contrast with this prompt and rather close adjustment of domestic crude production to demand, the international movements of crude oil and its products tended in some respects to complicate the adjustment processes. Net imports increased particularly during the heating season, but the scheduling of such imports did not permit prompt adjustment to the smaller demand resulting from unseasonably warm weather. Economic forces abroad tended during the year to increase the pressure to ship oil to this country. At the same time, exports from this country declined, due to the rise in foreign production of crude oil, the opening of various refineries abroad, and foreign exchange difficulties in various parts of the world.

In addition to the difficulties of adjusting over-all supply to demand, the industry was faced with the annually recurring problem of adjusting production rates for each petroleum product to its respective level of demand. As the spring and summer months approached, refinery yields were altered so that more gasoline and less heating oils were produced, while the procedure was reversed last fall as the heating season approached. Stocks of gasoline were built up to a seasonal peak in March and, thereafter, gradually were drawn down during the period of warm weather demand until a seasonal low was reached in October. On the other hand, stocks of heating oils, which had reached their seasonal low in the early spring of the year, were built up during the slack season for these products and reached a peak in the late fall, in readiness for the 1949-50 heating season. These adjustments to the seasonality of demand for the various products were successful during 1949, due in part to the relatively mild weather during the heating season, which lightened the burden placed upon the production, refining, distribution, and storage facilities and operations of the industry.

During the year 1949, crude oil production in the Nation averaged 455,000 barrels per day less than during 1948 but only 36,000 barrels per day less than in 1947, these decreases amounting to 8 percent and 1 percent, respectively. Since most of these decreases occurred in the Eleventh District, the decline from the 1948 level in the District amounted to 15 percent and from the 1947 level, 7 percent. The District's share of the national total of crude oil production declined to 45 percent in 1949, compared with 49 percent in the previous year and 48 percent in 1947. Crude oil runs to refinery stills during 1949 were 5 percent lower than in the previous year in the Nation and 9 percent lower in the District. The District's share of the national total of refinery operations declined from 31 percent in 1948 to 30 percent in 1949. During the year the production of the three major heating oils experienced declines ranging from 10 to 16 percent in the Nation and from 14 to 22 percent in the District. On the other hand, gasoline production was up 5 percent in the Nation and 1 percent in the District.

CRUDE OIL PRODUCTION (Barrels)

Area	December 1949		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Dec. 1948	Nov. 1949
Texas:				
District				
1 South Central.....	809,800	26,123	-1,779	-1,154
2 Middle Gulf.....	3,703,600	119,471	-59,140	-13,099
3 Upper Gulf.....	11,999,550	387,082	-114,689	-28,735
4 Lower Gulf.....	5,875,500	189,532	-60,255	-15,760
5 East Central.....	1,062,000	34,258	-17,328	-3,255
6 Northeast.....	10,113,350	326,237	-87,829	-39,705
East Texas.....	7,379,900	238,061	-51,410	-32,080
Other fields.....	2,733,450	88,176	-36,419	-7,625
7b North Central.....	1,907,950	61,547	-558	-1,545
7c West Central.....	1,501,450	51,337	1,069	-3,598
8 West.....	18,171,200	586,168	-155,443	-53,409
9 North.....	4,361,500	140,694	-3,625	-2,881
10 Panhandle.....	2,864,250	92,395	3,311	97
Total Texas.....	62,400,150	2,014,844	-490,296	-163,614
New Mexico.....	4,028,850	129,963	-4,050	-604
North Louisiana.....	4,018,750	129,637	13,937	4,054
Total Eleventh District.....	70,507,750	2,274,444	-486,388	-160,254
Outside Eleventh District.....	84,602,900	2,729,126	-138,027	-10,114
United States.....	155,110,650	5,003,570	-624,415	-170,368

SOURCE: Estimated from American Petroleum Institute weekly reports.

At the year-end, production in the District had been cut back in December, a further cutback in allowables had been made for January, a reduction of 36,000 barrels a day had been announced for February, and there was a possibility that the seasonal decline in demand during the early part of 1950 might lead to further moderate reductions. According to some industry opinion, the demand for petroleum products in 1950 may increase only very moderately—perhaps 2 or 3 percent—from 1949 levels. Since much of this small gain might be met by a further rise of imports, little increase in domestic crude oil production is expected.

An important factor in the problem of controlling the 1950 supply of petroleum is the drilling activity of the preceding year, since the new wells completed during 1949 increased the productive capacity of the industry. A striking illustration of this factor occurred in Scurry County during 1949, where 288 of the 324 wells drilled were productive. The Scurry County discoveries represent the largest addition to Texas oil reserves since the East Texas field was opened in 1931. Reserves in this new area are estimated at perhaps 1,000,000,000 barrels.

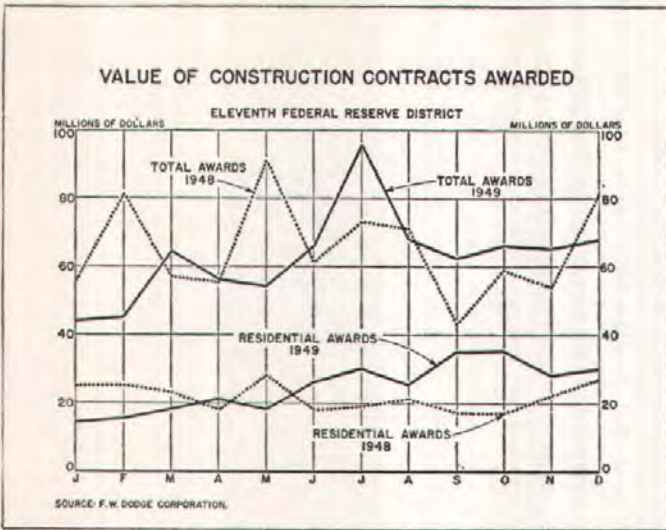


Drilling activity as measured by well completions set a new record in the Nation in 1949 with about 37,400 wells being completed, or 3 percent more than during the previous year. The total footage drilled was also up 3 percent. The District increased its share of the total from 38 percent in 1948 to 41 percent in 1949. Well completions in the District, as indicated by preliminary figures, totaled about 15,500, or 10 percent more than in 1948 and fractionally below the all-time high of 15,620 in 1937. Texas completions were up 13 percent, while those of other parts of the District declined somewhat. Exploratory drilling in 1949 as compared to the previous year increased by 9 percent in the Nation and 7 percent in the Eleventh District, with the District accounting for 57 percent of the productive wells although only 47 percent of the total tests were made in the area.

The price of crude oil in the District remained stable during 1949, largely due to the drastic adjustments of allowable production to market requirements. The prices of petroleum products in the Texas Gulf Coast area declined during the first half of the year, with the prices of residual fuel oil falling about 50 percent, gas oil and distillate fuel oil about 30 percent, and kerosene about 20 percent. The declines in gasoline prices were quite moderate. During the latter half of 1949 there was a partial recovery in the prices of heating oils, but the year ended with prices about 20 to 25 percent lower than a year earlier.

Construction activity continued at a high level in the District during 1949, but the recession in business activity appeared to have reduced the volume of construction sufficiently during the first half of the year to prevent the establishment of a new postwar record. Construction activity during the last half of the year rebounded to a very high level, which appeared

likely to provide momentum for the industry well into 1950. The high level of construction during the last half of the year was the result chiefly of a very high level of residential construction financed by adequate supplies of mortgage money



under FHA and veteran loans. Large apartment projects and the low-cost housing program have accounted for a considerable part of the boom in residential construction. The value of construction contracts awarded during the year totaled \$757,000,000, or 3 percent less than in 1948 but higher than in any other year except 1942. Residential awards during 1949 were 15 percent above those of 1948 and established an all-time high. Nonresidential awards were down 12 percent from 1948 but exceeded those of any other year except 1942.

VALUE OF CONSTRUCTION CONTRACTS AWARDED
(In thousands of dollars)

	December 1949	December 1948	November 1949	January 1 to December 31	
				1949	1948
Eleventh District—total...	\$ 68,772	\$ 81,465	\$ 65,618	\$ 757,379	\$ 781,003
Residential.....	31,356	27,113	27,780	299,650	261,469
All other.....	37,416	54,352	37,838	457,729	519,534
United States*—total.....	929,030	694,023	957,761	10,342,460	9,429,618
Residential.....	419,051	256,746	435,235	4,222,586	3,608,015
All other.....	509,979	437,277	522,526	6,119,864	5,821,603

* 37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

The decline in nonresidential construction as compared to the previous year was concentrated particularly in commercial building, which was off about 30 percent. According to some industry opinion, commercial building may pick up in the near future, due to the need for shopping centers and other commercial enterprises near the new residential areas developing as a result of the current residential building boom. The building of manufacturing plants declined little during 1949 as compared to the previous year but was appreciably below the 1947 level. Awards for public works construction declined during 1949 but are expected to increase during 1950. Utility construction increased moderately. In the residential field, substantially all of the increase from 1948 to 1949 was in 1-family dwellings for sale or rent, since this type of dwelling predominates in the low-cost housing program.

BUILDING PERMITS

City	December 1949		Percentage change valuation from		Jan. 1 to Dec. 31, 1949		Percentage change valuation from 1948
	Number	Valuation	Dec. 1948	Nov. 1949	Number	Valuation	
Louisiana:							
Shreveport.....	395	\$ 1,611,637	209	62	4,209	\$ 22,277,906	- 17
Texas:							
Abilene.....	79	340,675	- 14	- 42	1,312	6,424,470	23
Amarillo.....	243	1,305,324	148	19	3,178	16,654,149	58
Austin.....	253	1,830,540	37	9	2,931	22,529,683	1
Beaumont.....	211	543,054	#	- 49	4,135	10,003,966	4
Corpus Christi.....	191	1,541,594	249	46	3,333	15,266,224	- 3
Dallas.....	1,376	6,466,990	159	- 17	17,390	76,227,132	- 13
El Paso.....	204	2,980,112	530	54	3,381	16,182,066	44
Fort Worth.....	610	3,569,972	34	21	7,987	29,931,546	1
Galveston.....	94	308,177	99	76	1,813	8,555,401	135
Houston.....	445	4,683,330	- 41	8	7,091	82,159,126	- 18
Lubbock.....	222	2,455,556	56	- 35	2,527	15,865,740	5
Port Arthur.....	99	209,077	3	- 77	2,029	4,609,910	40
San Antonio.....	989	3,218,062	25	- 34	15,192	36,921,284	4
Waco.....	167	993,800	87	- 12	2,107	11,430,587	#
Wichita Falls.....	132	923,940	32	207	1,176	5,798,561	34
Total.....	5,715	\$32,981,840	43	- 5	79,791	\$380,837,451	- 3

Indicates change of less than one-half of 1 percent.

The high level of construction activity during the second half of 1949 was reflected in the construction materials industries. The southern pine industry west of the Mississippi River increased its shipments quite noticeably during the second half of the year, with the result that stocks at the mills at year-end were about 10 percent lower than a year earlier. The production of cement in Texas during 1949 was approximately 15,000,000 barrels, or about 10 percent higher than in 1948. Shipments practically equaled production for the year, so that little change occurred in the level of stocks. Smaller gains were recorded for the Nation, with production being up about 3 percent and shipments up about 2 percent.

CEMENT

(In thousands of barrels)

	November 1949	November 1948	October 1949	January-November	
				1949	1948
Texas:					
Production.....	1,272	1,167	1,307	13,624	12,392
Shipments.....	1,401	1,142	1,308	13,643	12,542
Stocks, end of month....	410	370	538	.....	.....
United States:					
Production.....	18,040	18,435	19,057	192,883	187,999
Shipments.....	17,259	18,110	21,278	194,564	191,688
Stocks, end of month....	9,340	6,399	8,569	.....	.....

r—Revised.
SOURCE: United States Bureau of Mines.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

	December 1949	December 1948	November 1949	August 1 to December 31	
				This season	Last season
Consumption at:					
Texas mills.....	11,739	12,790	13,525	63,973	64,098
United States mills.....	734,013	675,466	771,833	3,606,539	3,525,509
U. S. Stocks—end of month:					
In consuming estab'ts.	1,650,222	1,660,061	1,465,149	.....	.....
Public stg. & compresses	10,682,934	8,825,880	10,516,430	.....	.....

The cotton textile industry in 1949 underwent a decline of activity during the first 7 months of the year but, commencing in August, enjoyed a period of 4 months of steady rise. In December, however, the consumption of cotton in the Nation fell off 5 percent from the November level but was higher than in any previous month during the year. The December rate of consumption was 12 percent higher than the year-earlier rate.