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ECONOMIC POLICIES FOR DEFENSE[1]

As the Federal Government has come to play a much more important part in the direction and determination of economic activity, reports and policy recommendations of various government agencies and groups have become of much greater significance to businessmen, bankers, and others. From an economic point of view, perhaps the most influential governmental policy-recommending body is the Council of Economic Advisers created by the provisions of the Employment Act of 1946. That Act established in the Executive Office of the President a Council of Economic Advisers consisting of three economists who, with the aid of a small staff, have the responsibility to assist and advise the President in the preparation of his Economic Report to the Congress, to analyze and interpret economic developments, to appraise programs and activities of the Government in the light of the policy declared in the Act, and to formulate and recommend national economic policy to promote employment, production, and purchasing power under free competitive enterprise.

On January 9, the Council of Economic Advisers submitted to the President its *Annual Economic Review—January 1951*. This latest report of the Council, coming at a time when the Nation is engaged in war in the Far East and has embarked upon a program of defense that may require a semimobilized state in our economy, is of greater-than-usual significance. All private groups in our economic system can better plan and direct their activities toward the end of achieving the objectives of the defense program with economic stability if they are familiar with the policy recommendations and thinking of a group so close to the Executive Office as the Council.

This article presents a summarization of some of the more important features of that part of the Council's annual report that deals with the subject, Economic Policies for Defense. No attempt is made in this summarization to interpret or evaluate, to support or criticize any of such policies; instead, this article is designed with the thought that a factual summarization of the Council's views will be of interest and of value to businessmen, bankers, and others in this District, who share importantly in the task of mobilizing the Nation's material and human resources toward the end of meeting the emergency situation which confronts us.

Requisites for Economic Mobilization

In discussing this topic, the Council states that there are three indispensable requirements for an efficient economic mobilization. The first requirement calls for a comprehensive, unified programming operation to balance competing requirements against available supplies. The second need is for the greatest practicable speed in accomplishing the objectives of the mobilization program. The third requirement is that the program be carried out with such determination and fairness as to assure the general support of a fully informed public.

The report states that by the very nature of a defense emergency the Government must outline basic needs and must project the major policies to satisfy those needs. Economic mobilization requires a clear definition of *what* needs to be done and *how much* needs to be done, although the former does not depend necessarily upon the latter. Precision should be sought as rapidly as possible in defining what our primary defense goals are at any particular time. Moreover, from the standpoint of economic adjustment to meet those goals, requirements in terms of manpower and materials are more important than requirements in terms of dollars.

The Council also points out that it is not adequate programming merely to define military requirements and then to say that whatever is not taken for military purposes is available for other uses. Those other uses also must be programmed because some of such uses may promote national security, while others may not. Security in the long run depends upon how available resources are divided between maintenance and improvement of our national plant and equipment, on one hand, and ultimate consumer needs, on the other. In the industrial structure, security will be influenced by the kind of activities that are carried forward

[1]A summarization of Part IV of *The Annual Economic Review—January 1951* submitted to the President by the Council of Economic Advisers.

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vigorously and the kind that can be cut back. Moreover, the government program should strike a balance between how much is to be achieved through cutbacks and restraints and how much is to be achieved through the expansion of total production.

In the words of the Council, speed is of the essence in economic mobilization. This does not mean that we should achieve as rapidly as possible total mobilization, nor does it mean that mobilization should not proceed in an orderly fashion. It does mean, however, that decisions as to targets should be reached as rapidly as possible and that every effort should be made to attain whatever objectives are decided upon as rapidly as the basic program indicates.

Delay and tardiness in economic mobilization have an accumulative effect; delay at one point generates even more delay at succeeding points, while indecision at one point promotes apathy at another. The Nation is now undertaking to catch up with the mobilized military strength of the aggressors, and, therefore, every day is precious.

The task of economic mobilization facing the country will call for sacrifices. We must channel our limited resources of manpower and materials into lines of production which are most essential. The weight to be given to the defense program in this period of national emergency grows and, as it does, the weight given to other objectives, even objectives as important as maintaining standards of living or maintaining government services which contribute to the requirements of comfortable living, must become correspondingly smaller.

Second only to the primary need to meet defense requirements are policies and programs which counteract or curb inflationary forces and which assist in the expansion of productive capacity. The Council's report recognizes that the trend at the end of 1950 was highly inflationary and states that the accelerated defense program will intensify those inflationary forces. Consequently, the report concludes on this point that people must now choose between permitting serious inflation to proceed and accepting sterner restrictions. The American people are realistic enough, states the report, to accept and help to implement these restraints, but they are also realistic enough to be slow in doing so unless they know what the greater purposes are that will be served.

Maximizing our Productive Strength

Throughout the current annual report of the Council, it is emphasized that production is at the heart of our economic strength and that only by producing a larger volume of goods and services year by year can the Nation generate the enormous power which will be needed. Sharp cutbacks in some lines of production will be necessary, but such cutbacks have for their ultimate purpose the obtaining of more vital production elsewhere and an enlarged total volume of output. The Council takes a resolute stand against the proposition that there is but little new productive potential within the economy, even though we were near maximum production by peacetime standards in 1950. It states that the American economy has not reached an absolute ceiling prohibiting further progress.

In discussing industrial expansion, the Council's report recognizes that the need to devote a substantial portion of our resources to the primary military build-up limits our ability to expand productive facilities of all types. Expansion, for the time being, must be highly selective, although it should be on a broader base than during World War II.

Legislation enacted after the Korean outbreak authorizes the use of many of the same types of government stimuli to selective private expansion which proved useful in World War II. Private enterprise and funds, however, in the opinion of the Council, can and should play a larger part in plant and equipment investment than was the case during the last war. Private industry, states the report, is currently in a much better financial position to carry the load involved in the expansion of basic industrial capacity than it was at the outset of World War II.

The Council believes that, with regard to industrial expansion, in most cases the role of the Government should be limited to a programming of basic needs, which will provide industry with a full consciousness of priorities of purpose, and to such controls over materials as will enable high priority industrial expansion projects to get what they need. Government financial assistance and incentives should be centered upon projects required in the national interest which, because of type, location, or other special cost factors, do not offer a prospect of reasonable long-term returns to private investment.

Recognizing the danger of attack in an age of atomic warfare, the Council states that it is increasingly important that we develop and apply standards of security dispersal regarding the location of new plants. Little can be done with regard to existing plants, but new locations should be established with security in mind. Regional economic strength and potentiality, also, should be given consideration in this problem of plant location.

In discussing the electric power outlook in relation to the inevitable loads of defense production and other essential uses, the Council concludes that a serious shortage exists, especially in some regions. Increases in public power capacity in some areas of the country will add to output but will be much smaller than the increases in private power over the next 3 years. While it is said to be too early to calculate the contributions which atomic energy may add to the Nation's general productive strength, it seems certain that in time the contribution will be significant. The Atomic Energy Commission, according to the Council, has received

exploratory proposals from industry looking toward the development of power for private use and fissionable material for sale to the Government.

Although the country is in a stronger position now than before World War II with respect to manpower and plant and equipment, it is less well off with respect to domestic supplies of major strategic minerals. The need is clear to develop new sources, as safe as possible from enemy attack, of iron ore, bauxite, zinc, lead, and copper. The Council urges that both private and public policies be directed as quickly as possible toward assuring additional supplies of iron ore. Increased emphasis also should be given to research into technological methods for refining and using low-grade ores.

In discussing the petroleum situation, it is pointed out that discoveries of new reserves have been keeping pace with increased production during recent years but that this trend cannot be expected to continue indefinitely. Prudence requires, in the Council's opinion, that imports of petroleum and petroleum products be encouraged, especially from near-by sources, and that we give our assistance to the development of foreign oil fields to supply friendly nations as well as ourselves. Processes for the production of synthetic liquid fuels from oil shale and coal are said to be rapidly approaching the point where private development will be possible.

Inasmuch as the Nation's manpower resources are such a vital factor in the ultimate expansion of the mobilization effort, it becomes more than ever important to make full use of persons normally in the labor force. Defense requirements make it essential to assure that the members of the civilian labor force are employed in ways in which they can contribute most to the total defense program.

Not only must we use our normal labor force fully and efficiently, but it must be expanded through the addition of persons who do not normally seek employment. The Council urges the addition of women to the labor force. Another important group is the older workers. These people should be encouraged, through more active recruiting efforts and by a relaxation of hiring standards, to join the labor force to perform those jobs of which they are capable. A program of vocational rehabilitation is necessary.

While selective increases in the workweek are needed immediately, particularly in certain defense industries, the Council states that there is not yet a clear and urgent need to adopt a general increase in the workweek for the country as a whole. Such an increase should be adopted as soon as it is needed, but, in the meantime, efforts should be directed toward expanding the present labor force to gain more workers with experience and training.

Believing that the heart of an effective manpower program is the attraction of workers to jobs where they are most needed, the Council suggests several positive actions. These include a further development of the management-labor committees now being established in many of the more acute labor market areas; steps to remove impediments to voluntary transfers of workers from less essential to essential activities, with seniority, pension rights, and other privileges protected; and assurance that workers are most productively utilized while on the job. The individual workers, Government, and employers have joint responsibilities in these positive actions.

Turning from industrial to agricultural production, the Council recalls the marked change in the farm outlook, pointing out that surpluses which seemed difficult in mid-1950 present few problems today. The demand for farm products has increased notably in recent months. Military needs for cotton and wool have enlarged the markets for these products, while there is an exceptionally strong consumer demand for meats and other foods.

Substantial gains in farm output in the future are feasible, and programs are being readjusted to help bring about the highest possible total output and especially to encourage the production of such needed commodities as cotton, wool, corn, and livestock products.

The Council recognizes that farmers will face problems as the defense program develops. For instance, although farmers use less manpower than formerly, they use much more mechanized equipment. The increased demand for steel in the defense program may create some bottlenecks in farm production. Also, while farmers require less manpower, they are more dependent on skilled labor, and problems might develop in this area if the defense program continues to expand.

Promotion of Economic Stability

In discussing this subject, the Council points out that the diversion of large amounts of resources to the defense effort tends to upset the economy by causing inflation, dislocating production and employment, and distorting the distribution of essential goods among the population. Such instabilities, if not brought under control, would undermine production and the whole defense effort. Active promotion of economic stability will support our basic production effort just as the expansion of production will promote economic stabilization.

The Council emphasizes that inflation is the principal threat to economic stability; it is much more difficult to control than the expansion of production. Three main ranges of controls are cited in the report as being available: (1) indirect controls, such as tax and credit measures, which absorb or restrict the growth of excess purchasing power; (2) direct controls over production and distribution, such as allocations and limitation orders, which distribute resources among necessary purposes; and (3) direct price

and wage controls which are designed to suppress the price-wage spiral. All three of these types of control, states the Council, are now clearly needed. Each is necessary to the other two, for in large measure they are complements, not alternatives.

Following a discussion of the interrelationships that exist among these different types of controls, the Council states that emphasis, in the last analysis, must be placed upon the financial measures which drain off excessive purchasing power. These measures are basic for any long-run program, and without them the others are certain to fail. The Council feels that this statement regarding the fundamental importance of financial measures must be emphasized repeatedly, because taxation seems to most people to be the most painful of stabilization measures and, as a result, there is a tendency to seek an easy substitute in the direct controls. No economic mistake could be more serious; indirect financial control measures, notably taxation, must be at the center of stabilization policy in the defense economy.

Among the instruments of financial mobilization are taxation, borrowing by Government, and credit control. Taxation withdraws spending power from private hands but, ordinarily, does not impinge on past accumulations of funds. Borrowing, to have an effect on private demand, must be accompanied by an increase in net saving, a reduction in real investment, or both. The sale of Government securities to the public should be promoted to achieve the objective of absorbing liquid funds which otherwise would be spent. Credit control should have the effect of reducing or restraining private borrowing but it, like taxation, cannot prevent persons from spending their own assets.

The Council points out that the problem of financial mobilization is more serious today than it was during World War II for several reasons. First, a longer period of mobilization is anticipated than was the case at the beginning of World War II. Second, World War II mobilization was undertaken when the country was still in a period of incomplete recovery. Third, we are entering the present defense mobilization with a tremendous volume of accumulated liquid assets. Fourth, the country is entering the defense program with much higher tax rates than was the case in 1940. Fifth, effective stabilization measures must be placed in operation more quickly and more completely than was necessary at the beginning of World War II.

It is of great importance to the future of the country, in the opinion of the Council, that the firm and continuing policy of the Government be to pay through taxation the entire cost of the defense program at present and contemplated levels. Several reasons are cited in support of this position. First, paying for the defense program out of current taxes largely offsets the inflationary pressures resulting from increased government expenditures. Second, paying through current taxes distributes the burden immediately in a manner in which the Congress determines, not unpredictably and unfairly through inflation. Third, there is no economic advantage in postponing taxes through borrowing, for the economic burden of the defense effort must be borne currently regardless of how the expenditures are financed. Fourth, the tax load required to finance a defense program of the size contemplated would not be unduly heavy at anticipated economic levels.

A large part of the additional revenue which must be obtained to meet the defense program must come from individual income taxes. Income tax increases, according to the Council, should be imposed at all levels, emphasizing the progressive character of the tax structure; however, by far the largest part of the additional revenue must come from the middle and lower tax brackets, for these are the brackets in which the great bulk of income is located. Also, to hold down consumption, which is vital to the control of inflation, the bulk of consumers must be affected directly by the tax increases.

In discussing other forms of taxes, the Council points out that estate and gift taxes should be overhauled and strengthened; that corporate taxes should be further increased; that civilian goods which compete with the defense effort for materials and facilities, the supply of which will have to be reduced, should be subject to heavy excise taxes. Such taxes would be particularly appropriate on durable goods which are not essentials of life.

The Council's report also states that policies of debt management can make an important contribution to the success or failure of our stabilization objective. The public debt is so large and so widely held that operations affecting it have repercussions which are felt throughout the economy. It is of major importance in the quest for economic stability that the public debt be bought and held by nonbank investors. The Council believes that the Treasury should continue to use every effort to expand Government security holdings of nonbank investors, particularly individuals. During a period of large military expenditures when heavy demands are being made on the Nation's financial system, a stable and confident situation in the market for federal securities must be an important objective of debt management policy. Also, recognizing some of the problems of the postwar years, the Council adds that the achievement of monetary stability in the future will be much easier if the proportion of debt in readily monetizable form is reduced.

In the Council's view, major purposes of credit policy in the period ahead are to facilitate the smooth transition of business and industry to meet the requirements of defense mobilization, to assist government debt management, and to minimize inflationary pressures.

There is a real danger, according to the Council's report, that, for a time at least, consumer and business buying based on credit will continue to be of a magnitude which will aggravate inflationary pressures. In fact, the Council states

that because of the needs of debt management, general credit policy cannot be expected to be a major inflationary instrument during the coming period of intensive mobilization. A careful appraisal of the applicability under present and prospective conditions of such traditional central banking techniques as changes in rediscount rates, reserve requirements, and open market operations is necessary. In fact, the Council feels that it will undoubtedly be necessary, at least in the immediate period ahead, to rely more upon selective than on general credit controls. The report injects the thought that it may be feasible to extend selective controls to other kinds of loans than those to finance the purchase of consumer goods, real estate, and securities, and to secure voluntary cooperative action on the part of banks to attain this objective. Also, it may be found desirable to regulate and limit the issue of new private securities.

In discussing specific selective controls, the Council states that Regulation W has had some immediate effect in curtailing demand, but to date the effect has been small in comparison with the reduction in sales which will be necessary in the future. In the case of Regulation X, the effect of the regulation cannot yet be appraised to determine whether future tightening of terms will be warranted. In this connection, the report points to what it considers to be one serious defect of the Defense Production Act of 1950—namely, that it does not contain authority to prescribe credit terms on the sales of existing homes except on mortgages insured or guaranteed by the Federal Government.

Although recognizing that in a defense emergency more widespread use of controls is essential, the Council emphasizes that controls do not remove the need to formulate policy; on the contrary, they make such policy formulation even more essential. There is just as much need for policy guides with regard to profits, prices, and wages as there is for such guides with respect to tax action.

Referring to an earlier report (1950), the Council states that it sought to outline profit, price, and wage policies for peacetime stability and growth and found the key to stability and growth in continuing "balance" between investment and consumption. This balance, on the one hand, would enable business to make full utilization of the labor force and new technology toward the end of maximum production; on the other hand, it would provide wage earners and other consumers with enough purchasing power to consume the goods produced without excess demand leading to inflation or inadequate demand leading to depression. In this early 1950 report of the Council's, it was held that the dynamics of the American economy argued strongly for a fairly stable price level and a rising level of incomes measured by increases in production and productivity.

Now the Council believes that the time has come to reconsider this formulation of profit-price-wage policy in the light of new facts which change the use to which we must put our resources. These facts indicate to the Council that the current general level of profits can be reduced further through taxation without impairing the initiative or types of investments more urgently needed. Moreover, it believes that unless profits after taxes are reduced below present levels, the attempts to achieve wage stabilization will be futile.

In the field of prices, the Council states that every argument which was advanced a year ago against increases in the general price levels applies with multiple force now. Further price increases can serve no economic function and, if they go much further, will do irreparable damage. Consequently, the Council believes that the imposition of price controls should move forward with speed and decisiveness.

The stabilization of wages, according to the report, depends for its success upon three pivotal points: (1) holding the line of wages depends basically on holding the line on the cost of living; (2) successful wage stabilization requires a rounded program of economic stabilization which recognizes that excessive purchasing power must be restrained in all major sections of the economy and that the imposition of sacrifices must be equitable; (3) effective wage stabilization involves consultation between Government and representatives of workers both in the formulation of policy and with respect to its execution. In general, states the Council, the economic objective of wage stabilization should be to prevent the total of all wages available for spending from rising greatly during a period when the availability of goods for consumption cannot rise and, on a per capita basis, is likely to fall.

The Council feels that in the case of wages, even more than in prices, some flexibility must be maintained, for wage adjustments may be necessary to correct inequities among rates for comparable work; to allow for legitimate job reclassification in given firms; to correct substandards of living; and in some instances, to assist in the recruitment of scarce labor skills urgently needed by defense industries. Such adjustments, however, should be carefully screened and held to a minimum.

A statement made in an earlier part of the Council's report provides an appropriate conclusion for this summarization of the Council's views with regard to economic policies for defense. The Council states that the tests now confronting us are not so much tests of our economy as they are tests of our moral fiber and cohesiveness as a Nation. They are tests not so much of our material capacity as of our courage and vision. We have what it takes to purchase reasonable security in a troubled world, but we cannot buy it cheaply. The way to protect ourselves is to build up our strength, and there are no bargain price tags on aircraft, tanks, and guns. Giving up other things will be involved, because we cannot have our cake and eat it, too.

REVIEW OF BUSINESS, INDUSTRIAL, AGRICULTURAL, AND FINANCIAL CONDITIONS

Department store sales in the Eleventh Federal Reserve District, after reaching record proportions during the pre-Christmas shopping season, have continued at an unusually strong pace under the impetus of a resurgence in war-scare buying. Sales in the 4 weeks ended January 20 were 32 percent higher than in the comparable period a year ago, an increase approaching the year-to-year gains during last July and August, when war-scare buying was at its peak. This exceptionally heavy post-Christmas buying, which has occurred despite the absence of extensive "clearance sales," has been evident throughout the country, as well as in this District.

Consumer buying has been stimulated by the increased threat of all-out war caused by the entry of China into the Korean conflict, announcements by government officials of tighter controls, and the increased tempo of defense production. Although the hysterical buying of last July and August has not been evident, consumers have been shopping for goods which they fear will be in short supply, of poorer quality, or higher priced in the coming months. For instance, consumer demand has been unusually heavy for homefurnishing items, especially items containing critical materials, such as television sets, electric roasters, and copper pots and pans. Moreover, furniture and floor covering sales have shown very large gains over year-earlier levels; and even sales of major appliances, which had been affected appreciably by the imposition of instalment credit controls, have mounted in recent weeks to levels substantially higher than in the past 3 months. Fears of wool shortages appear to have boosted sales of men's clothing considerably, and sales of women's coats and suits have improved. Typical January white goods sales have been very successful.

Merchants, also, appear to have stepped up their buying in anticipation of prospective reductions in supplies of some civilian goods. Department store orders outstanding on December 31, 1950, were 41 percent higher than a year earlier, as compared with a year-to-year gain of 24 percent at the end of November. This increase occurred despite a year-end stock position 22 percent heavier than at the end of the preceding year. Moreover, although furniture store stocks are generally heavy throughout the Nation, and district stores report year-end stocks 34 percent higher than the year previous, buying is reported to have been extremely heavy at the January furniture mart in Chicago.

Nonfarm employment showed a less-than-seasonal decline in January, after reaching an all-time high in December. Normal post-Christmas reductions in employment in retail and wholesale establishments were partially offset by the continuing rise in manufacturing employment. Temporary layoffs reported in some sections of the country as a result of material shortages and conversions to defense production appear, thus far, to be insignificant in the Southwest.

Heavy winter demand for heating oils was the principal factor causing a boost in Texas crude oil allowables by 170,000 barrels per day, effective January 17, which brought to a halt the declining trend in crude oil production in the District during the preceding 3 months. On the basis of allowables, it appears that daily average production in the District during February may approach the record September 1950 level. The decrease in crude oil production had been largely offset by increased imports, and the decline in stocks in recent months was not unusually large, considering the heavy heating oil demand. Nevertheless, some companies indicated difficulty in obtaining sufficient Texas crude oil to meet their requirements.

Additional curbs on construction and residential mortgage credit were announced recently. In order to save scarce materials, the National Production Authority froze all new commercial construction not under way as of midnight, Saturday, January 13, 1951, pending the institution of a licensing system on February 15 under which commercial construction will be authorized if it (1) furthers the defense effort; (2) is essential to public health, welfare, and safety; or (3) will alleviate or prevent a hardship to a particular community. In addition, Regulation X and companion regulations of FHA and VA were broadened to cover all multi-unit apartment buildings. These curbs came on top of a substantial gain in construction contract awards in the District in December. Total December construction contract awards in the District were 26 percent higher than in November and 68 percent higher than a year ago, with residential awards showing a 44-percent year-to-year gain and nonresidential awards approaching the August peacetime record and exceeding by 88 percent the December 1949 level.

Rains over eastern and southern parts of the District and snow in the Texas Panhandle during the first part of January were helpful to winter grains, legumes, and pastures and ranges but generally were ineffective in breaking the droughty conditions. Additional moisture is still needed throughout the major part of the District. The winter wheat crop about held its own during the first part of January, but the success of the crop depends upon the moisture received during the next few weeks. Due to a continued lack of moisture, prospects for production of winter vegetables in nonirrigated areas of south Texas are negligible for this season. The December freeze is estimated to have reduced Texas production of grapefruit and oranges noticeably, although production this season is expected to be substantially higher than the small crop of last year. Supplemental feeding of livestock is being carried on in many areas, while a strong demand for livestock is absorbing a heavy volume of marketing at rising prices.

The Department of Agriculture is encouraging farmers to attempt to secure all-out production during the coming year in order to meet anticipated heavy needs and to build up a defense reserve. Acreage and marketing controls have been removed from most agricultural products. Anticipated shortages of labor, together with difficulties in obtaining adequate supplies of seed, fertilizer, and insecticides, may complicate the problem of attaining the increased production goals.

Loans of weekly reporting member banks in leading cities of the District rose $14,884,000 in the 5-week period ended January 17, 1951, reaching an all-time high of $1,488,370,000. Commercial, agricultural, and industrial loans largely accounted for the increase, although some increase occurred in most major loan categories. Both demand deposits of individuals and businesses and interbank demand deposits showed a marked expansion in the 5-week period, rising $58,431,000 and $27,874,000, respectively. Total deposits on January 17 amounted to $3,842,621,000, or a little more than 9 percent higher than a year earlier.

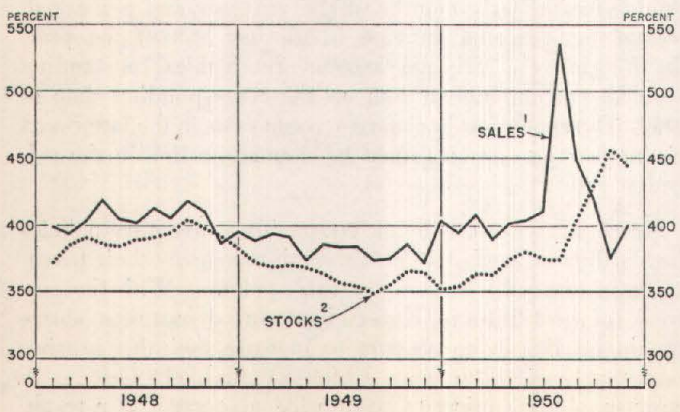
On December 28, 1950, the Board of Governors of the Federal Reserve System announced increases in reserve requirements to become fully effective February 1, 1951. Reserve requirements for net demand deposits were raised from 22 to 24 percent for central reserve city member banks, from 18 to 20 percent for reserve city member banks, and from 12 to 14 percent for country member banks. Requirements for time deposits were raised from 5 to 6 percent for all member banks. It is estimated that the new requirements will absorb approximately $2,000,000,000 of available funds. Moreover, the Board of Governors raised margin requirements of brokers and banks from 50 to 75 percent, effective January 17, 1951. The new margin requirements apply to both purchases and short sales.

The year 1950 was a banner year for department stores in the Eleventh Federal Reserve District. The dollar volume of department store sales, following a moderate decline in 1949, rose noticeably to a record level 10 percent higher than the year-earlier figure and 6 percent higher than in 1948. Profit margins, which had narrowed during the mild business readjustment in 1949, tended to widen; and this factor, together with an increased volume of business, made for a more profitable year for the average department store. Clearance sales, which were a prominent feature of merchants' attempts to reduce inventories in 1949, became relatively infrequent in 1950 as prices were rising and inventories were built up.

DEPARTMENT STORE SALES AND STOCKS

ELEVENTH FEDERAL RESERVE DISTRICT

1935-39 = 100



1. ADJUSTED INDEX REVISED APRIL 1949.
2. REVISED MAY 1949

During the first half of 1950 district department store sales continued the upturn which had begun near the end of the preceding year, with sales being 6 percent higher than in the corresponding period of 1949. The extremely heavy demand for consumer durable goods, which raised sales of such merchandise to record levels, more than offset any weakness apparent in some soft goods items. The improved sales volume during that period reflected the high level of consumer incomes stemming from the expansion in oil production and drilling, a boom in construction activity, the marketing of some of the record crop production of the preceding year, the gradual increase in manufacturing employment, and the veterans' insurance refund. In addition to these factors, the liberalization of credit terms encouraged sales of durable goods.

With the opening of hostilities in Korea near the end of June, war-scare buying became rampant and department store sales rose sharply from the high levels already prevailing. Hysterical buying occurred in items which had been in short supply during the last war, such as refrigerators, washing machines, tires, nylon hosiery, and sheets. Although scare buying reached its peak in the latter part of July, it continued to buoy sales noticeably during the succeeding 2 months. Furthermore, buying in anticipation of the imposition of consumer instalment credit controls, which became effective on September 16, caused an appreciable lift in sales during the first part of September. Sales, particularly of major appliances, dropped noticeably in October, due in part to Regulation W but also as a reaction to the heavy scare buying of the preceding 3 months. This dip in sales, however, was short-lived, with Christmas buying starting earlier than usual and raising the level of retail sales in the last 2 months of the year to new high levels. The unusually heavy buying in the last half of 1950 reflected the rise in consumer incomes under the impetus of peak business activity, expanding employment, and higher wage rates. In addition, buying was augmented by the utilization of liquid savings and by easy instalment credit terms prior to Regulation W.

The favorable sales picture during the past year was prevalent throughout the District. Of the 6 large district cities having a sufficient number of reporting stores to permit separate city tabulations—Dallas, Houston, Fort Worth, San Antonio, Shreveport, and Corpus Christi—5 showed sales increases over 1949 ranging between 10 and 11 percent. Only Shreveport showed a smaller increase, 5 percent.

District department stores experienced a larger increase in sales during 1950 than stores in any other Federal Reserve district. The district gain of 10 percent is more than double the national average increase of 5 percent. The more favorable sales picture in the Dallas District reflects larger gains in business activity as compared with other districts. Until recent months, consumer incomes in this southwestern region showed a markedly larger increase over year-earlier levels than in other districts.

While most major lines of district department store trade showed improvement in their 1950 sales, homefurnishings recorded the most outstanding sales increase, despite a letdown in major appliance sales in the last quarter of the year. Sales of the homefurnishings department, in the aggregate,

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES Dec. 1950 from Dec. 1949	NET SALES Dec. 1950 from Nov. 1950	NET SALES 12 mo. 1950 comp. with 12 mo. 1949	STOCKS[1] Dec. 1950 from Dec. 1949	STOCKS[1] Dec. 1950 from Nov. 1950
DEPARTMENT STORES					
Total Eleventh District	6	53	10	24	—20
Corpus Christi	6	64	10	5	—27
Dallas	4	47	11	26	—21
Fort Worth	7	59	11	23	—19
Houston	15	57	11	19	—19
San Antonio	3	49	11	24	—15
Shreveport, La.	— #	50	5	—	—
Other cities	5	54	10	27	—24
FURNITURE STORES					
Total Eleventh District	— 5	38	—	34	— 3
Austin	— 8	45	—	75	5
Dallas	—36	38	—	16	— 3
Houston	#	72	—	—	—
Port Arthur	— 1	10	—	—	—
San Antonio	— 6	35	—	—	—
Shreveport, La.	11	37	—	34	— 3
Wichita Falls	— 6	9	—	38	5
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District	—19	18	—	—	—
Dallas	—17	22	—	—	—

[1] Stocks at end of month.
# Indicates change of less than one-half of 1 percent.

WHOLESALE TRADE STATISTICS

Eleventh Federal Reserve District

(Percentage change)

Line of trade	NET SALESp Dec. 1950 from December 1949	NET SALESp Dec. 1950 from November 1950	NET SALESp 12 mo. 1950 comp. with 12 mo. 1949	STOCKS[1]p Dec. 1950 from December 1949	STOCKS[1]p Dec. 1950 from November 1950
Dry goods	— 7	—30	6	42	6
Grocery (voluntary-group and full-line wholesalers not sponsoring groups)	12	2	—	15	—11
Hardware	23	— 5	17	30	4
Industrial supplies	44	1	—	13	8
Machinery equipment and supplies except electrical	106	35	—	4	#
Tobacco products	1	4	4	14	2
Wiring supplies, construction materials distributors	117	— 7	—	51	7

[1] Stocks at end of month.
p Preliminary.
# Indicates change of less than one-half of 1 percent.
SOURCE: United States Bureau of the Census.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1935-39 = 100)

Area	UNADJUSTED Dec. 1950	UNADJUSTED Nov. 1950	UNADJUSTED Oct. 1950	UNADJUSTED Dec. 1949	ADJUSTED[1] Dec. 1950	ADJUSTED[1] Nov. 1950	ADJUSTED[1] Oct. 1950	ADJUSTED[1] Dec. 1949
SALES—Daily average								
Eleventh District	711	472	405	662	433	400	375	404r
Dallas	643	446	390	602	407	369	355	381
Houston	794	527	419	732r	499	435	381	461r
STOCKS—End of month								
Eleventh District	406p	495	479	323	442p	446	456	351

[1] Adjusted for seasonal variation.
p Preliminary.
r Revised.

were 29 percent higher than in 1949. Television set sales were almost five times as large as in 1949, when the markets in the large cities of the District were just opening. Moreover, major appliance sales were 40 percent higher than in the preceding year; furniture and bedding sales, 31 percent higher; and domestic floor coverings, 22 percent higher. Undoubtedly, the tremendous residential building boom and liberal credit terms during most of the year were powerful factors in the strong showing of the homefurnishings department.

The small wares department had a healthy increase in sales, 5 percent, reflecting in large part the strength in the silverware and jewelry items. Moreover, the men's clothing department posted consistent gains throughout the year, with total sales running 8 percent higher than in the previous year. Boomed by scare buying, sales of household textiles showed a large increase in volume. Meanwhile, women's and misses' accessories sales were up 4 percent over 1949.

On the other hand, women's and misses' apparel sales, although improving in the last few months of the year, failed to show any significant gain over 1949. Sales of women's coats actually dropped 11 percent below the previous year. Basement store sales, although picking up near the end of the year, fell 1 percent below the 1949 volume.

The importance of credit in the high level of department store sales in 1950 is indicated by the large increase in instalment receivables at district department stores. Instalment receivables rose 57 percent during the first 9 months of the year and on October 1, shortly after Regulation W was imposed, were 96 percent higher than a year earlier. During the last 3 months of the year, with consumer instalment credit controls in effect, instalment receivables showed a moderate decline, and on December 31, were 49 percent higher than a year earlier. Prior to Regulation W, competition had forced a general easing in credit terms. Although liberal credit terms may not have been the dominant factor promoting the record level of consumer durable goods buying in the first 9 months of the year, they were undoubtedly one of the prime factors facilitating and permitting the durable goods boom. The decline in major appliance buying in the last 3 months of the year was, to some extent, the result of the more stringent credit policies required by Regulation W, although seasonal and other factors, such as a reaction from the war-scare buying of the summer months, contributed importantly to the decline.

Collections on instalment receivables tended to slow during the first 9 months of the year, largely in reflection of the trend toward longer pay-out periods and smaller down payments. The collection ratio at district department stores dropped from 16 percent in December 1949 to 12 percent in September 1950, the lowest level on record, and then tended to rise slightly in the last 3 months of the year, following the imposition of Regulation W.

Charge account sales, which lagged behind the year-earlier volume in the early months of the year, showed a marked, greater-than-seasonal increase in the last half of the year. On December 31 charge account receivables outstanding were 12 percent higher than on the corresponding date of 1949. The expansion in charge account sales in the latter part of the year was accompanied by a small decline in the collection ratio.

Merchants tended to follow conservative inventory policies during the first half of 1950, although increasing their inventories in line with their rising sales volume. With the outbreak of hostilities in Korea, however, department stores bought heavily in an attempt to increase their inventories, particularly of those items which would likely become in short supply or subject to large price advances. As a result, widespread and marked inventory increases occurred during

the last half of the year, with stocks of some consumer durable goods becoming fairly heavy. Stocks at district department stores, which on December 31, 1949, were 5 percent below a year earlier, on June 30, 1950, were 8 percent above the same date of the previous year and on December 31, 1950, were 24 percent higher. Merchants, however, generally felt that their heavier year-end stock position was desirable, in view of present sales trends and the prospects for cutbacks in production of some consumer items.

District furniture stores reported a record sales volume in 1950, with a gain of 7 percent over 1949 and 4 percent over the previous high of 1948. Despite this favorable sales performance, however, district furniture stores showed a somewhat smaller increase than furniture stores in the Nation as a whole. Sales, which had been high in the first 6 months of 1950, were boomed during the summer months by war-scare buying. In the last 3 months of the year, however, after the imposition of Regulation W, sales fell moderately below year-earlier levels. An increase in credit sales was responsible for the larger volume of total sales, since cash sales actually showed a decrease from the 1949 level. In the last half of the year cash sales improved considerably, while instalment credit controls depressed credit sales in the last quarter of the year.

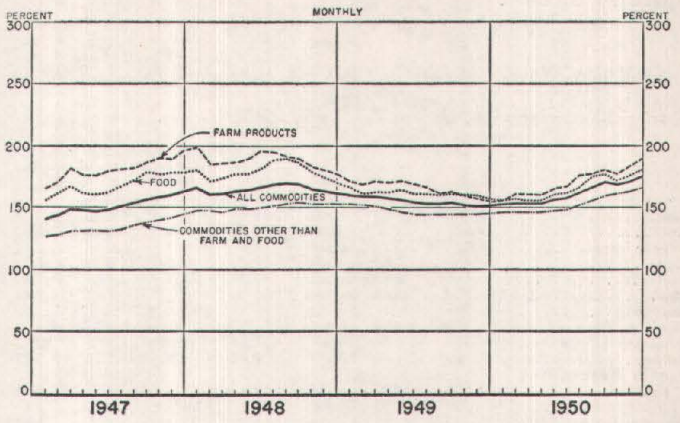
Accounts receivable were up moderately for the sixth consecutive year, although a declining tendency was noted toward the end of the year. Total receivables outstanding on December 31, 1950, were 7 percent higher than on the corresponding date of the previous year. Furniture store inventories rose sharply during 1950, particularly following the outbreak of hostilities in Korea, and year-end stocks were 34 percent higher than a year earlier.

Prices, both wholesale and retail, after showing a declining trend from the latter part of 1948 throughout 1949, advanced sharply in 1950 to reach record levels. The Bureau of Labor Statistics' comprehensive index of wholesale prices rose almost 17 percent and in the last week of the year was almost 4 percent higher than the August 1948 peak. This percentage increase is slightly greater than the large increase of 1947, although considerably less than the rapid advance in 1946 after price controls were removed. Retail prices, as indicated by the BLS consumers' price index, were up 6 percent for the year, with the mid-December level estimated to be a little over 1 percent above the August 1948 high. Moreover, the United States Department of Agriculture's index of prices received by farmers shows an increase of 23 percent during 1950. The rise in prices occurred largely in the last 6 months of the year following the opening of hostilities in Korea, although slight advances were noted in the first quarter and more noticeable increases in the second quarter of the year.

The higher level of demand associated with the boom in construction activity, rising production in consumer durable goods industries, and an increase in inventories fostered the moderate rise in prices in the first half of the year. Extremely heavy civilian demands, government stockpiling of defense materials, and real and anticipated tight supply situations in a number of basic commodities, together with wage increases and credit expansion, caused the sharp rise in prices in the second half of the year.

WHOLESALE PRICES

U.S. BUREAU OF LABOR STATISTICS INDEXES, 1926=100



Sensational increases occurred in prices of some imported commodities, with rubber prices rising 324 percent; wool, 108 percent; and tin, 94 percent. On the other hand, a number of domestic commodities also showed extremely large increases, with cottonseed oil prices up 91 percent; lard, up 70 percent; and tallow, up 168 percent. Among the major commodity groups, textiles showed the largest increase in wholesale prices during the past year, with a rise of 24 percent. The tight supply situation for wool and the sharply reduced cotton crop were important factors in the large increase in the prices of textile products. Wholesale prices of farm products, reflecting large increases in the prices of such commodities as livestock and cotton, rose 23 percent; while chemicals and allied products, including fats and oils, showed about the same relative increase. Most other commodity groups experienced price increases ranging between 12 and 18 percent; but prices of fuel and lighting materials, including coal, gas, and petroleum, showed an increase of only a little over 3 percent. Crude petroleum prices were up less than 1 percent, although refined petroleum products showed a 14-percent increase.

Agriculture in the five states of the Eleventh District in 1950 was characterized by lower production and higher prices of farm commodities. An increase of perhaps 5 percent in the production of livestock and livestock products was more than offset by a decline of almost 30 percent in the production of crops, with the result that the aggregate physical volume of agricultural commodities produced in the District in 1950 fell about 20 percent below the record volume of 1949.

The net gain in output of livestock and livestock products achieved by district farmers in 1950 resulted from larger production of beef, veal, lamb, pork, milk, chickens, eggs, and turkeys, which more than compensated for declines in production of wool and mohair. Production of most crops was lower in 1950 than in 1949, due to the reduction of 16 percent in total acreage and to lower yields per acre of many crops. Harvests of cotton, wheat, oats, barley, peanuts, hay, flaxseed, Irish potatoes, broomcorn, and citrus fruits were smaller, while increases are reported for sorghum grain, corn, sweet potatoes, and commercial vegetables. The sharp

decline in production, however, was partially offset by increased prices, resulting in a decline of less than 10 percent in farm income.

CROPS: ACREAGE HARVESTED, YIELD PER ACRE, AND PRODUCTION

Texas

Crop	Acreage harvested (1,000 acres)		Unit	Yield per acre		Production (1,000 units)	
	1949	1950p		1949	1950p	1949	1950p
Cotton	10,900	6,700	Pounds	266	208	[1]6,040	[1]2,900
Corn	2,587	3,130	Bushels	22.5	21.0	58,208	65,730
Winter wheat	6,924	2,839	Bushels	14.5	8.0	100,398	22,712
Oats	1,260	1,386	Bushels	27.0	19.5	34,020	27,027
Barley	146	133	Bushels	19.0	13.0	2,774	1,729
Rice	537	481	Pounds	2,000	2,400	[2]10,740	[2]11,544
Broomcorn	49	31	Pounds	380	290	[3]9	[3]5
Sorghums for grain	3,869	6,474	Bushels	24.0	23.0	92,676	148,818
Sorghums for forage	1,589	1,687	Tons	1.35	1.35	2,145	2,271
All hay	1,189	1,149	Tons	1.13	1.11	1,348	1,281
Peanuts picked and threshed	513	490	Pounds	650	675	333,450	330,750
Irish potatoes	38	32	Bushels	97	86	3,686	2,752
Sweet potatoes	55	54	Bushels	105	95	5,775	5,130
Peaches	—	—	Bushels	—	—	2,400	783
Oranges[4]	—	—	Boxes	—	—	3,400	1,760
Grapefruit[4]	—	—	Boxes	—	—	11,300	6,400
Pecans	—	—	Pounds	—	—	29,000	35,000

[1] Cotton production in terms of bales.
[2] 100-pound bags.
[3] Tons.
[4] Data represent crops harvested in 1949 and 1950
p—Preliminary.
SOURCE: United States Department of Agriculture.

The 1950 wheat crop in the five states of the District totaled only 68,000,000 bushels, compared with 195,000,000 bushels in 1949. The unusually poor crop resulted from heavy infestation of green bugs and the severe and extended drought in major wheat-producing areas. Texas harvested only 2,839,000 acres, or 59 percent less than in 1949. The acreage of winter wheat seeded in Texas in the fall of 1950 for harvest in 1951 is estimated at 6,416,000 acres, or 7 percent above the acreage seeded in 1949. Summer and early fall rains were adequate to excessive over the entire wheat area of the District. The rains continued up to October 1, but almost no moisture was received from that time until mid-January. The crop has suffered from lack of moisture and from the effects of cold weather and insects. The wheat market in the Southwest remained relatively stable throughout 1950, although prices at year's end were higher than at any time since early 1948.

Cotton production in the five states of the Eleventh District in 1950 totaled 4,190,000 bales, compared with the record production of 8,119,000 bales in 1949. This sharp curtailment in production reflects both acreage reductions and lower yields per acre. The total acreage harvested in the five states declined from 13,959,000 acres in 1949 to 8,695,000 acres in 1950—a drop of 38 percent—due very largely to the acreage control program, although many farmers failed to plant the acreage permitted them under the program. The Texas average yield per acre of 208 pounds compares with 266 pounds in 1949 and a 10-year average yield of 170 pounds. The sharp reduction in the output of cotton in the states of the District in 1950 was partly offset by increased prices, which rose about 40 percent during the year, reaching a record-high level in November.

The 1950 rice crop in this area, produced in Texas and Louisiana, totaled 22,035,000 100-pound bags (about 14,000,000 barrels), compared with 21,522,000 bags in 1949. This fractional increase, which occurred despite a reduction in acreage caused by the control program, is attributable to favorable weather conditions throughout the growing season. Yields per acre in Texas averaged 2,400 pounds, compared with 2,000 pounds harvested per acre in 1949. Prices received by farmers for rice in Texas and Louisiana strengthened during the last 6 months of 1950, as considerable quantities of rice moved into export and to the Territories.

CROPS: ACREAGE HARVESTED, YIELD PER ACRE, AND PRODUCTION

Five Southwestern States[1]

Crop	Acreage harvested (1,000 acres)		Unit	Yield per acre		Production (1,000 units)	
	1949	1950p		1949	1950p	1949	1950p
Cotton	13,959	8,695	Pounds	278	230	[2]8,119	[2]4,190
Corn	4,895	5,402	Bushels	22.2	22.1	108,626	119,183
Winter wheat[3]	14,208	7,842	Bushels	13.7	8.6	194,995	67,643
Oats	2,286	2,338	Bushels	24.4	19.1	55,682	44,703
Barley[3]	407	426	Bushels	25.9	24.2	10,550	10,327
Rice[4]	1,136	1,026	Pounds	1,895	2,148	[10]21,522	[10]22,035
Broomcorn[5]	166	119	Pounds	367	294	[11]31	[11]18
Sorghums for grain	4,954	7,995	Bushels	23.1	22.6	114,426	180,886
Sorghums for forage	2,317	2,624	Tons	1.41	1.41	3,277	3,703
All hay	3,306	3,282	Tons	1.45	1.45	4,809	4,770
Peanuts picked and threshed[6]	693	701	Pounds	658	649	456,130	454,895
Irish potatoes	77	71	Bushels	94	98	7,253	6,952
Sweet potatoes[7]	148	158	Bushels	101	100	14,925	15,870
Peaches[8]	—	—	Bushels	—	—	3,516	1,389
Oranges[8]	—	—	Boxes	—	—	4,410	3,105
Grapefruit[9]	—	—	Boxes	—	—	13,180	9,800
Pecans[7]	—	—	Pounds	—	—	70,000	50,100

[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
[10] 100-pound bags.
[11] Tons.
p—Preliminary.
SOURCE: United States Department of Agriculture.

Peanut production in the five states of the District in 1950 totaled about 455,000,000 pounds, compared with 456,000,000 pounds in 1949. Yields per acre were very good, averaging a record of 675 pounds per acre in Texas, compared with 650 pounds in 1949; however, the control program in effect in 1950 reduced the acreage planted.

The 1950 sorghum grain crop in the states of the District is by far the largest on record, totaling 181,000,000 bushels and exceeding the 1949 crop by 58 percent. Reductions in cotton acreage and heavy abandonment of wheat left large acreages available for diversion to sorghum grains. Expansion was particularly heavy in the main commercial areas of northwest Texas and the Coastal Bend. Excessive drought caused comparatively poor yields in the Coastal Bend area, but other areas, favored by generous summer rains, produced unusually good yields. The market for sorghum grains in the Southwest fluctuated within comparatively narrow ranges during most of 1950 but gained new strength near the end of the year, with prices at the highest levels since mid-1949.

The total volume of commercial vegetables produced in the five southwestern states in 1950 is slightly above that of 1949, due principally to increases in Texas and Arizona. Growing conditions and development of commercial vegetables during the winter and early spring seasons were generally unsatisfactory, particularly in southern sections of Texas. The winter growing season was unusually warm and, except for very limited areas, most sections were free of frost all season, which is in direct contrast to the previous winter season. Insects were more numerous than usual. Plant diseases affected some crops, and weather conditions were

unfavorable for some of the hardy-type crops. The five states produced almost 1,388,000 tons of commercial truck crops for fresh market, compared with 1,333,000 in 1949. Price declines for some commercial vegetables during the year offset increases in prices of others, with the result that the value of commercial truck crops produced for fresh market in the five states during 1950 is 2 percent less than the 1949 value.

MIDMONTH PRICES RECEIVED BY TEXAS FARMERS, 1950

Commodity	Unit	Jan. 15	Year's high		Year's low		Dec. 15
			Month	Price	Month	Price	
Wheat	Bushel	$ 1.95	December	$ 2.07	June	$ 1.92	$ 2.07
Corn	Bushel	1.15	December	1.38	January	1.15	1.38
Oats	Bushel	.80	December	.95	June	.73	.95
Grain sorghums	Cwt.	1.90	April	1.96	October	1.57	1.86
Rice	Bushel	2.26	December	2.60	March	2.10	2.60
Cotton	Pound	.26	November	.41	January	.26	.39
Hogs	Cwt.	15.20	July	22.20	January	15.20	18.00
Beef cattle	Cwt.	18.20	December	23.70	January	18.20	23.70
Lambs	Cwt.	21.30	December	26.80	January	21.30	26.80
Chickens	Pound	.22	March	.27	December	.21	.21
Wool	Pound	.55	December	.88	January	.55	.88
Grapefruit	Box	2.00	March	2.37	December	1.22	1.22

SOURCE: United States Department of Agriculture.

Range conditions in the District during the early part of 1950 were generally satisfactory in the eastern half but showed lack of sufficient moisture in the western area. Supplemental feeding was rather widespread in western Texas and in New Mexico and Arizona during the winter months. However, abundant spring rains were received over the entire District, and range conditions improved markedly during the spring and early summer. There was large-scale restocking of ranges and pastures, and demand for stocker cattle and sheep was very strong. During the summer a drought originated in south Texas, and by the end of the year, had spread throughout most of the District. Range and pasture grasses were in short supply in most areas, and supplemental feeding again became a general practice. The eastern half of the District received temporary relief from the drought in January of this year, however.

TOP LIVESTOCK PRICES
Fort Worth Market
(Dollars per hundredweight)

Class	December 1950	December 1949	November 1950
Slaughter cattle			
Steers	$32.00	$28.50	$33 00
Cows	23.50	17.50	23 00
Heifers	33.50	28.50	33.00
Calves	32.00	25.00	30.50
Feeder and stocker cattle			
Steers	31.00	23 00	30.00
Calves	35.00	24.50	31.00
Slaughter lambs	31.00	23.00	29.50
Hogs	20.50	16.50	20.25

LIVESTOCK RECEIPTS
(Number)

Class	FORT WORTH MARKET		SAN ANTONIO MARKET	
	1950	1949	1950	1949
Cattle	539,573	577,974	329,599	331,915
Calves	275,760	244,578	233,389	168,932
Hogs	686,935	583,856	80,837	86,179
Sheep	1,055,234	927,953	[1]259,698	[1]399,265

[1] Includes goats.

The condition of livestock in the District, which usually reflects the condition of ranges and pastures, was generally excellent around mid-1950, but livestock were showing considerable shrinkage at year's end. Nevertheless, farmers continued to expand livestock numbers, with prices of stocker cattle and replacement lambs reaching record-high levels in December. The 1950 Texas lamb crop was 7 percent above that of 1949, while the Texas pig crop in 1950 was up 4 percent. Livestock marketings in the District in 1950 were some 10 percent higher than in 1949, while meat production was up about 5 percent. The five states of the District clipped about 67,000,000 pounds of wool in 1950, or only slightly less than in the previous year; mohair production was also lower.

SHEEP AND LAMBS ON FEED
Five Southwestern States and United States
(1,000 head)

Area	January 1	
	1951p	1950r
Arizona	24	10
Louisiana	0	0
New Mexico	52	28
Oklahoma	35	40
Texas	83	118
Total	194	196
United States	3,440	3,644

p—Preliminary.
r—Revised
SOURCE: United States Department of Agriculture.

Production of poultry and eggs in the District in 1950 showed noticeable gains over 1949. Placement of broiler chicks on Texas farms totaled over 39,000,000, or about 10,000,000 more than in 1949 and more than double the placement in 1948. The five states of the District raised 5,228,000 turkeys, or 6 percent more than in 1949. Egg production for the year exceeded slightly that in 1949, although monthly totals near the end of the year were below those for comparable months of 1949. Prices received by farmers for chickens declined late in the year and averaged lower in December than in any month since World War II. At the same time, eggs were at the highest level since that war. Turkey prices followed a rather normal seasonal pattern, averaging in December near the same level as a year earlier.

As indicated earlier, farm income in the five states of the District in 1950 fell substantially below that of 1949. Final figures for 1950 are not yet available, but data thus far released by the Department of Agriculture indicate that cash receipts from farm marketings in the five states of the District totaled around $3,200,000,000 in 1950, compared with $3,437,000,000 in 1949. The decline in total cash receipts was due entirely to smaller marketings of crops, especially cotton and wheat, as receipts from the sale of livestock and livestock products exceeded those of 1949.

The trends during 1950 in most major asset and liability accounts at the weekly reporting member banks in leading cities of the Eleventh Federal Reserve District are in contrast with the movement during the preceding year. During 1949, rather wide and perhaps greater-than-seasonal fluctuations occurred in such accounts as total resources, loans, and deposits, since substantial decreases during the first 5 or 6 months were followed by somewhat greater-than-offsetting increases during the remainder of the

year. During 1950, these major categories of assets and liabilities showed less shrinkage in the early months and significantly greater expansion in the final 6 months than were apparent in 1949. The divergence in trends during the two successive years reflects differences in underlying economic conditions.

In this District, as well as in the United States, the temporary downturn in business during the last quarter of 1948 and the first half of 1949 was followed by almost uninterrupted increases in rates of employment, production, and income. The generally favorable business developments throughout 1950 were reflected in the growing demand for banking services.

ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Amounts in thousands of dollars)

City	DEBITS[1]			DEPOSITS[2]	
			Percentage change from	Annual rate of turnover	
	1950	1949	1949	1950	1949
ARIZONA					
Tucson	$ 750,397	$ 658,144	14	8.8	8.1
LOUISIANA					
Monroe	483,357	436,528	11	10.5	10.2
Shreveport	1,814,379	1,600,089	13	10.0	9.7
NEW MEXICO					
Roswell	230,341	173,520	33	9.8	9.4
TEXAS					
Abilene	586,444	393,206	49	12.5	10.1
Amarillo	1,311,503	1,089,928	20	13.8	12.6
Austin	1,575,705	1,524,670	3	13.9	14.4
Beaumont	1,261,147	1,143,342	10	13.7	12.0
Corpus Christi	1,229,752	920,782	34	13.4	11.7
Corsicana	144,917	132,677	9	6.9	6.6
Dallas	15,204,638	12,539,248	21	18 0	16 3
El Paso	1,864,436	1,530,720	22	14.3	12.9
Fort Worth	4,647,362	3,797,455	22	14.5	12.8
Galveston	854,456	839,261	2	8.9	8 8
Houston	14,702,669	12,762,453	15	14.5	13.8
Laredo	214,795	193,318	11	9.6	8.9
Lubbock	1,117,750	771 424	45	13.0	11.8
Port Arthur	410,077	409,761	#	10.3	10.4
San Angelo	468,684	350,537	34	10.0	9.0
San Antonio	3,814,048	3,006,996	27	10.8	9.5
Texarkana[3]	201,274	171,050	18	8.6	7.5
Tyler	553,815	487,201	14	10.7	9.6
Waco	777,285	603,339	29	10.4	9.0
Wichita Falls	791,001	673,243	17	8.5	8.2
Total—24 cities	$55,010,232	$46,208,892	19	13.8	12.7

[1] Debits to deposit accounts except interbank accounts.

[2] Demand and time deposits, including certified and officers' checks outstanding but excluding deposits to the credit of banks.

[3] 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 $336,451,000 for the year 1950.

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

Reflecting these developments, the demand for bank credit was strong and continuous throughout the year. In the first half of the year commercial, industrial, and agricultural loans of the weekly reporting member banks in the District declined less than usual, while the demand for loans to finance residential and other construction activity, security transactions, and consumer purchasing was maintained and showed a gradual but persistent tendency to rise. As a result, total loans of these banks by the end of June were higher than at the beginning of the year and significantly above the level of June 1949.

In the second half, the trend of loans was sharply upward, with major categories of loans showing increases. Total loans of the weekly reporting member banks during 1950 showed a net expansion of $286,830,000, as compared with $50,742,000 during the preceding year. Growth in commercial, industrial, and agricultural loans constituted the preponderant portion of the increase, as this category rose by $190,687,000. Although increases in other categories were smaller, they were substantial. "Other" loans, including consumer loans, rose $59,938,000, while real estate loans increased $24,879,000. Peak volumes of real estate and "other" loans were reached during November, with mild decreases in December, perhaps reflecting to some extent the effects of credit controls which were imposed in September and October, respectively. Although loans for the purpose of financing security transactions constitute a relatively small proportion of total loans, this category showed an increase of $11,755,000 during the year. Total loans, which rose to a new all-time peak of $1,477,034,000 on December 27, were approximately 24 percent more than the total reported December 28, 1949.

The trend of demand deposits of individuals, partnerships, and corporations was roughly parallel to the trend of loans. The growth during 1950 of $269,719,000 compares with an increase of only $50,064,000 during 1949. Rather wide fluctuations occurred in interbank demand deposits, with a net decrease of $86,291,000 during the first 6 months, followed by an increase of $205,083,000 in the final half of the year. Total demand deposits of the weekly reporting member banks amounted to $3,362,914,000 on December 27, or an increase of approximately 13 percent during the year.

In contrast with the sharp increase in demand deposits subsequent to June 28, total time deposits declined $26,695,000. Although individuals and businesses drew down their time accounts—in the case of individuals, perhaps to finance consumer purchasing—the preponderant portion of the decrease was in accounts of states and political subdivisions. Total time deposits amounted to $431,230,000 on December 27, a decrease of approximately 5 percent from the year-earlier figure.

The principal factor in the growth of deposits was the increase in loans, as the trend of investments was downward. Lending and investing activities of the weekly reporting member banks, however, do not account entirely for total deposit growth, since the net expansion exceeded the combined increase in loans and investments by $125,855,000.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	January 17, 1951	January 18, 1950	December 13, 1950
Total loans (gross) and investments	$2,736,065	$2,580,288	$2,731,649
Total loans—Net[1]	1,473,780	1,179,843	1,460,011
Total loans—Gross	1,488,370	1,191,364	1,473,486
Commercial, industrial, and agricultural loans	1,041,750	840,268	1,028,102
Loans to brokers and dealers in securities	8,314	5,348	7,942
Other loans for purchasing or carrying securities	52,041	47,962	57,952
Real estate loans	121,887	94,542	117,871
Loans to banks	225	79	200
All other loans	264,153	203,165	261,419
Total investments	1,247,695	1,388,924	1,258,163
U. S. Treasury bills	106,764	133,295	113,962
U. S. Treasury certificates of indebtedness	0	354,674	28,671
U. S. Treasury notes	392,447	100,808	323,996
U. S. Government bonds (inc. gtd. obligations)	591,184	671,461	635,707
Other securities	157,300	128,686	155,827
Reserves with Federal Reserve Bank	563,604	491,355	494,216
Balances with domestic banks	424,309	344,264	392,582
Demand deposits—adjusted[2]	2,268,675	2,043,071	2,198,679
Time deposits except Government	426,003	452,963	423,017
United States Government deposits	45,069	49,872	49,480
Interbank demand deposits	811,750	721,886	783,876
Borrowings from Federal Reserve Bank	0	0	0

[1] After deductions for reserves and unallocated charge-offs.

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

During the year the weekly reporting member banks reduced investments in United States Government securities by $62,375,000, there being a fairly steady decline until early December when a sharp upturn occurred. Holdings of Treasury bonds declined $71,582,000 and investments in certificates declined $305,996,000. On the other hand, investments in notes and bills rose $278,503,000 and $36,695,000, respectively. The type of securities offered in refunding operations affected the composition of Government security portfolios. Investments in other securities rose throughout the year, but the rate of increase was particularly marked after midyear. For the year, holdings rose $24,936,000 or 19 percent, with the additions being chiefly municipal securities.

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 1948..	$5,427,633	$595,339	$2,613,198	$382,118	$2,814,435	$213,221
December 1949..	5,612,558	648,676	2,712,547	417,067	2,900,011	231,609
August 1950.....	5,685,570	655,792	2,779,305	409,987	2,906,265	245,805
September 1950.	5,726,635	659,286	2,806,806	410,905	2,919,829	248,381
October 1950...	5,831,230	657,976	2,850,628	411,759	2,980,602	246,217
November 1950..	6,087,614	657,258	2,951,134	406,100	3,136,480	251,158
December 1950..	6,256,210	646,999	3,044,765	397,983	3,211,445	249,016

Gross demand deposits of all member banks in the District averaged $643,652,000—or 11 percent—higher in December 1950 than in the comparable month of 1949. Following a rather mild seasonal decrease, deposits showed uninterrupted increases from May to December. This growth was about evenly divided between reserve city and country banks, with the former accounting for 52 percent of the total increase. In contrast with demand deposits, total time deposits averaged $1,677,000 lower in December 1950 than in December 1949. Month-to-month fluctuations in time deposits followed rather irregular patterns both at reserve city and country banks. For the year as a whole, however, the former reported a decrease of $19,084,000, while the latter showed an increase of $17,407,000.

SAVINGS DEPOSITS

City	Number of reporting banks	December 30, 1950		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Dec. 31, 1949	Nov. 30, 1950
LOUISIANA					
Shreveport	3	45,321	$ 23,989,178	— 3.6	1.3
TEXAS					
Beaumont	3	12,043	5,458,589	— 9.9	— 0.3
Dallas	8	144,174	76,523,870	— 2.7	0.7
El Paso	2	33,758	22,332,996	— 1.8	1.4
Fort Worth	4	44,003	34,810,649	— 3.2	0.5
Galveston	4	22,426	20,359,150	— 3.8	— 0.5
Houston	8	94,054	74,478,832	— 1.2	1.0
Lubbock	2	2,190	4,086,371	18.8	4.2
Port Arthur	2	5,572	3,960,945	—10.8	— 0.9
San Antonio	5	41,679	42,910,715	— 3.4	1.1
Waco	3	10,536	10,680,123	3.0	1.7
Wichita Falls	3	7,576	4,514,853	— 0.2	— 0.6
ALL OTHER	55	67,589	56,559,140	1.7	0.9
Total	102	530,921	$380,665,411	— 1.8	0.8

Growth in the volume of business transacted through banks in the District reflects the high and rising volume of total economic activity during 1950. Debits to deposit accounts reported by banks in 24 cities of the Eleventh Federal Reserve District were approximately 19 percent higher in 1950 than in 1949. The upward trend during the year is indicated by month-to-month increases over year-earlier totals. The turnover of deposits, or the rate of use of deposit accounts, rose from 12.7 in 1949 to 13.8 in 1950.

In view of the rapid expansion in loans and deposits at all banks in the Nation during the second half of 1950, significant changes were effected in Federal Reserve credit policy. On August 18 the Board of Governors of the Federal Reserve System approved increases in the discount rates of Federal Reserve banks—from 1½ percent to 1¾ percent. The Board also announced that in view of excessive credit expansion and "to support the Government's decision to rely in major degree for the immediate future upon fiscal and credit measures to curb inflation, the Board of Governors of the Federal Reserve System and the Federal Open Market Committee are prepared to use all means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market." Following this announcement, operations of the Open Market Committee were directed toward raising market rates on short-term Government securities. The average discount on weekly offerings of Treasury bills rose from 1.173 percent to 1.383 percent by November 30, while yields on Government securities having about 12 months to maturity moved from approximately 1.25 percent before the policy announcement to about 1.49 percent by the end of October.

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

(Amounts in thousands of dollars)

City	DEBITS[1]			DEPOSITS[2]			
		Percentage change from			Annual rate of turnover		
	December 1950	Dec. 1949	Nov. 1950	Dec. 31, 1950	Dec. 1950	Dec. 1949	Nov. 1950
ARIZONA							
Tucson	$ 76,597	36	11	$ 90,353	10.4	8.6	9.7
LOUISIANA							
Monroe	44,135	10	1	52,931	10.6	10.9	11.0
Shreveport	201,955	22	26	189,829	13.0	11.5	10.4
NEW MEXICO							
Roswell	23,550	42	6	28,381	10.3	10.0	10.3
TEXAS							
Abilene	58,941	49	2	54,163	13.4	11.8	13.9
Amarillo	131,412	30	7	100,551	16.1	12.8	15.2
Austin	145,792	— 2	25	115,499	15.5	16.7	12.2
Beaumont	117,755	6	1	96,510	15.2	14.8	15.2
Corpus Christi	114,505	42	5	97,618	14.3	12.0	13.9
Corsicana	16,919	16	26	22,373	9.1	8.4	7.4
Dallas	1,673,624	25	31	942,479	22.1	20.3	17.5
El Paso	189,045	18	5	138,223	16.7	15.2	16.4
Fort Worth	505,996	28	26	333,823	18.2	15.4	14.6
Galveston	82,305	13	22	98,339	10.1	9.2	8.3
Houston	1,617,836	33	23	1,108,084	17.9	15.0	15.0
Laredo	21,509	23	20	22,278	11.8	9.7	9.8
Lubbock	139,498	35	13	108,357	16.7	16.9	16.7
Port Arthur	44,468	22	23	40,837	13.0	10.9	10.6
San Angelo	45,834	23	13	51,583	10.8	10.7	9.7
San Antonio	375,804	28	15	369,733	12.4	11.0	10.8
Texarkana[3]	18,484	10	— 3	25,893	9.1	8.4	10.0
Tyler	52,709	14	12	54,062	12.0	10.6	11.2
Waco	73,261	25	11	82,470	10.8	10.2	9.7
Wichita Falls	78,743	16	10	99,970	9.7	9.4	9.0
Total—24 cities	$5,852,677	26	21	$4,324,339	16.6	14.8	14.0

[1] Debits to deposit accounts except interbank accounts.

[2] Demand and time deposits, including certified and officers' checks outstanding but excluding deposits to the credit of banks.

[3] 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 $31,978,000 for the month of December 1950.

On December 28, the Board of Governors raised reserve requirements of all member banks, to become fully effective February 1, 1951. In the case of net demand deposits, reserve

requirements of banks in central reserve cities were raised from 22 percent to 24 percent; banks in reserve cities, 18 percent to 20 percent; and country banks, 12 percent to 14 percent. In the case of time deposits, reserve requirements were raised from 5 percent to 6 percent for all member banks. It is estimated that the new requirements will absorb approximately $2,000,000,000 of readily available funds.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	January 15, 1951	January 15, 1950	December 15, 1950
Total gold certificate reserves	$611,262	$687,856	$746,237
Discounts for member banks	0	0	2,000
Foreign loans on gold	0	2,391	0
U. S. Government securities	994,411	815,409	923,801
Total earning assets	994,411	817,800	925,801
Member bank reserve deposits	964,752	854,551	920,381
Federal Reserve notes in actual circulation	624,127	624,409	639,504

NEW PAR BANKS

The University State Bank, Fort Worth, Texas, a newly organized, insured nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the par list on its opening date, January 22, 1951. The new bank has capital of $150,000 and surplus of $75,000. The officers are: M. A. Fuller, President; W. Felix Jones, Vice President and Cashier; Allen B. Lewis, Assistant Vice President; and Kenneth Wilkinson, Assistant Cashier.

The Citizens State Bank, Sealy, Texas, a 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 January 1, 1951. This bank has capital of $50,000 and surplus of $50,000. The officers are: G. R. Borgel, President; Hugo Hess, Cashier; and Norman Hess, Assistant Cashier.

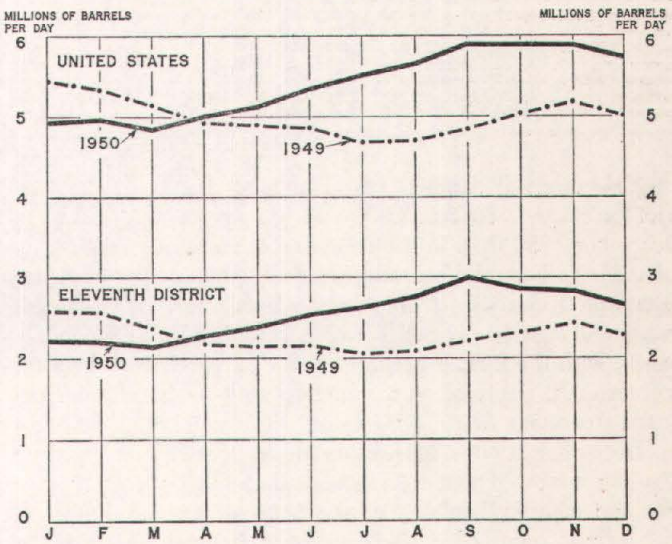
The D'Hanis State Bank of D'Hanis, Texas, an insured, nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, has been added to the par list effective February 1, 1951. The bank has capital of $20,000 and surplus of $20,000. The officers are: J. P. Ephraim, President; Eric Rothe, Vice President; and M. M. Koch, Cashier.

The Sabinal State Bank, Sabinal, Texas, an insured, nonmember bank, located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, has been added to the par list effective February 1, 1951. The bank has capital of $40,000 and surplus of $40,000. The officers are: Geo. A. Kennedy, President; K. K. Woodley, Vice President; J. E. Willingham, Vice President; and A. J. Durham, Cashier.

The year 1950 was characterized by industrial expansion in the Nation and in the Eleventh Federal Reserve District in both defense and nondefense lines. A measure of this expansion in the Southwest is nonfarm employment, which in the five states—Arizona, Louisiana, New Mexico, Oklahoma, and Texas—increased from 3,852,000 workers at the end of 1949 to a record 4,034,000 at the end of 1950, or 5 percent. Manufacturing employment increased from 655,000 workers to 706,000 workers for a gain of 8 percent.

Crude petroleum production in the Eleventh District totaled 926,799,000 barrels during 1950, averaging 2,539,175 barrels per day and exceeding 1949 production by 262,109 barrels daily, or 12 percent. This compares with a gain in the Nation during the same period of 404,526 barrels per day, or 8 percent. However, the 1950 output in the District fell 150,098 barrels daily, or 6 percent, under the 1948 peak, and in the Nation was under the 1948 record by 49,582 barrels daily, or 1 percent. The year 1950 ended with December production exceeding that of a year earlier by 405,000 barrels daily in the District and 754,000 barrels daily in the Nation.

CRUDE OIL PRODUCTION



SOURCE: AMERICAN PETROLEUM INSTITUTE.

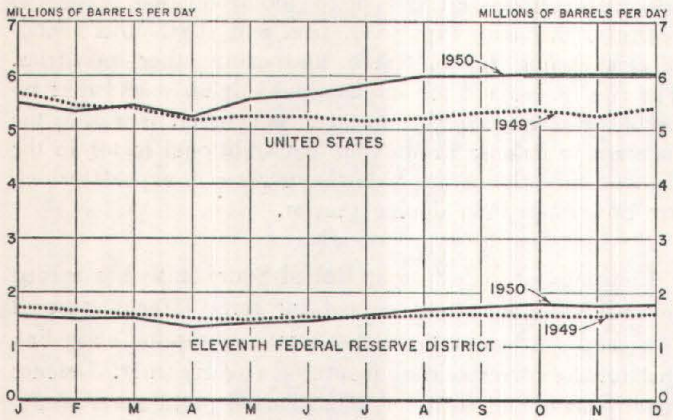
During the early months of 1950, crude oil production in the Eleventh District was held down by decreased production allowables in response to the lower-than-expected winter demand for heating oils. After March the Texas Railroad Commission raised production allowables, and output increased steadily until a new record of 2,929,210 barrels per day was reached in September. During the last 3 months of the year a moderate contraction of output proved necessary, but by the year-end the record level of demand indicated an upturn in production.

Oil refining activity, as measured by crude oil runs to refinery stills, did not quite keep pace with the increase in crude production in this District. The 1950 crude runs averaged 1,603,000 barrels per day, an increase of 11,000 barrels daily, or 1 percent, from the previous year. In December, runs to stills exceeded those of a year earlier by 172,000 barrels daily. These gains in the District are in line with those made in the Nation during the same period.

The stock position of the petroleum industry in the Nation underwent some contraction during the year, with total year-end stocks of crude oil and the four major refined products—

gasoline, kerosene, gas and distillate fuel oil, and residual fuel oil—30,910,000 barrels (6 percent) lower than stocks at the end of the previous year. Crude oil stocks accounted for 6,686,000 barrels of the decline; gas and distillate fuel oil stocks, for 6,483,000 barrels; and residual fuel oil stocks, for 20,613,000 barrels. Stocks of gasoline and kerosene were within 3 percent of year-earlier levels.

OIL REFINING: CRUDE RUNS TO STILLS



SOURCE: AMERICAN PETROLEUM INSTITUTE.

The search for new oil, as well as the development of existing fields, continued at a rapid pace throughout most of the year, with well completions preliminarily totaling a record 18,757 in the Eleventh District. This is 21 percent more than during 1949, as well as 20 percent above the 1937 former record. According to preliminary figures, well completions in the Nation totaled 42,216, or 14 percent more than the previous record set in 1949.

CRUDE OIL PRODUCTION

(Barrels)

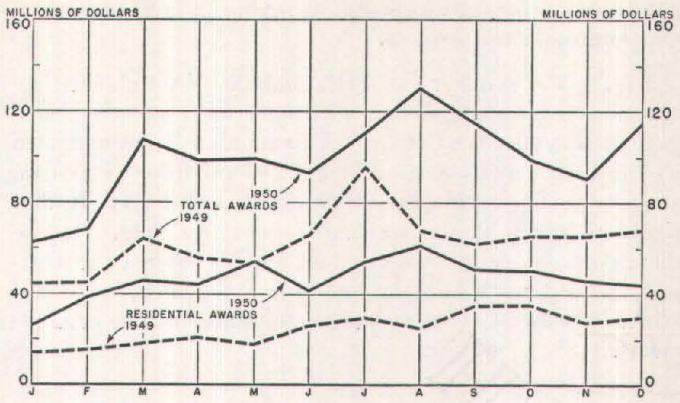
Area	December 1950 Total production	December 1950 Daily avg. production	Increase or decrease in daily average production from Dec. 1949	Increase or decrease in daily average production from Nov. 1950
ELEVENTH DISTRICT				
Texas R. R. Com. Districts				
1 South Central	963,350	31,076	4,953	— 159
2 Middle Gulf	4,480,500	144,532	25,061	— 6,581
3 Upper Gulf	13,847,250	446,686	59,604	—16,348
4 Lower Gulf	6,889,600	222,245	32,713	—10,165
5 East Central	1,258,100	40,584	6,326	— 2,414
6 Northeast	11,388,750	367,379	41,142	—25,086
East Texas	8,393,400	270,755	32,694	—19,515
Other fields	2,995,350	96,624	8,448	— 5,571
7b North Central	2,254,950	72,740	11,193	327
7c West Central	2,489,950	80,321	28,984	1,071
8 West	24,149,400	779,013	192,845	—93,552
9 North	4,629,400	149,335	8,641	— 657
10 Panhandle	2,790,000	90,000	— 2,395	0
Total Texas	75,141,250	2,423,911	409,067	—153,564
New Mexico	4,002,600	129,116	— 847	— 37
North Louisiana	3,898,250	125,750	— 3,887	565
Total Eleventh District	83,042,100	2,678,777	404,333	—153,036
OUTSIDE ELEVENTH DISTRICT	95,464,120	3,079,488	350,362	28,678
UNITED STATES	178,506,220	5,758,265	754,695	—124,358

SOURCE: Estimated from American Petroleum Institute weekly reports.

The value of construction contracts awarded in the Eleventh District established a new record of $1,187,479,000 during 1950, which is 57 percent more than the value of awards in 1949. The boom was paced by residential awards, which set a new record of $553,922,000, or 85 percent more than the previous year, while nonresidential awards amounted to $633,557,000, or 38 percent more than in 1949. The sharp rise in residential awards, which began in mid-

VALUE OF CONSTRUCTION CONTRACTS AWARDED

ELEVENTH FEDERAL RESERVE DISTRICT



SOURCE: F. W. DODGE CORPORATION.

1949, reached an all-time peak of $61,008,000 in August 1950. The same month saw the establishment of a new peacetime record for total construction contract awards in this District at $131,345,000, or only slightly below the all-time peak reached during the war. The steady growth of the industrial centers of the District, the rise of incomes and employment, increasing activity due to defense, and the fears of possible shortages and further controls in a defense economy, all contributed to the high level of residential awards throughout the year, as well as to the rise of nonresidential awards subsequent to the outbreak of hostilities in Korea.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	December 1950p	December 1949	November 1950p	January — December 1950p	January — December 1949
ELEVENTH DISTRICT	$ 114,534	$ 68,207	$ 91,057	$ 1,187,479	$ 756,814
Residential	44,450	30,838	45,933	553,922	299,132
All other	70,084	37,369	45,124	633,557	457,682
UNITED STATES[1]	1,168,432	929,030	1,087,062	14,501,055	10,342,450
Residential	478,583	419,051	496,682	6,741,028	4,222,586
All other	689,849	509,979	590,380	7,760,027	6,119,864

[1] 37 states east of the Rocky Mountains.
p—Preliminary.
SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

City	December 1950 Number	December 1950 Valuation	Percentage change in valuation from Dec. 1949	Percentage change in valuation from Nov. 1950	12 months 1950 Number	12 months 1950 Valuation	Percentage change in valuation from 12 months 1949
LOUISIANA							
Shreveport	189	$ 864,493	46	—22	4,507	$ 29,162,731	31
TEXAS							
Abilene	161	1,097,925	222	6	2,115	14,542,589	126
Amarillo	231	4,801,773	268	222	3,741	26,077,502	57
Austin	270	3,317,110	81	161	4,175	39,608,812	76
Beaumont	182	503,836	— 7	53	3,830	9,720,475	— 3
Corpus Christi	233	3,998,455	159	204	4,989	29,451,260	93
Dallas	1,588	27,239,553	321	162	24,005	144,179,864	89
El Paso	160	1,196,394	—60	—39	4,359	25,073,685	55
Fort Worth	501	5,223,109	46	103	9,818	47,729,271	59
Galveston	95	115,489	—63	—66	1,994	7,428,575	—13
Houston	796	19,846,990	324	28	13,713	176,932,907	115
Lubbock	266	2,030,766	—17	29	3,826	25,736,714	62
Port Arthur	112	215,424	3	7	2,359	5,552,709	20
San Antonio	1,142	6,807,347	112	48	18,898	57,056,677	55
Waco	145	1,074,750	8	64	2,873	19,739,269	73
Wichita Falls	73	641,325	—31	54	1,380	5,495,009	— 5
Total	6,144	$78,974,739	139	77	106,582	$663,488,049	74

As compared to national figures, the District shows a larger percentage increase from the previous year in total construction contracts awarded, as well as in both residential and nonresidential awards.

During the summer the FHA and the VA tightened requirements for insurance or guarantee of residential mortgage credit; effective October 12, Regulation X, promulgated by the Board of Governors of the Federal Reserve System, and companion regulations by the FHA and the VA further tightened credit in the residential mortgage field. Despite these controls, residential contract awards toward the year-end declined much less than had been anticipated, being sustained chiefly by a large backlog of unused loan commitments.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON
(Bales)

Area	December 1950[1]	December 1949	November 1950[2]	August — December This season	August — December Last season
CONSUMPTION					
Total					
Texas mills	12,315	11,739	16,470	68,624	63,990
U. S. mills	784,057	733,833	1,008,872	4,404,408	3,603,308
Daily average					
Texas mills	648	559	672	635	593
U. S. mills	41,266	34,944	41,178	40,876	33,441
STOCKS, U. S.—End of period					
Consuming establishments	1,998,850	1,650,591	1,832,015	—	—
Public storage and compresses	6,663,560	10,694,649	6,995,538	—	—

[1] Four weeks ended December 30.
[2] Five weeks ended December 2.
SOURCE: United States Bureau of the Census.

The national output of sulphur, nearly all of which is produced in Texas and Louisiana, reached a new high in 1950 at 5,200,000 long tons, or 10 percent more than in 1949. Demand, as indicated by shipments, rose faster than production, so that producers' stocks fell to the point that some producers announced cuts in shipments to customers, while in some cases price increases were announced. Industry sources indicate that requirements will continue to exceed production in 1951. Sulphur is probably the most important basic chemical raw material and is essential in the making of sulphuric acid and other chemicals, paper, dyes, rubber, and numerous other products. Sulphuric acid is especially widely used in the fertilizer, petroleum production, petroleum refining, chemical, explosives, iron and steel, other metallurgical, paint, rayon, textile, and many other industries. The rise in demand for sulphur and sulphuric acid thus reflects the general increase in business activity, as well as the increase in defense production. An additional factor in the demand for sulphur has been the increase in exports, which are now more than double prewar.

Consumption of cotton at United States mills has tended upward since mid-1949, except for some largely seasonal dips, and every month in 1950 saw consumption exceeding that for the corresponding month of a year earlier. Defense requirements and rising civilian demand particularly stimulated the consumption of cotton during the second half of 1950. The total consumption during the August 1949-July 1950 season was 14 percent greater than during the previous season, while consumption during the first 5 months of the 1950-51 season (August-December 1950) ran higher than during the same period of any previous season except 1941-42 and 1942-43.