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THE ROLE OF THE FEDERAL RESERVE SYSTEM IN OUR ECONOMY

R. R. Gilbert, *President*
Federal Reserve Bank of Dallas

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When I was invited to address your group I was unusually glad to accept, not only because I considered it a real privilege to discuss with you the role of the Federal Reserve System in our economy, but also because I was hopeful that I might add a bit to your understanding and appreciation of the Federal Reserve System and its importance as a constructive force in our system of private business enterprise. Of course, it is always a pleasure to talk about the things one believes in, and I certainly have the strongest faith and confidence in the Federal Reserve System and the private enterprise system of this country.

It is my impression, as a result of a great many contacts and discussions with bankers, businessmen, and others, that many people do not understand the objective of the Federal Reserve System or the System's place in our scheme of things. Unfortunately, understanding of the System's operation and of the reasons underlying the formulation and administration of central banking policy is regrettably vague and sometimes confused. This is a natural rather than a surprising situation, for in this country it is traditional that the central banking institutions have very few direct contacts with businessmen, industrialists, or the average citizen, although the results of the policies and operations of the central banking system do affect intimately the economic lives and activities of all of us.

Sometimes I feel that many people associate a certain mystery with central banking, believing that central banking policies and practices are so very complex that they are beyond the full comprehension of any but a few trained central banking specialists. I would not deny the complexity of central banking problems, but I do believe that a useful working knowledge of such matters can be acquired by thinking men and women. Moreover, it is not only important that those who comprise our economic leadership today have a clear understanding of the objective and functions of our central banking system, but equally important that young people such as you develop a clear insight into these problems, for it is from groups such as yours that we must draw our economic leadership of the future. In fact, I am convinced that a better understanding of central banking and financial problems and the interrelationship of financial and other economic and social developments is a "must" if we are to achieve the greatest usefulness and efficiency from our financial system operating within a private enterprise economy and if we are to achieve a reasonably satisfactory degree of economic stability.

It has been my privilege to have been associated with the Federal Reserve System since its establishment, and, consequently, I have been in the fortunate position of having been able to observe and to participate directly in its growth and its experiences. I have seen the Federal Reserve System grow from a new and untried experiment in American finance through various stages until, today, it stands unquestionably as the strongest and soundest central banking system in the world. During its existence the Federal Reserve System has faced many difficult problems and several developments of a crisis character, but it is an impressive fact that even two terrible world wars and the worst economic depression in the Nation's history were not capable of undermining the strength of this American system of central banking.

Drawing upon my experience and observation, I should like to center my remarks to you around a few major topics. I realize that most of you have studied courses in money and banking and, consequently, have a degree of familiarity with central banking as it has developed in this country. At the risk of being somewhat elementary, however, I should like to say a few words about the character of this country's regional central banking structure. Then, secondly, I should like to give you my understanding of the major purpose or the objective of the Federal Reserve System. Third, I will try to show in the course of my remarks how the Federal Reserve System has influenced the trend of business and finance during recent years. Finally, I will offer a few observations for your thought, hoping that I can be thought-provoking enough to stimulate questions for the discussion period which I understand will follow my remarks.

As you know, the Federal Reserve System consists of the Board of Governors of the System, the 12 regional Federal Reserve banks and their 24 branches, approximately 6,900 national and state commercial member banks, the Federal Open Market Committee, and the Federal Advisory Council. This type of central banking organization is peculiarly American in character. It recognizes the fundamental importance of the commercial banking system and the advantages that can be gained from the service and leadership of men experienced in private enterprise. It also recognizes the economic implications of the vast size of this country and the great diversity of regional economic activity. The Federal Reserve System is truly a central banking *system,* as contrasted with a *single* central banking institution such as is characteristic in most other nations.

Perhaps because of the use of the word "federal" in their titles, Federal Reserve banks are sometimes thought of as government-owned banks, drawing upon funds of the Government for their operation. While each Federal Reserve bank is a quasi-governmental corporation operated in the public interest, its stock is owned entirely by the private commercial member banks of the particular District. Moreover, funds used in connection with the operations of Federal Reserve banks are obtained entirely from their earnings; no tax monies have been invested or used in the operation of the Federal Reserve banks. The banks pay a legally prescribed dividend on their stock, and it has been customary during most of the life of the Federal Reserve System to turn over to the Treasury of the United States approximately 90 percent of their earnings after payment of dividends. Over the years these payments to the Treasury have reached the substantial total of about $584,000,000, plus $139,000,000 that was advanced by the Federal Reserve banks out of their surpluses to help establish and capitalize the Federal Deposit Insurance Corporation.

A very constructive influence is brought to bear upon the operations and policies of the Federal Reserve banks through the manner of selection and service of the boards of directors of the 12 banks and their branches. The stockholding member banks of the System elect six of the nine directors of each of the 12 Federal Reserve banks, while the Board of Governors of the System appoints three directors, who, in a sense, may be said to represent the public interest. In turn, the boards of directors of the Federal Reserve banks and the Board of Governors of the System appoint the directors of the Federal Reserve bank branches.

These men who serve as directors of Federal Reserve banks or branches are outstanding leaders in banking, business, industry, agriculture, or the professions in their respective districts. Through their combined experience and knowledge of operations in the various segments of our private economy, they are able to serve the Federal Reserve System in a most constructive manner. Not only is their service invaluable with respect to the technical requirements of directors, but, equally important, they are able to bring to the System the views and considered judgments of men who understand the workings of our private enterprise system and who recognize the importance of its continuance as a strong and solid foundation of the American economy.

Sometimes there is a mistaken tendency to think of the Federal Reserve System in terms of the Board of Governors and 12 regional banks, without giving proper emphasis and importance to the place of the member banks. In a very real sense the member banks represent the greatest single element of strength in the System. Moreover, through the right to elect members of the boards of directors of the Federal Reserve banks and through the frequent consultative and advisory contacts of the officers of commercial banks with officials of the Reserve System, the member banks are in a position to serve constructively in strengthening the entire central banking system. In addition, the opportunity is provided and actively sought for the private commercial member banks as a group, working through their established associations, to cooperate with the central banking officials toward the solution of the perplexing problems that confront the System from time to time. I cannot emphasize too strongly the importance of viewing the Federal Reserve System as a composite of a governmental body and quasi-governmental and private banking institutions working cooperatively and collectively toward the achievement of the same objective.

The broad, general objective of the Federal Reserve System can be understood and appreciated most clearly, perhaps, if we recall briefly some of the background developments which occurred in the field of money and banking prior to the establishment of the Federal Reserve System. The period of more than two decades prior to 1913 was characterized by monetary and credit crises, by money panics, and by other monetary and credit disturbances which, in the absence of a central, coordinated banking authority, contributed to recurrent economic instability. These developments—and public and official demand for correction—led to the passage of the Federal Reserve Act. The framers of the Act sought to create a regional central banking system which would operate in a manner consistent with our private enterprise system and which would have sufficiently broad powers to enable it to influence effectively credit and monetary conditions in the interest of stable economic growth.

For instance, in 1913 when Federal Reserve legislation was being considered, the Chairman of the Senate Banking and Currency Committee stated that the bill was intended "to establish an auxiliary system of banking upon principles well-understood and approved by the banking community, which it is confidently believed will tend to stabilize commerce and finance, to prevent future panics, and to place the Nation upon an era of enduring prosperity." That statement of the objective of the Federal Reserve System, made by Senator Robert L. Owen some 37 years ago, does not differ in content or in implication from the objective stated by the Board of Governors of the Federal Reserve System in 1946 when it expressed the "belief that the implicit, predominant purpose of Federal Reserve policy is to contribute insofar as the limitations of monetary and credit policy permit to an economic environment favorable to the highest possible degree of sustained production and employment."

During the past few years, and especially since the end of the war, there has been considerable controversial discussion regarding central banking policies and objectives in this country. Critical discussion and appraisal are very desirable, assuming that the approach to such matters is constructive—not obstructive. Moreover, criticism that is motivated by a desire to improve the ability of the Federal Reserve System to carry out its responsibilities with respect to the volume, availability, and cost of credit in a changing economy, without unjustifiable encroachment upon the rights of individuals and private institutions, certainly represents a healthy development. It is important, however, that in our thinking regarding the Federal Reserve System and its objective and policies, we distinguish clearly between the basic objective of the System and the more or less specific instruments of administration of central banking policy that are used by the System—some more or less continuously, others only occasionally—to enable it to achieve its objective. It may be because of failure to recognize this distinction between the objective and the instruments of policy administration that there has developed at times confusion as to whether the System has tended over the years to deviate from its original purpose.

In order to help to achieve the broad objective of dynamic economic stability which I have indicated, the Federal Reserve System obviously must have certain instruments of policy administration which it can use effectively at appropriate times. Study of the activities of the Federal Reserve System over the years clearly shows that with but very few exceptions its policies have been administered through general instruments which interfere as little as possible with the operating decisions and judgments of privately owned enterprises—even banking institutions. Policies of the Federal Reserve System have not, in general, been carried out by measures of direct control which take the decision out of the hands of the individual citizen and place it in the hands of a government agency.

The Federal Reserve System has relied primarily upon these broad, general instruments of policy administration because of the conviction that that type of central banking is most appropriate in a private enterprise economy. It has been and continues to be the view of the System that general instruments which indirectly influence the volume, availability, and cost of credit in the banking system are more desirable than direct controls and that unless such general instruments clearly prove inadequate the introduction of direct controls should be avoided.

The objective of the Federal Reserve System has not changed over the years, but certainly the instruments of policy administration quite properly have changed from time to time and probably will continue to change in the future as new circumstances and conditions arise. Our private enterprise economy is dynamic, constantly undergoing changes of one sort or another; moreover, I think we want this to be so in the future. In such an economy it is obvious that the central banking system also must be dynamic, because otherwise it cannot keep pace with the changes that occur in the economic system within which it exists and operates. A few illustrations will show the sort of changes that have taken place in the instruments of Federal Reserve policy administration but which have not changed in any degree the underlying objective of the System.

In 1913 when the System was established, the amount of government debt was negligible and trading in Government securities by commercial banks was relatively unimportant. In fact, such trading as occurred was largely the result of adjustments arising out of the fact that national bank notes were collateraled by Government securities. Government securities were not a very important element in the portfolios of commercial banks, and transactions in such securities by the Federal Reserve System were comparatively small and infrequent.

Few people, if any, in this country recognized open market operations in Government securities by the central bank as an important or potentially powerful instrument of central bank credit control. Perhaps the instrument had not been developed because conditions had not existed under which its use would have been effective or appropriate. As conditions changed and the volume of the government debt rose very substantially as a result of the First World War, open market operations in Government securities began to develop as an instrument of credit control in the early Twenties. Even then, however, this instrument, which now has become one of the System's most important means of influencing the volume of credit, was "discovered" perhaps in a more or less accidental manner as the different Reserve banks engaged in operations in the Government securities market to bolster earnings which had declined sharply as a result of the shrinkage in their rediscount volume. Experimentation and experience in dealing in the open market soon established the effect of such transactions on the money market and upon the reserve position of member banks.

Developments which occurred in connection with the use of the rediscount rate as an instrument of administration of central banking policy also illustrate the manner in which changing banking or economic conditions may influence the effectiveness of an instrument of credit control. In the early and formative period of the Federal Reserve System, resort to the use of the rediscount rate represented the System's major instrument of credit control. The rediscount process was compatible with the situation that prevailed at that time, when commercial banks held a proportionately large volume of commercial paper among their assets and used that paper to adjust their reserve positions at the central bank. Later, however, as a consequence of the very large increase in commercial bank holdings of Government securities and the marked shrinkage in the volume of eligible commercial paper, the use and effectiveness of the rediscount rate as an instrument to influence the volume, availability, and cost of credit steadily diminished in importance. Although changes in the rediscount rate continue to be of signifiance as an indicator of the direction of central banking credit policy, that instrument of control has been supplanted in importance by open market operations. Again, during the first two decades of the Federal Reserve System reserve requirements of member banks were inflexible and could not be used by the central banking authorities as an instrument of policy administration in connection with changes in the volume of credit. Following devaluation of the dollar in 1934 when gold began to move to this country in unprecedentedly large volume, it became apparent that some other instrument of control, in addition to the rediscount rate and open market operations, would be needed to cope with the new situation. It was recognized that the magnitude of gold imports might exert an expansive effect upon bank reserves that would be beyond the range of effectiveness of available instruments from the standpoint of orderly control of credit. Consequently, in the Banking Act of 1935 the Board of Governors of the System, as you know, was given authority to change reserve requirements of member banks within certain stated limits. Ability to increase reserve requirements enabled the System to offset to some extent the expansive effects resulting from increases in the Nation's gold supply. Later, during the postwar years changes in reserve requirements were used to offset the potential credit expansion made possible as a result of purchases in the Government securities market, which at times occurred on a very large scale. On the other hand, reserve requirements have been reduced at times when more liberal availability of member bank credit seemed desirable.

The speculative boom which preceded the stock market crash in 1929 clearly demonstrated that general instruments of credit control are not always wholly effective with respect to particular markets or sectors of the economy. After thorough study, legislation was enacted authorizing the Federal Reserve System to exert direct control with respect to margins on listed securities, in order to prevent an unwarranted flow of credit into that major financial market.

I mention these changes in central banking instruments of policy administration that have occurred during the life of the Federal Reserve System because I want to emphasize that central banking can and should be dynamic and adapt its administration and its policies to changing economic conditions. It is clear, however, that such flexibility with respect to policy administration can be achieved without deviating in any respect from the basic objective. Throughout the period of Federal Reserve banking the objective has been to influence the availability, volume, and cost of money and credit toward the end of achieving as high a degree of sustainable economic stability as possible. As economic and banking conditions have changed through the years, the means of achieving that objective necessarily have had to be adjusted to keep pace with developments and to assure as nearly as possible effective central banking operation.

Now I should like to turn briefly to a consideration of some of the central banking policies that have been followed during recent years, in order to point out to you how these policies have been related to business and economic conditions and developments and how they have been designed toward achieving over-all economic stability. When the war ended, the inflation potential in this country was tremendous. It was felt that as many of the direct war controls as possible should be removed promptly, but it was feared, nevertheless, that with the removal of these controls, inflationary pressures accumulated during the war years would be released with very serious consequences to the economy. Moreover, as a result of the tremendous increase in government debt, the management of that debt by the Treasury posed one of the most difficult problems ever to confront a central banking agency, for debt management obviously is interwoven with credit policy management. The problem confronting the Federal Reserve System was to regulate the volume of credit in such a way as to prevent to the greatest extent possible the release of inflationary forces that were inherent in the actual and potential money supply and, at the same time, assist the Treasury in managing soundly the $275,000,000,000 of public debt.

Actions that were appropriate to developments in one of these two fields often seemed to be and sometimes actually were inconsistent with developments in the other. For instance, at times when the central banking authorities felt impelled to engage in transactions in the Government securities market for the primary purpose of aiding in the management of the public debt, such operations obviously involved an inflationary potential which it was necessary to offset by other diverse activities.

Very soon after the end of the war Federal Reserve authorities began to exercise their influence to bring about an increase in short-term interest rates, knowing that continuing low rates under the circumstances could not have other than an inflationary effect. Furthermore, the System urged the Treasury to adopt a fiscal policy which, to the greatest extent practicable, would avoid any increase in the money supply. You will recall that through the first quarter of 1948 the Treasury used surplus funds for the purpose of retiring Government securities, especially those held by the Federal Reserve System, thus drawing funds out of the market and reducing the money supply. During those years when our productive system was converting from one directed to all-out war to one pointed toward consumer peacetime demand, the supply of goods of virtually all kinds was short in terms of the effective demand. Under such circumstances, anti-inflationary monetary and credit policies, including higher short-term interest rates and generally restrictive credit measures, were in order.

In line with this general policy framework, interest rates on 90-day Treasury bills—the shortest term Government securities—were permitted to rise from $\frac{3}{8}$ of 1 percent to approximately 1 percent, while the rate on 12-month certificates of indebtedness moved from $\frac{7}{8}$ of 1 percent to $1\frac{1}{4}$ percent. In the meantime, to maintain confidence in long-term Government securities during the period of uncertain postwar readjustment, the System intervened in the market as a purchaser or seller whenever necessary to assure that the yield on such securities would be kept within the limits of the $2\frac{1}{2}$-percent rate on the longest term Government bonds.

Of course, it was recognized by the System authorities that purchases of long-term Government bonds through open market operations made possible a potential increase in the money supply, because such purchases created bank reserves. To a large extent, however, the danger of this potential increase in the money supply was minimized by the Treasury's policy of debt retirement. In addition, from time to time the Federal Reserve authorities raised reserve requirements of its member banks in order to absorb newly created reserve funds. Looking back upon developments during the first three postwar years, it appears that a reasonably satisfactory degree of economic stability was maintained, although undoubtedly a more restrictive credit policy would have been desirable from the standpoint of the requirements of the business and economic situation, had it not been for the uncertainty and risk involved in the accompanying debt management problem.

By the middle of 1949, when it appeared that postwar economic readjustments had progressed to some length, Reserve authorities reviewing the developments of the past several years and looking toward the future indicated a change in policy by releasing a statement that purchases and sales of Government securities by the Federal Open Market Committee would be made 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. This policy statement is significant because of the distinction it makes between the maintenance of orderly conditions in the Government securities market and the earlier postwar practice of maintaining a relatively fixed pattern of rates or so-called "pegged rates" on Government securities. Moreover, System authorities recognized fully the desirability of moving in the direction of a return to more traditional central banking practices involving greater flexibility in the cost of central bank credit.

Changes in reserve requirements during 1948 and 1949 also reflect the attempt of Reserve authorities to influence the volume and availability of credit toward the end of achieving as nearly as possible satisfactory economic stability. During the first three quarters of 1948 when inflationary pressures seemed to be particularly strong, member bank reserve requirements were raised for the purpose of restricting further credit expansion. It is true that during this period member banks tended to meet the increase in reserve requirements by selling Government securities which were purchased in large part by the Federal Reserve System. Because of this development, it has been contended at times that increases in member bank reserve requirements were ineffective, as they were offset by the sale of Government securities. That view, however, overlooks the fact that as a result of the increase in reserve requirements and the sale of Government securities by the member banks the liquidity position of the member banks, from the standpoint of further credit expansion, was restricted. In other words, although member banks may have exchanged one asset for another, the asset obtained in the form of a required reserve balance with a Federal Reserve bank did not possess the liquidity potential from the standpoint of credit expansion that was characteristic of the Government securities which the member banks sold.

When it became apparent during the fourth quarter of 1948 and the early months of 1949 that a period of moderate deflationary economic readjustment was imminent, central banking policy was reversed in order to assure that it would not be restrictive upon the member banks' ability to meet reasonable credit requirements of business, industry, and agriculture. Reserve requirements of member banks were reduced on successive occasions during 1949, and a fractional reduction in rates occurred in the fall of that year.

I realize that these comments regarding postwar central banking policies and economic developments are not adequate—admittedly, they are too brief; also, perhaps I have been more or less technical in my discussion of these events, but if I have left any unanswered questions in your minds I hope you will take the opportunity to raise those questions during the discussion period to follow. I have hoped, however, to be able to illustrate briefly to you some of the factors underlying central banking policy and to illustrate the way those policy decisions were determined during the period on the basis of the economic conditions which confronted us.

In concluding, I should like to make a few remarks about the importance of maintaining reasonable economic stability as a guarantee of the continuance of our private enterprise system. The trend of the times clearly points toward the tendency of the Government to use its powers and those of government agencies, whenever necessary, toward the end of achieving a continuing state of high income, employment, and production. We all recall the development and growth of direct government influence upon our economy, which arose out of the economic instability of the early Thirties. I believe that most of us would agree that if a serious threat of economic instability should reappear, government action would be prompt and direct. The fact that many might question the desirability or the ultimate effectiveness of such intervention would not forestall the inevitable—in fact, the directive of the Congress incorporated in the Employment Act of 1946 would seem to assure government action. Inasmuch as each act of direct government intervention or control tends not only to encroach upon but to modify the private enterprise system, I think it follows that the maintenance of economic stability is one of the surest ways to preserve the character and strength of our American economic system.

The Federal Reserve System alone certainly cannot assure economic stability. It can only contribute toward the achievement of economic stability within the limits of the field of money and credit. Moreover, it can only be successful in that objective if it has adequate general powers and is able to use those powers freely in the discharge of its responsibility with respect to the availability, volume, and cost of money and credit. Toward this end, it is to the interest of all businessmen, bankers, and others who desire to strengthen our private enterprise system to cooperate to the fullest extent in maintaining a strong central banking system but yet one which is compatible with the private enterprise system of this country.

It has been universally recognized that banking must be more or less governmentally supervised. This peculiar position of banking is explained by the fact that rarely, if ever, has any government been willing to accept a denial of its right to regulate and determine the value of money. Commercial banks, in a very real, practical sense, create money. Certainly in our present-day economy, bank deposits serve as money and are created by the decisions of commercial bankers. It is logical, therefore, and in fact essential from an economic point of view that the central banking authority maintain reasonably satisfactory control over that money-creating process.

In essence, we should constantly seek to achieve that most effective and appropriate midpoint with respect to central banking which lies between a central banking system, on the one hand, with powers and authority extended to such a point as to make it incompatible with the private enterprise system and thus weaken or destroy the latter and, at the other extreme, a central banking system with such inadequate powers and authority as to be unable to maintain a reasonable degree of stability in the field of money and credit, thus permitting the private enterprise system to weaken itself through monetary and credit excesses. I think it is obvious that the occurrence of conditions characteristic of either of these extremes would be fatal to our private enterprise system.

I am convinced that with the conscientious, constructive guidance and watchfulness of all of those who make up the leadership of our economic system, the desirable position between these two extremes—a position which the Federal Reserve System has sought to attain—can be maintained and strengthened.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

Department store sales in the Eleventh Federal Reserve District, stimulated by the continued strong demand for consumer durable goods, rose by considerably more than the usual seasonal amount in February and showed an increasingly larger gain over year-earlier levels for the third consecutive month. February sales were 7 percent higher than in the same month of last year. Furniture store sales were well maintained, continuing to show a substantial year-to-year gain.

Crude petroleum production in the District and the Nation during February reflected little change from the preceding month, though output was sharply lower than in February 1949. Refinery operations continued downward. The demand for petroleum products again exceeded production, with the result that the further reductions in stocks of crude oil and refined products brought the over-all stock position to the lowest level since November 1948.

The value of construction contracts awarded in the District rose by 14 percent in February and was 58 percent above the February 1949 level, reflecting chiefly the rise in residential awards to the highest amount since the all-time peak of May 1946. The low-cost housing program continued to account for a large part of residential building.

Agricultural conditions in various parts of the District during February and early March varied extremely, according to amounts of rainfall received. In the farming areas in the eastern and southeastern sections of the District, preparation of land and planting of corn, grain sorghums, and other spring crops were under way at mid-March, while cotton planting was nearing completion in the Lower Rio Grande Valley. Commercial vegetables in south Texas have made fair progress during recent weeks, despite considerable damage caused by insects and blight. Pastures and ranges are in good condition except for the dry areas of west and northwest Texas and parts of New Mexico and Arizona; livestock are in excellent condition for this season of the year. Marketings of livestock are running well below comparable weeks of last year. Farm commodity prices in Texas during the last few months have tended to remain steady or advance slightly on the average, although divergent trends are noted for specific commodities.

The deposits of weekly reporting banks in leading cities fluctuated widely between February 8 and March 8, but the total at the close of the period was practically the same as 4 weeks earlier. The loans of these banks showed a net decrease of about $11,000,000 during the period, while investment holdings decreased $41,000,000.

BUSINESS

Heavy sales of consumer durable goods continued to give a buoyant tendency to consumer buying in the Eleventh Federal Reserve District during February. Department store sales showed a noticeably larger-than-seasonal gain in that month and exceeded year-earlier levels by 7 percent. February marked the third successive month in which sales were larger than in the corresponding month of the previous year, with each month showing an increasingly greater gain. In view of the lower prices prevailing this year, the increase in the physical volume of goods sold has been even more impressive.

District sales in recent months have been making a markedly better showing than national sales, although the latter have been well sustained generally, despite the depressing effect of the coal and automobile strikes and the lower prices existing this year. In addition to such factors as the veterans' insurance refund, the continued high level of consumer income, the appeal of television, the demand for furniture and furnishings stemming from the housing boom, the liberalization of credit terms, and aggressive merchandising—all factors tending to stimulate retail sales in both the Nation and the District—District sales probably have received stimulus from the high level of farm income received from the record crop production last year.

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in				
	Net Sales			Stocks‡	
	Feb. 1950 from		2 mo. 1950 comp. with	Feb. 1950 from	
	Feb. 1949	Jan. 1950	2 mo. 1949	Feb. 1949	Jan. 1950
Retail trade:					
Department stores:					
Total Eleventh District	7	2	5	⊕	8
Corpus Christi	4	6	5	— 2	6
Dallas	5	6	6	3	12
Fort Worth	5	1	8	— 2	2
Houston	2	— 2	— 2	2	9
San Antonio	13	— 2	7	1	6
Shreveport, La	11	9	4	....	....
Other cities	11	3	12	— 5	6
Furniture stores:					
Total Eleventh District	17	⊕	....	— 4	1
Dallas	14	— 5	....	—18	5
Houston	38	11	....	25	8
Port Arthur	— 9	—10	....	—20	4
San Antonio	20	4	....	....	....
Shreveport, La	55	15	....	11	— 6
Wichita Falls	—13	—10	....	—10	5
Wholesale trade:*					
Automotive supplies	— 6	— 3	— 1	—21	8
Drugs and sundries	10	— 5	3	5	5
Dry goods	5	— 5	— 2	— 3	3
Grocery (full-line wholesalers not sponsoring groups)	— 6	— 4	— 5	— 3	6
Hardware	7	2	6	—11	5
Machinery equipment and supplies except electrical	—14	—11	—18	....	....
Tobacco products	6	2	2	6	1
Wiring supplies, construction materials distributors	—42	4	—22	—15	:

* Preliminary data. Compiled by United States Bureau of Census.
‡ Stocks at end of month.
⊕ Indicates change of less than one-half of 1 percent.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales — (1935–39=100)

	Unadjusted*				Adjusted			
	Feb. 1950	Jan. 1950	Dec. 1949	Feb. 1949	Feb. 1950	Jan. 1950	Dec. 1949	Feb. 1949
Eleventh District	327	313r	662	315	409	396r	404	394r
Dallas	318	291	602	311	331	355	381	323
Houston	342	343r	730	340	389	440r	459	387r

STOCKS — (1935–39=100)

	Unadjusted*				Adjusted			
	Feb. 1950	Jan. 1950	Dec. 1949	Feb. 1949	Feb. 1950	Jan. 1950	Dec. 1949	Feb. 1949
Eleventh District	357	328r	323	362	364	353r	351	369r

r—Revised.
* Unadjusted for seasonal variation.

Sales of consumer durable goods continued at unusually high levels, with District department stores reporting the highest volume for any February on record. Furniture and bedding sales were 45 percent higher than in February a year ago; major household appliance sales were 86 percent higher; and radio, phonograph, and television sales were more than doubled. This later figure reflects, of course, the phenomenal buying of television sets. These tremendous percentage increases reflect not only the extremely high levels of sales this year but also the relatively poor sales of these items at this time last year. Of the household furnishings group, however, sales of domestic floor coverings, after showing a substantial year-to-year gain in the previous month, dropped 4 percent below the year-earlier level.

Women's apparel sales, in contrast with the household furnishings sales, failed to make an impressive showing. Sales of women's and misses' dresses in District department stores in February were 8 percent less than in the same month of last year, while sales of women's and misses' coats and suits were down 18 percent. It will be noted, however, that sales of these items at this period a year ago were at fairly high levels. Also, part of this year-to-year decline may be attributed to the lower prices now prevailing and to the relatively mild weather this winter. Nevertheless, it is reported that some concern exists with reference to consumer demand for women's apparel. February data are too early to reflect Easter buying, but sales during the first part of March do not appear to have been particularly encouraging.

Unlike sales of women's apparel, sales of women's and misses' accessories showed a small rise in February over the same month of 1949. On the other hand, basement store sales showed a small decrease; men's clothing sales were down slightly; and sales of silverware and jewelry decreased 6 percent, continuing the pattern of year-to-year declines evident in the preceding few months.

A large volume of instalment sales in February continued the trend of the past 8 months, which has been fostered by the strong demand for consumer durable goods and the liberalization of credit terms following the expiration of Regulation W on June 30, 1949. Constituting 10 percent of total sales, the proportion of instalment sales was the same as in January and was 4 percentage points higher than in February of last year. Charge account sales were down from a year ago and comprised 57 percent of total sales as compared with 61 percent in the corresponding month of 1949. The ratio of cash-to-total sales was 33 percent, which is the same as last year, markedly below wartime years, but moderately above the 30-percent ratio of the prewar month February 1940.

February collections in relation to instalment accounts outstanding were the lowest for any month in the 10 years on record. The ratio of collections to instalment accounts outstanding was only 13 percent, as compared with 14 percent in the previous month, 20 percent in the same month of last year, and 15 percent in February 1940. This low collection ratio largely reflects the longer credit terms being granted. The collection ratio of regular accounts declined from 50 percent in January to 48 percent in February but was still appreciably higher than the prewar experience.

Department store stocks showed a larger-than-seasonal increase in February and at the end of the month were about the same as a year ago. Meanwhile, orders outstanding showed small declines from both the previous month and the same month a year earlier. With stocks now in a generally favorable situation, merchants are continuing to follow a prudent inventory policy. Distant commitments are being avoided, and buying generally is being limited to stock replacement, to conservative stocking of seasonal goods, and to attractively priced merchandise for promotional purposes.

Furniture stores in the District maintained a heavy volume of sales in February, with sales approximately the same as in January and 17 percent higher than in February 1949. Sales were off 4 percent from the January level but were 6 percent higher than in February 1949. Instalment sales continued to show marked gains over year-earlier levels; but cash sales, after having shown in January the first year-to-year gain in 2 years, fell substantially below the February 1949 volume. The ratio of credit-to-total sales was 90 percent, as compared with 88 percent in January and with 87 percent in February a year ago. Accounts receivable outstanding rose slightly during the month, following a small decline in January, but were 35 percent higher than a year earlier. Inventories at the end of the month were up slightly and were 4 percent less than at the same time last year, as compared with a year-to-year decline of 7 percent a month earlier.

AGRICULTURE

Agricultural conditions over the Eleventh District during late February and early March varied from very good to extremely unfavorable. In the farming areas of the eastern half of the District, preparation of soil and planting of spring crops made good progress, except in the wet lowlands of the Upper Coastal area of Texas. In the dry areas of west and northwest Texas, however, high winds caused severe dust storms and further deterioration of the winter wheat crop. There is an increasing number of complaints of green bug infestation in the wheat areas, and these pests have been a serious threat to the crop. Some August and September seedings of winter wheat have been dying in the High Plains. In central and north-central Texas, however, winter grain crops have made fair to excellent growth. Corn planting is under way in north-central counties and in full swing in the coastal counties of Texas. Planting of grain sorghums is well advanced in the Coastal Bend commercial area. A good flax crop is in prospect in Texas, although acreage is much below that of last year. Cotton planting neared completion in southern counties of Texas at mid-March and is moving northward.

Conditions in the commercial vegetable areas of south Texas during late February and early March generally were favorable for most spring plantings and some growing winter crops, but a significant volume of winter vegetables in production declined in yield and quality. Rains over most areas, together with periods of warm, open weather, were beneficial to such early planted spring crops as sweet and green corn, tomatoes, and potatoes. Prospects for early spring potatoes in the Lower Valley have been reduced further, however, as fresh outbreaks of blight have become more general since March 1. Blight and thrip damage to onions in the Lower Valley was also reported to have increased following the rains of early March, but most fields continued to make fair progress. Furthermore, continued drought and infestations of blight and thrips over much of the Coastal Bend have reduced onion yield prospects in that area. Tomato hot-bed and cold-frame planting was active in northeast Texas at mid-March, with early plants expected to go to the field the last of the month. Valley tomatoes have made good progress, although some fields have been damaged badly by blight.

Texas winter beet production was estimated on March 1 at 1,088,000 bushels, substantially more than last year's crop but only a little larger than average. The State's winter cabbage crop is estimated at 161,100 tons, compared with 112,200 tons last year. The 7,000 acres of early Irish potatoes in Texas indicate a decline of 30 percent from last year. The winter spinach crop in the State is reported at 2,250,000 bushels, which is less than one-half the 1939-48 average due to reduced acreage and lower yields. No estimate of early spring tomato production in Texas is yet available; the 35,000 acres for harvest are about equal to the 10-year average, although much above last year. The 1950 early summer watermelon acreage in the State is 66,000, compared with 64,000 acres last year.

Citrus production in the Lower Rio Grande Valley turned out to be larger than was forecast several months ago, although only about one-fourth the large production reached during the three seasons preceding the freeze of early 1949. The Texas grapefruit crop is estimated at 6,500,000 boxes, or 1,100,000 boxes above the December 1 forecast. The estimate of orange production has been increased 100,000 boxes to 1,650,000 for the season. The Texas citrus harvest was virtually complete on March 1, and the new bloom was beginning on many trees. Most groves that have been pruned and have received good care since last year's freeze have made excellent recovery, and an expansion in production may be expected in the next few years.

CASH RECEIPTS FROM FARM MARKETINGS
(In thousands of dollars)

State	December 1949 Crops	December 1949 Livestock	December 1949 Total	December 1948 Total	Cumulative receipts Jan. 1 to Dec. 31 1949	Cumulative receipts Jan. 1 to Dec. 31 1948
Arizona	$ 32,960	$ 4,380	$ 37,340	$ 25,312	$ 236,304	$ 220,683
Louisiana	37,033	7,733	44,766	44,372	342,151	351,360
New Mexico	12,813	5,508	18,321	16,437	192,953	188,791
Oklahoma	29,382	19,074	48,456	46,425	621,763	673,329
Texas	195,656	49,956	245,612	135,732	2,150,794	1,954,655
Total	$307,844	$86,651	$394,495	$268,278	$3,543,965	$3,388,818

SOURCE: United States Department of Agriculture.

CASH RECEIPTS FROM FARM MARKETINGS
(In thousands of dollars)

State	January 1950 Crops	January 1950 Livestock	January 1950 Total	January 1949 Total
Arizona	$ 25,205	$ 5,960	$ 31,165	$ 27,784
Louisiana	22,026	7,010	29,036	29,039
New Mexico	9,002	3,846	12,848	11,482
Oklahoma	30,940	20,297	51,237	38,726
Texas	151,780	44,856	196,636	101,484
Total	$238,953	$81,969	$320,922	$208,515

SOURCE: United States Department of Agriculture.

Ranges and pastures in the eastern half of the District are supplying good grazing, but in the High Plains, Trans-Pecos, and extreme southern counties of Texas and in many parts of New Mexico and Arizona, rain is urgently needed to start new feed. Dry grass over western and northwestern areas of Texas at mid-March was covered with dust from recent dust storms. Livestock generally are in good condition over the District, except in the extremely dry areas. Many ranchmen in these areas were still feeding at mid-March, and in some of the drier counties of Texas they were burning prickly pear to make it edible for livestock. Cows and ewes generally are in very good condition for this season of the year, having been favored by a mild winter and an adequate to abundant feed supply in most sections. The cold spell over the week end of March 12 caused some loss of freshly shorn goats and new-born lambs and kids. The 1950 early lamb crop in the principal producing states is estimated to be about 2 percent larger than last year, the first increase in 9 years. A very large percentage lamb crop in Texas and other southwestern states is expected.

The 1949 production of shorn wool in Texas is estimated at 52,415,000 pounds, which is 6 percent below the 1948 clip of 55,653,000 pounds and the smallest since 1930. Fleeces averaged 8 pounds, compared with 7.7 pounds in 1948. The 1949 wool clip in the State was valued at $29,352,000 — down $700,000 from the previous year. Shorn wool production increased slightly in Arizona, due to an increase in weight per fleece, but declined in Louisiana, Oklahoma, and New Mexico. Mohair production in Texas in 1949 is estimated at 13,910,000 pounds, or 12 percent less than the 15,810,000 pounds produced in 1948. A sharp reduction in number of goats clipped more than offset a slight increase in average weight of clip per goat. The value of the mohair clip, estimated at $6,538,000, declined 10 percent from 1948 due entirely to smaller production, as the average price received was up 1 cent per pound. Contracting of mohair has been very active, and much of the 1950 clip is reported to be under contract.

Receipts of livestock at the Fort Worth and San Antonio markets during February showed a decline of about 26 percent from January, with decreases reported for all major classes of stock. This decline resulted from seasonal influences, the fact that February was a short month, the withholding of animals for restocking of pastures and ranges, and other factors. As compared with the same month last year, total receipts were down 18 percent, as an increase of 7 percent in marketings of calves was more than offset by declines of 15 percent for cattle, 17 percent for hogs, and 34 percent for sheep.

LIVESTOCK RECEIPTS
(Number)

Class	Fort Worth market February 1950	Fort Worth market February 1949	Fort Worth market January 1950	San Antonio market February 1950	San Antonio market February 1949	San Antonio market January 1950
Cattle	25,427	33,565	30,562	21,103	21,190	24,306
Calves	8,856	9,366	15,049	10,429	8,587	15,884
Hogs	46,497	56,674	63,277	6,238	6,870	8,105
Sheep	20,673	25,772	25,546	8,859	19,003	16,165

TOP LIVESTOCK PRICES
(Dollars per hundredweight)

Class	Fort Worth market February 1950	Fort Worth market February 1949	Fort Worth market January 1950	San Antonio market February 1950	San Antonio market February 1949	San Antonio market January 1950
Slaughter steers	$27.00	$23.50	$27.00	$23.00	$22.25	$26.00
Stocker steers	26.00	24.50	24.00	......	......	......
Slaughter cows	19.00	18.50	18.00	20.00	19.25	19.50
Slaughter heifers and yearlings	28.00	24.50	27.50	26.00	22.00	26.00
Slaughter calves	26.50	25.50	25.50	27.00	24.75	26.00
Stocker calves	28.00	25.00	26.00	27.00	26.00	27.00
Slaughter lambs	26.00	24.00	24.00	25.00	23.50	23.25
Hogs	18.00	20.75	17.75	17.50	21.00	17.50

The United States Department of Agriculture reports that prices received by Texas farmers for agricultural products increased about 5 percent on the average during the month ended February 15. Substantial price advances for meat animals, truck crops, and fruit accounted largely for the increase. These increases more than offset declines in prices of dairy and poultry products. The recovery in the over-all average brought the farm commodity price index to 272, or the highest level since last June.

Reports from spot commodity markets indicate that from February 15 to mid-March the price of cotton made a net decline, while prices of most grains increased slightly. Moderate advances were reported for lambs and some classes of slaughter cattle, but prices of hogs experienced little net change.

FINANCE

Between February 8 and March 8, loans and investments of selected member banks in leading cities in the District decreased, while cash items, balances with banks, and reserves with the Federal Reserve Bank showed more than offsetting increases. As a result of these changes in principal asset accounts, the total assets of these banks on March 8 amounted to $3,564,000,000, as contrasted with the total reported on February 8 of $3,560,000,000.

All major classes of loans decreased during the 4-week period, with largest contractions shown in commercial, industrial, and agricultural loans and the category "all other" loans. This declining loan trend is characteristic of this season of the year, when repayment of indebtedness generally tends to exceed somewhat new credit demands. The seasonal decline in bank credit showed a somewhat slower start this year and has been less in amount than was characteristic of the comparable period in 1949. It should be kept in mind, however, that the decline experienced during 1949 probably reflected not only the seasonal contraction but, in addition, a shrinkage resulting from the business readjustment which had become clearly evident at that time.

Principal changes in investment portfolios of selected member banks in the District during the period included declines in holdings of United States Treasury bills and United States certificates of indebtedness amounting to approximately $24,000,000 and $40,000,000, respectively, and a partially offsetting increase in holdings of United States Treasury notes of about $24,000,000. These larger banks in the District also reported a nominal decline in their holdings of United States Government bonds. Although to some extent the decline in holdings of certificates of indebtedness was the result of the exchange offering of Treasury notes made in connection with the March 1 refunding, the figures show that banks tended to reduce their short-term investments and to place a somewhat larger amount of funds in cash and balances. Most of the decline in holdings of short-term Government securities occurred during the last week in February and was related in some degree to the rather substantial decline that occurred in demand deposits during the last 2 weeks in February.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES — Eleventh Federal Reserve District

(In thousands of dollars)

Item	March 8, 1950	March 9, 1949	Feb. 8, 1950
Total loans and investments	$2,501,141	$2,274,074	$2,553,411
Total loans—net‡	1,175,943	1,092,511	1,187,489
Total loans—gross	1,187,455	1,101,836	1,198,952
Commercial, industrial, and agricultural loans	837,633	767,235	845,016
Loans to brokers and dealers in securities	5,881	5,261	5,830
Other loans for purchasing or carrying securities	47,623	56,914	48,059
Real-estate loans	93,874	88,247	95,062
Loans to banks	79	591	79
All other loans	202,365	183,588	204,906
Total investments	1,313,686	1,172,238	1,354,459
U. S. Treasury bills	79,758	28,450	104,146
U. S. Treasury certificates of indebtedness	280,929	265,428	320,639
U. S. Treasury notes	160,459	41,529	136,295
U. S. Government bonds (inc. gtd. obligations)	661,478	716,306	663,608
Other securities	131,062	120,525	129,771
Reserves with Federal Reserve Bank	475,035	544,124	463,193
Balances with domestic banks	313,434	251,552	277,844
Demand deposits-adjusted*	1,999,831	1,935,686	1,969,957
Time deposits except Government	434,626	416,602	453,366
United States Government deposits	53,785	51,062	60,729
Interbank demand deposits	653,938	526,563	662,317
Borrowings from Federal Reserve Bank	0	1,000	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.

Although gross demand deposits of all member banks in the Eleventh District showed a decline of about $116,000,000 during February, the average daily total during the month was about $424,000,000 larger than during the same month last year. Most of the decline in deposits which occurred at the District's member banks during February was reported by banks in the Reserve cities. Time deposits at country banks of the District showed an increase of more than $5,000,000, offset only partially by a slight decline reported by the Reserve city banks.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

Averages of daily figures. In thousands of dollars)

Date	Combined total: Gross demand	Combined total: Time	Reserve city banks: Gross demand	Reserve city banks: Time	Country banks: Gross demand	Country banks: Time
February 1948	$5,088,150	$564,973	$2,392,425	$355,853	$2,695,725	$209,120
February 1949	5,193,624	607,063	2,474,757	390,045	2,718,867	217,018
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
January 1950	5,733,218	659,140	2,752,603	423,289	2,980,615	235,851
February 1950	5,617,162	661,292	2,660,793	420,111	2,956,369	241,181

Debits at banks in 24 reporting cities throughout the District continued to reflect a somewhat higher level of trade than that which prevailed a year ago. For instance, during February bank debits were up about 8 percent over February 1949, an increase not greatly different from the 9-percent increase previously reported for department store sales. Largest increases in bank debits were reported from Lubbock, Abilene, and Roswell, New Mexico, with numerous other cities also showing substantial gains. Banks in all reporting cities, however, reported that the usual seasonal decline in bank debits typical of February occurred and resulted in a total decline of 11 percent in the 24 cities. The turnover of deposits also conformed to the usual seasonal trend and was somewhat slower during February than in the preceding month—the decline being from an annual rate of 13.3 times to 11.8 times. No significant difference, however, was reported in the annual rate of turnover during February as compared with February a year ago.

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

(Amounts in thousands of dollars)

City	Debits+ February 1950	Pctg. change over Feb. 1949	Pctg. change over Jan. 1950	End-of-month deposits* Feb. 28, 1950	Annual rate of turnover Feb. 1950	Feb. 1949	Jan. 1950
Arizona:							
Tucson	$ 54,077	— 4	— 8	$ 87,041	7.6	7.7	8.6
Louisiana:							
Monroe	32,730	4	—19	46,152	8.5	8.8	10.6
Shreveport	127,037	6	—15	178,482	8.6	8.8	10.4
New Mexico:							
Roswell	16,234	38	—12	22,742	8.6	7.6	10.4
Texas:							
Abilene®	39,296	32	—11	43,609	10.8	8.4	12.4r
Amarillo	93,819	23	—10	95,343	11.8	10.9	13.1
Austin	119,387	2	—19	113,520	12.7	13.3	16.2
Beaumont	92,025	— 2	— 7	93,019	11.8	10.9	12.7
Corpus Christi	85,346	27	— 7	93,055	11.3	10.1	12.8
Corsicana	9,017	1	—15	21,154	5.2	5.2	6.1
Dallas	1,034,758	12	— 9	792,566	15.6	14.9	17.0
El Paso	134,157	12	—18	131,866	12.4	12.0	15.1
Fort Worth	305,189	13	—13	305,765	11.9	11.0	13.7
Galveston	60,785	— 3	—16	95,837	7.7	7.8	9.1
Houston	988,159	— 4	— 9	978,610	12.1	13.3	13.3
Laredo	16,629	3	— 3	22,198	9.1	8.5	9.5
Lubbock	87,951	61	—24	85,471	12.6	9.5	17.2
Port Arthur	32,181	— 5	— 5	40,818	9.5	10.1	10.1
San Angelo	31,072	28	—10	43,064	8.5	7.3	9.5
San Antonio	258,573	20	— 8	344,171	9.0	8.2	10.2
Texarkana‡	13,905	13	— 7	23,618	7.1	6.4	7.6
Tyler	38,867	7	—13	52,113	9.0	8.5	10.1
Waco	57,166	25	6	71,407	10.0	8.2	9.6
Wichita Falls	53,187	5	—16	90,540	7.1	7.4	8.5
Total—24 cities	$3,781,547	8	—11	$3,872,161	11.8	11.5	13.3

+ 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 $22,885.
® Beginning with the current month, the figures for Abilene, Texas, include an additional bank. The totals for 1949 have not been revised, but it is estimated the figures would be increased 10 percent.
r Revised.

Notes of this bank in actual circulation during the month ended March 15 declined by approximately $1,500,000. The trend of note circulation shifted, however, during the last week of the period, as a contraseasonal increase was reported throughout February and the first week in March. The large volume of notes of this bank in actual circulation—approximately $19,000,000 more than during the comparable period last year—reflects the payment of the national service life insurance dividends and the favorable volume of retail trade. Figures showing the amount of the insurance dividends paid in this District are not available, but national figures which show payments of $1,493,000,000 through March 7 indicate that payments are being made rapidly and that more than half of the total dividend has reached the spending stream.

Other changes in the condition of the Federal Reserve Bank of Dallas during the month ended March 15 included an increase of about $13,500,000 in member bank reserves and a decline in gold certificate reserves of about $32,000,000. Total earnings assets of the bank continued at approximately $811,000,000, with only a negligible part of that total representing assets other than United States Government securities.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	March 15, 1950	March 15, 1949	Feb. 15, 1950
Total gold certificate reserves	$628,276	$659,357	$660,873
Discounts for member banks	1,410	4,100	2,060
Foreign loans on gold	1,481	5,320	2,041
U. S. Government securities	807,631	924,740	807,187
Total earning assets	810,522	934,160	811,288
Member bank reserve deposits	791,212	945,807	777,731
Federal Reserve notes in actual circulation	615,508	597,042	617,029

SAVINGS DEPOSITS

		February 28, 1950		Percentage change in savings deposits from	
City	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Feb. 28, 1949	Jan. 31, 1950
Louisiana:					
Shreveport	3	43,815	$ 24,693,337	—1.1	—1.1
Texas:					
Beaumont	3	12,154	5,907,535	—6.6	—0.8
Dallas	8	143,143	77,955,456	—0.5	0.6
El Paso	2	31,764	22,820,430	1.1	0.6
Fort Worth	4	44,160	35,738,340	1.9	0.4
Galveston	4	22,444	21,101,746	—0.7	0.4
Houston	8	95,044	75,169,175	1.6	0.1
Lubbock	2	1,998	3,691,098	—4.5	8.3
Port Arthur	2	5,922	4,384,991	—5.7	—1.1
San Antonio	5	41,596	43,788,001	—5.6	—0.3
Waco	3	10,155	10,331,206	1.2	0.8
Wichita Falls	3	8,154	4,484,122	—0.7	0.5
All other	55	66,197	56,247,317	3.3	0.2
Total	102	526,546	$386,312,754	—0.1	0.2

Sales of United States savings bonds in the Eleventh District during February amounted to $20,700,000, while redemptions were about $18,000,000. The excess of sales over redemptions was due to net sales of Series F and G bonds, inasmuch as redemptions of E bonds exceeded sales by about $500,000. One development that has begun to have an influence upon redemptions is the increasing number and amount of savings bonds that are reaching maturity. As the months pass, this trend will become more marked and, unless offset by additional sales of savings bonds or by an exchange offering attractive to holders of maturing bonds, will reduce the Treasury's net receipts from the sale of such securities. The Treasury has announced recently a 1950 savings bond sales drive extending from May 15 to July 4, to be referred to as the Independence Drive. No information has been released regarding drive quotas, nor have official statements been made to indicate whether the drive will include sales of Series F and G bonds. These details are expected to be announced late in March or early in April.

NEW PAR BANK

The Reagan State Bank, Houston, Texas, a newly organized, insured, nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the par list on its opening date, March 1, 1950. This bank has capital of $200,000, surplus of $50,000, and reserves of $50,000. Neal Butler is President, and George R. Traylor is Cashier.

On February 14 the Secretary of the Treasury announced that the 1¼-percent certificates of indebtedness maturing on March 1 and April 1 would be refunded into 1¼-percent Treasury notes maturing on July 1, 1951, and that the 2-percent bonds called for redemption on March 15 and the 1⅜-percent notes maturing on April 1 would be refunded into 1½-percent notes maturing on March 15, 1955. On the whole, this announcement from the Secretary was favorably received, as it tended to confirm a movement toward slightly higher short-term rates and, also, provided banks with an issue maturing in the mid-Fifties, a maturity date for which there has been an apparent shortage of available issues.

INDUSTRY

The daily average production of crude petroleum during February amounted to 2,202,000 barrels in the District and 4,969,000 barrels in the United States. These figures represent merely fractional changes from the previous month but a decrease of 363,000 barrels from a year earlier in the case of the District and practically the same decrease for the Nation. Allowable production in March was reduced by 92,000 barrels daily in Texas and 43,000 barrels per day in Louisiana, with the consequence that District production for March is expected to fall to the lowest level since August of last year. In establishing the March allowables, the Texas Railroad Commission returned to the 1947 yardstick, by which acreage and depth of wells are taken into consideration. However, the allowables as determined under this formula may not exceed the maximum permitted under the maximum efficient recovery rate method, which has been used during the past 3 years. The change in the method of computing allowables has had the effect of increasing the output of high quality crude oil in east Texas and curtailing output in most other areas of the State, including the new Scurry County fields and others producing the heavier type crudes.

CRUDE OIL PRODUCTION

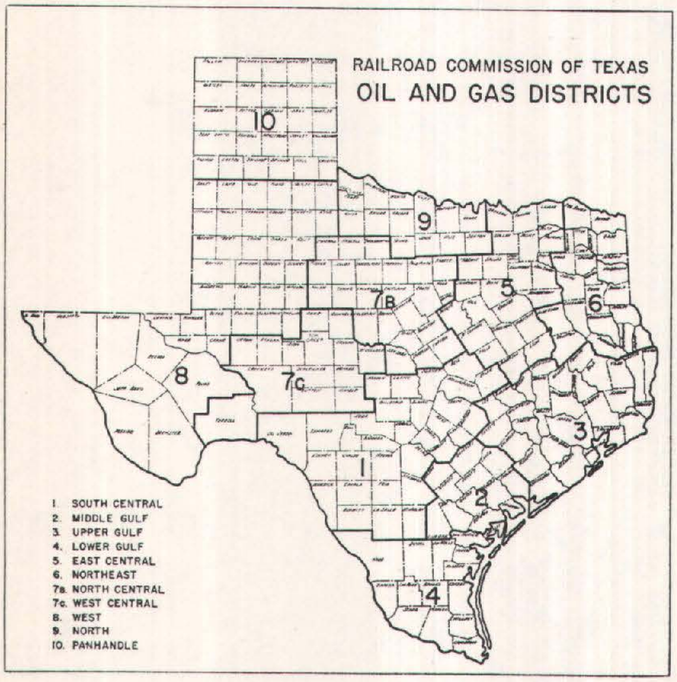
(Barrels)

	February 1950		Increase or decrease in daily average production from	
Area	Total production	Daily average production	February 1949	January 1950
Texas:				
District 1 South Central	720,900	25,746	— 2,136	— 475
2 Middle Gulf	3,164,550	113,020	— 42,353	— 1,786
3 Upper Gulf	10,623,100	379,396	— 61,774	3,622
4 Lower Gulf	5,083,150	181,541	— 37,952	684
5 East Central	887,700	31,704	— 12,941	— 1,012
6 Northeast	8,459,800	302,136	—118,676	— 4,791
East Texas	6,085,550	217,341	— 96,164	— 4,257
Other fields	2,374,250	84,795	— 22,512	— 534
7b North Central	1,739,450	62,123	— 3,343	— 208
7c West Central	1,390,700	49,668	— 55	2,668
8 West	16,213,350	579,048	— 79,693	5,466
9 North	3,637,350	129,905	— 8,815	—12,787
10 Panhandle	2,498,650	89,238	— 483	— 3,164
Total Texas	54,418,700	1,943,525	—368,221	—11,783
New Mexico	3,610,200	128,936	— 5,116	— 395
North Louisiana	3,629,100	129,610	10,283	45
Total Eleventh District	61,658,000	2,202,071	—363,054	—12,133
Outside Eleventh District	77,486,850	2,767,388	— 2,394	38,682
United States	139,144,850	4,969,459	—365,448	26,549

SOURCE: Estimated from American Petroleum Institute weekly reports.

Refinery activity as indicated by crude oil runs to refinery stills continued the downward trend started during the previous month. In the Nation the daily average runs to stills during February amounted to 5,324,000 barrels, representing decreases of 167,000 barrels from January and of 110,000 barrels from the rate in February 1949. During early March some further decline occurred. In this District, crude oil runs to stills decreased by 46,000 barrels in February as compared with January and by 151,000 barrels from February of last year, the latter decrease more than accounting for all of the decrease in the Nation. While the February production of petroleum products was moderately lower than in the previous month or a year earlier, gasoline production was 3 percent greater than in February 1949, reflecting a higher refinery recovery rate. For years gasoline production each month has been higher than a year earlier, though in recent months the gains have been relatively small.

The over-all petroleum stock position continued to decline, with the Nation's stocks of crude oil and four major products—gasoline, kerosene, gas and distillate fuel oil, and residual fuel oil—decreasing by 14,000,000 barrels during February, reaching a level 18,500,000 lower than a year earlier. At the end of February these stocks amounted to 500,400,000 barrels or the lowest since the end of November 1948. Despite this over-all decline, stocks of gasoline continued to increase, though the rate of increase has been slowing down. At the end of February gasoline stocks amounted to nearly 134,000,000 barrels, with the monthly gain being about 10,000,000 barrels for the second consecutive month. Increases of the same magnitude a year earlier started from a level 10,000,000 barrels lower. This rise in gasoline stocks resulted from production at a higher rate than the seasonally low demand and occurred despite a moderate decline in the February rate of gasoline production. Stocks of the three burning oils continued the rapid decline which began in December, with the February drop ranging from 12 percent for kerosene to 16 percent for gas and distillate fuel oil. The drop in burning oil stocks reflects a lower production rate, colder weather in the heating oil area, and the greater demand for this product as a substitute for coal during the coal strike. The total decline in burning oil stocks during the month amounted to nearly 21,000,000 barrels, or more than double the increase made in gasoline stocks, so that total stocks of products were reduced by over 11,000,000 barrels. The reduction in crude oil stocks during February amounted to nearly 3,000,000 barrels, and such stocks are now over 16,000,000 barrels below year-earlier levels.



These declines in stocks reflect the fact that the new supply of petroleum—domestic crude oil production plus imports of crude and products—continues to run somewhat lower than the total demand. On the supply side, much of the severe curtailment of production allowables has occurred in this District, but the Texas Railroad Commission increased the State's allowables for April by 130,000 barrels daily.

Recent weakness in the prices of natural gasoline, fuel oil, and residual fuel oil tend to exert pressure on the price of crude oil, though continued successful adjustment of supply to demand would tend to stabilize the price structure of the industry.

Drilling activity continues to reflect optimism with regard to the longer range outlook for the petroleum industry. Well completions in January in this District amounted to 1,552, the highest for any month since November 1937, as well as 13 percent above the previous month and 40 percent above January 1949 completions. Outside of this District the number of wells completed in January showed little change from month-earlier or year-earlier levels. During February, indications are that drilling continued at a high level.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	February 1950	February 1949	January 1950	January 1 to February 28 1950	January 1 to February 28 1949
Eleventh District—total...	$ 71,112	$ 45,114	$ 62,429	$ 133,541	$ 89,463
Residential............	40,889	15,603	26,297	67,186	29,777
All other...............	30,223	29,511	36,132	66,355	59,686
United States*—total.....	779,530	568,467	730,855	1,510,385	1,051,451
Residential............	361,452	193,073	343,501	704,953	352,201
All other...............	418,078	375,394	387,354	805,432	699,250

* 37 states east of the Rocky Mountains.
SOURCE: F. W. Dodge Corporation.

The value of construction contracts awarded in the Eleventh District during February totaled about $71,000,000, or over $9,000,000 above the amount for the previous month and $26,000,000 above the total for February 1949. During the first 2 months of the year, awards totaled nearly $134,000,000, or 49 percent above the corresponding period last year. Residential awards reached the very high total of $41,000,000 during February, the highest amount since the all-time peak of May 1946. Such awards during February were 55 percent above the relatively high January level and more than 2½ times the year-earlier level. The January-February residential total of $67,000,000 is 126 percent above that of the corresponding period of last year. The low-cost housing program continued to account for a large part of the residential building boom. In addition, February awards appear to have been augmented to some extent by the desire of builders to begin apartment house construction before March 1, the expiration date for legislation permitting the Federal Housing Administration to guarantee loans to builders for apartment projects covering up to 90 percent of appraisal value with a maximum of $8,100 per dwelling unit.

BUILDING PERMITS

City	February 1950 Number	February 1950 Valuation	Percentage change—valuation from Feb. 1949	Percentage change—valuation from Jan. 1950	Jan. 1 to Feb. 28, 1950 Number	Jan. 1 to Feb. 28, 1950 Valuation	Percentage change valuation from 1949
Louisiana:							
Shreveport.....	457	$ 3,527,652	223	216	757	$ 4,642,276	147
Texas:							
Abilene........	149	1,105,572	160	30	336	1,952,895	111
Amarillo.......	293	1,302,740	— 37	— 4	555	2,661,327	11
Austin.........	341	3,297,550	130	6	793	6,406,000	99
Beaumont.....	355	621,764	— 47	— 66	673	2,469,140	29
Corpus Christi..	413	1,471,496	67	— 17	801	3,247,830	83
Dallas.........	1,448	7,384,166	66	— 3	3,018	15,000,048	46
El Paso........	383	1,934,761	185	44	645	3,277,815	129
Fort Worth....	829	3,558,052	102	33	1,462	6,226,212	84
Galveston......	125	171,717	— 85	— 70	267	744,090	— 60
Houston.......	1,063	13,054,400	121	19	1,884	24,002,835	145
Lubbock.......	323	1,402,194	106	— 4	595	2,868,110	206
Port Arthur....	215	560,355	71	44	379	950,708	72
San Antonio....	1,443	4,417,777	82	— 5	3,007	9,085,328	84
Waco..........	199	1,058,800	136	— 69	497	4,423,997	419
Wichita Falls...	78	207,418	— 40	— 21	176	471,142	3
Total........	8,114	$45,076,414	78	4	15,845	$88,429,753	90

While the expiration of this legislation may have a depressing effect upon apartment construction, the consensus in the industry is that the demand for low-cost housing will be strong enough to sustain total residential building activity at a high level for many months. The low-cost housing program is concentrated in single-family dwellings built for sale, a category of construction accounting for about 70 percent of all residential awards in recent months. The average contract valuation per dwelling unit has fallen 10 percent since a year ago, permitting the sale of these houses to an important income group heretofore, in considerable part, unable to purchase. This lower cost per unit has been achieved largely through a 7-percent reduction in the average floor area per house, but the buyers of these houses for the most part could not afford to pay for appreciably larger quarters. Mortgage money continues to be relatively plentiful, with large amounts reported flowing in from other parts of the country. Real-estate activity increased in the major cities of the District during the past year.

Nonresidential awards in February were 16 percent less than during the previous month but 2 percent above the level of a year earlier. The January-February total is 11 percent above that for the same period during 1949. Public works, including school, hospital, and highway projects, as well as various nonresidential building categories contributed strength to the nonresidential construction picture. However, utility construction was noticeably lower than during the previous month or February 1949.

The construction materials industries continue to reflect the high level of construction activity, with record and near-record levels of production for this time of year being indicated in a number of different lines. The maintenance of boom levels of construction through the cold weather period has resulted in the using of stocks of lumber and other materials at a faster rate than usual during this season of the year.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON
(Bales)

	February* 1950	February 1949	January† 1950	August 1 to February 28	
				This season‡	Last season
Consumption at:					
Texas mills	11,966	12,054	12,286	88,225	88,867
United States mills	739,438	640,179	734,186	5,079,163	4,839,971
U. S. Stocks — end of month:					
In consuming establishments	1,825,791	1,616,394	1,749,946	....	....
Public storage and compresses	9,228,737	7,563,540	9,974,867	....	....

* Four weeks ended February 25.
† Four weeks ended January 28.
‡ Through February 25.

The consumption of cotton in the mills of the Nation during the 4 weeks ended February 25 amounted to 739,000 bales, or nearly 1 percent more than during the preceding 4-week period and 16 percent more than during February 1949. Total consumption during the first 7 months of the current cotton season amounted to 5,079,000 bales, or 5 percent more than during the corresponding period of the previous season.