MONTHLY BUSINESS REVIEW

FEDERAL RESERVE BANK OF DALLAS

Vol. 36, No. 12 DALLAS, TEXAS December 1, 1951

AUSTIN

This is the third of a series of articles on leading cities of the Eleventh Federal Reserve District. Articles on other cities will appear in the **Monthly Business Review** *from time to time. Additional copies of this article may be obtained by addressing a request to:*

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Austin—the center of Texas government and seat of The University of Texas—is located on the Colorado River about midway between the Lower Rio Grande Valley (the southernmost part of Texas) and the Red River Valley at the northern border. Situated at the edge of the hill country, which is noted for its sheep, cattle, and goat production, Austin is at the eastern boundary of the vast ranching area of west and southwest Texas and at the western edge of the rich farming region of the central Blacklands. This growing city of 132,000 people has a relatively mild and pleasant climate, a university atmosphere, and recreational facilities of near-by lakes and hills, all of which make it an attractive place in which to live.

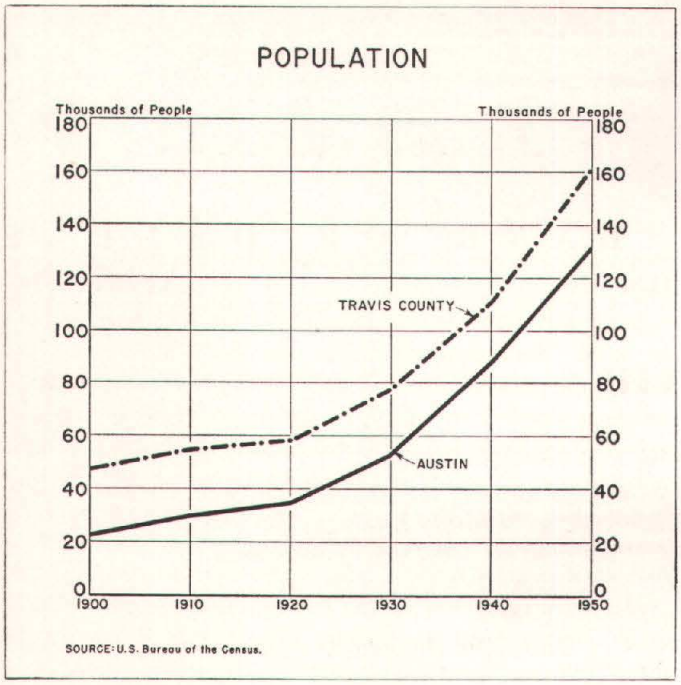
The citizens of Austin include government officials, college professors, businessmen, students, lawyers, doctors, and dentists, with professional and semiprofessional persons more numerous than in most cities of similar size. During 9 months of the year the students attending The University of Texas and other colleges located in the city—in 1950-51 they numbered 17,393—virtually "take over." The population is largely of Anglo-American descent, with a small percentage of Latin Americans and about 12 percent Negroes. Throughout the year, school children and other residents from all parts of the State come to Austin to observe the Legislature in session, to see the stately capitol building (constructed of Texas granite from near-by Granite Mountain in Burnet County), or to visit the historic Governor's Mansion, the Old French Legation, the Old Land Office Building, and other places prominent in Texas history.

The economic life of the city—in addition to activities of the State Government and The University of Texas—includes several regional offices of the Federal Government, many small manufacturing and processing plants, headquarter offices of more than 100 state-wide associations, home offices of several insurance companies, five colleges and universities, and six state eleemosynary institutions. Austin also serves as the primary trade center for about eight surrounding counties with a combined population of more than half a million persons.

Early History

Austin was founded specifically as the capital city of The Republic of Texas, just as the city of Washington was established to be the Nation's capital. During the early days of the Texas Republic, General Sam Houston commissioned a small group of men to find a suitable permanent location for the capital. The commission visited several places and then recommended that the capital be located at that point on the Colorado known as Waterloo, the site of present-day Austin. "The higher elevation and freedom from fevers of the coast country" were listed as reasons for the selection of such a frontier spot.

The government of the Republic was moved to Waterloo in 1839, and the capital was named "Austin" in honor of Stephen F. Austin, early pioneer and "Father of Texas." In 1842, the capital city was threatened by the Mexican Army advancing from San Antonio, and General Houston ordered the government moved to the city of Houston. However, the citizens of Austin feared that General Houston might be partial to a city named in his honor and refused to permit



the archives to be removed. A few shots were fired in the attempt to obtain the records. As a compromise, the government operated from Washington-on-the-Brazos until 1844, when it was returned to Austin under the leadership of President Anson Jones. The following year the Republic was admitted to the United States as the twenty-eighth state in the Union.

In those early days the city was so close to "Indian Country" that construction of the first capitol building was done with an armed guard protecting the workers from Indians. Life in Austin during that period was typical of most frontier towns. Transportation was slow, Indians were a constant threat, and there were no luxuries and few conveniences.

The growth of Austin has been associated closely with the expansion in activities of the State Government and in the enrollment at The University of Texas, which was established in the city in 1883. Manufacturing, mining, trade, and agriculture also have contributed to the economic growth of the city. However, government and education have dominated the economic life of Austin, just as the dome of the capitol and the library tower of the University dominate its sky line. The development of the vast oil and gas industry of the State indirectly has contributed to the growth of Austin, although production in Travis County is negligible, amounting to only 5,400 barrels in 1950.

Cultural Activities

Living in the shadow of The University of Texas, residents of Austin have the opportunity of attending a wide assortment of concerts, plays, sporting events, and other entertainment not usually available to citizens of a city of 132,000. The Austin Symphony Orchestra presents a complete program, extending from October to March; the Cultural Entertainment Committee of the University sponsors several concerts monthly, featuring outstanding, nationally known talent; the Austin Exchange Club, as well as the Austin Civic Theatre, sponsors a number of legitimate plays each year; and other drama, art, and music organizations connected with the University provide a program of entertainment that is outstanding in its diversity and quality. The University also brings to Austin a well-rounded program of sporting events throughout the school year.

More than 10 percent of the city area is devoted to park space. Excluding Lake Austin Metropolitan Park, which covers more than 1,100 acres along Lake Austin on the western outskirts of the city, there are 1,142 acres devoted to parks and playgrounds in Austin. Zilker Park is the largest and most popular. The swimming pool at Barton Springs is fed by natural springs flowing approximately 27,000,000 gallons of water per day. The bathhouse at the pool will accommodate 4,500 swimmers.

Resources of the Austin Area

Minerals

Limestone and granite are found in abundance in the hills northwest of Austin and are quarried commercially for use as building materials. During World War II the deposits of dolomite, a form of limestone, were used for commercial production of magnesium, but it was a very high-cost operation and was discontinued when the urgent demand for magnesium subsided following the end of the war. Graphite, talc, and feldspar are produced by plants near the towns of Burnet and Llano. Although there are not sufficient quantities to warrant commercial development, the "Central Mineral Region," northwest of Austin in Burnet and Llano Counties, contains deposits of fluorspar, iron ore, copper, mica, and vermiculite; small traces of gold and silver; and a wide variety of rare minerals.

Land

The land resources surrounding Austin are capable of producing a large volume of agricultural products, with the hill country well suited for the production of goats, sheep, and cattle; and the Blacklands, for the production of livestock and a wide variety of crops, including cotton, corn, and small grains.

Water

An abundance of water is perhaps Austin's greatest natural resource. The system of lakes and dams on the Colorado River

above the city provides water and electrical energy and forms the basis of a large recreation area.

The Colorado River has not always been an asset to the city, for prior to the 1930's its erratic behavior was a constant threat. At times flash floods would descend from the hill country above Austin, causing thousands of dollars of damage to buildings and industrial sites near the river. Almost as quickly, the river could change to a mere trickle and fail to provide for even the minimum needs of the city.

The Colorado River Improvement Association, formed in 1915 under the leadership of the Austin Chamber of Commerce, brought about the organization of the Lower Colorado River Authority in 1934, and the subsequent building of six dams on the Colorado above Austin virtually eliminated the danger of floods. Moreover, the reservoirs created by the dams assure a regular flow of water in the river, and it is estimated that the daily minimum amount of water now passing Austin in the Colorado River is 646,000,000 gallons—an amount equal to the total average daily consumption of Houston, Dallas, Fort Worth, San Antonio, Austin, El Paso, Waco, and 300 smaller Texas cities. This compares with a minimum daily flow of only 8,300,000 gallons before construction of the dams and reservoirs. The system of dams and power plants constructed in connection with the Lower Colorado River Authority's program has a potential generating capacity of nearly 300,000 kva's — enough to meet the residential demands for power and light in a city of more than a million persons.

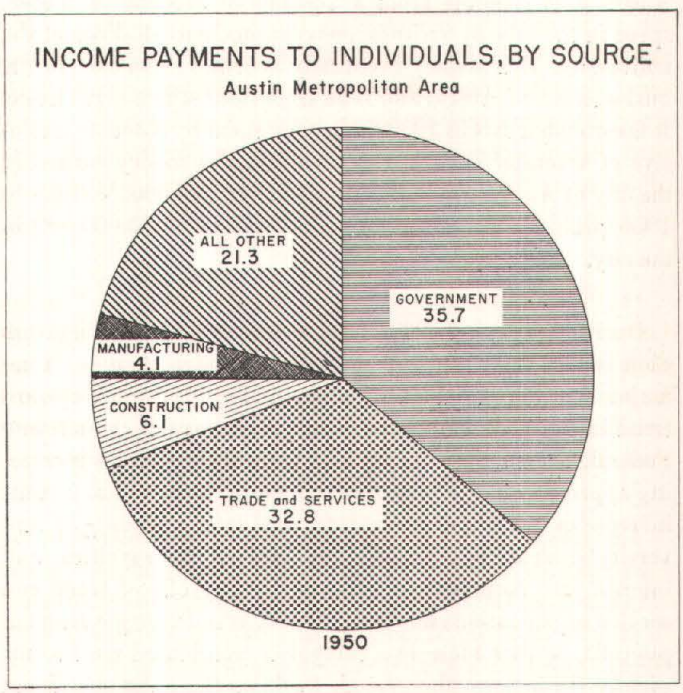
The taming of the Colorado River has stimulated confidence in the development of the area and assures the city of Austin an adequate supply of water for continued growth in size and industrial development. Few cities in the Southwest are so fortunate.

Climate

The climate lacks the dampness of the coastal area and is not subject to most of the severe "northers" experienced in many Texas cities. Despite an occasional 100-degree day, the average daily summer temperature is 83 degrees, with an average daily minimum of 70 degrees and an average maximum of 95 degrees. Winter temperatures seldom reach freezing, and the lowest monthly average is 49.5 degrees in January. Annual precipitation averages 34 inches, most of which occurs from April to November. Prevailing winds are from the south except during December, January, and February, when northerly winds are more frequent. This combination of generally mild temperatures and moderate-to-light rainfall, together with the picturesque, rolling topography of the region, is a major asset to the city. It encourages former university students, military personnel, legislators, and others who spend some time in Austin to make it their permanent residence.

The City's Economic Life

Income to any area is the lifeblood of its economy, and income to the Austin metropolitan area has been relatively high compared with other areas of the State and has not experienced the wide fluctuations that are frequently evident in heavily industrialized cities. Business failures were few during the past two decades, and per capita expenditures for goods at retail stores and for personal and business services exceeded the average for the State and for most cities of comparable size. A visitor to the city is impressed with the fine homes, the generally prosperous business section, and the absence of large slum areas. At the same time, one does not find an industrial section, huge factories, oil fields, or other evidences of sources of income common to many metropolitan areas. Where does this income come from? What are the major sources of income payments to the citizens of Austin?



As shown in the accompanying chart, government payments —totaling $75,466,000 in 1950—account for 35.7 percent of total income payments to the area. This is made up of payrolls of state government departments in Austin, $29,116,000; payrolls of Federal agencies, including military, $10,000,000; payrolls of The University of Texas, $9,000,000; veterans' subsistence allowances, $7,000,000; payrolls of local units of government, including Austin Public Schools, $7,500,000; and other government payments, $12,350,000. Among the items included in this latter figure are: public assistance payments, family allowances and allotment of pay to dependents

of military personnel, old-age and survivors insurance benefits, state unemployment insurance benefits, veterans' pensions and compensations, and national service life insurance special dividends.

Income payments from trade and services, amounting to $69,350,000 in 1950, account for 32.8 percent of total income payments. Construction payrolls and proprietary income from construction activity totaled $13,000,000, or 6.1 percent of the total. Payrolls for manufacturing represent a relatively small part of total income and in 1950 amounted to $8,500,000. All other sources of income represent 21.3 percent of total income payments. In 1950 one of the principal items in this category, property income, was an estimated $23,000,000 and represented a somewhat higher proportion than was true for most other cities or for the State of Texas. Other items in the "all other" category and estimated amounts for 1950 include: payrolls and income of finance, insurance, and real estate establishments, $7,630,000; agriculture, $5,600,000; transportation and utilities, $5,490,000; and mining, $3,335,000.

In addition to these income payments to individuals, the Austin area benefits from a substantial amount of money spent in the city by visitors, conventions, and students at the University. This money eventually becomes "income" to the businessmen of Austin and is an important stimulant to trade. It is estimated that in 1950 the money spent by students, exclusive of veterans' subsistence payments and money earned in the city of Austin, amounted to about $10,000,000. Visitors in 1950 probably spent in the neighborhood of $8,000,000 in the city.

During the period 1939-48 the dollar value of income from each source increased substantially, although there were no major shifts in the income pattern of the city. Some upward trend in the relative importance of government, both State and Federal, is evident, with payrolls from these sources increasing approximately 400 percent, compared with a total income increase of about 250 percent. Income from spending of university students and visitors and from rents, royalties, and interest also increased in importance. Payrolls of trade and service organizations increased almost as much as government payrolls, so that these two categories dominated the income picture throughout the period. Perhaps the most significant change during the period was the ninefold increase in the payrolls of personal and business services.

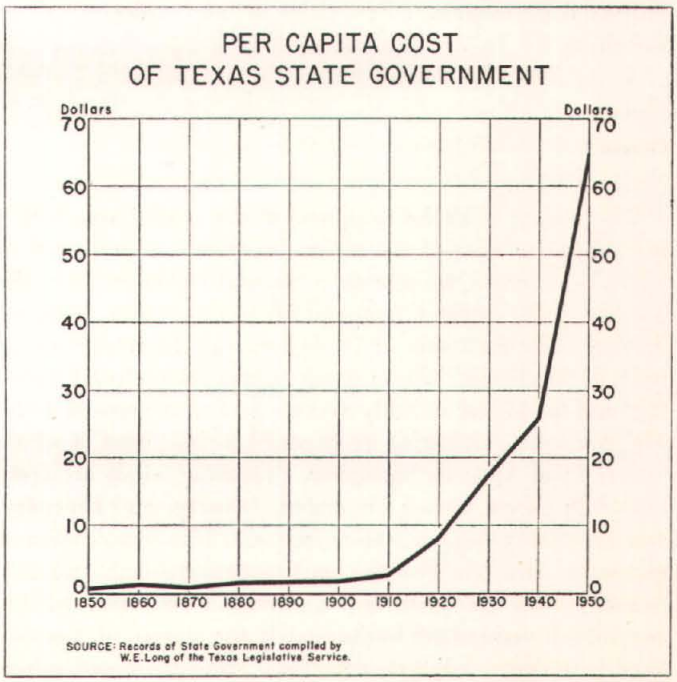
From 1948 to 1950, total income of the Austin metropolitan area increased 22 percent, which compares favorably with increases for other cities in Texas and with an increase of 13 percent for the State. Again, there are no significant changes to be noted in the income pattern during this period except that the upward trend in the relative importance of government payrolls and income from personal and business service establishments, which was noted in the 1939-48 period, appears to have continued, perhaps at a slightly increased rate.

Certain of the income sources discussed above can be considered as "primary" sources of income to the area. They are the fountain of income, upon which the city is dependent for continued growth and prosperity. The most important of these are the payrolls and other payments of the State and Federal governments. These represented nearly 60 percent of all "new" income to the area in 1950. Payrolls and income of manufacturing, mining, and agriculture contributed from 10 to 12 percent of this primary income, with royalties and interest on investments outside of Austin and spending of university students, conventions, and others making up the balance. Within this last category is included the money spent in Austin by state-wide trade associations and lobbying groups.

As this "primary" income is spent at the stores, hotels, filling stations, and other business establishments in the city, it generates what might be called the "secondary" income of the area, which is the payrolls and proprietary income of trade and services, transportation, utilities, finance, and other business services for Austin residents. Thus, the economy literally "feeds upon itself," as the primary income is spent throughout the city and, in turn, becomes the source of income to additional individuals.

Government

About one out of every four workers in Austin is employed by the government—State, Federal, city, or county—and total payrolls of all levels of government (exclusive of The University of Texas) amounted to about $47,116,000 in 1950, or 21 percent of all income payments and 35 percent of all payrolls in the Austin metropolitan area. About one out of five workers is employed directly by one of the many departments of State Government located in Austin. In addition, many citizens are



employed by such organizations as lobbying groups and law firms, whose work is associated with state government activities.

The State Government of Texas, like governments of other states and of the Nation, has not always been the vast network of bureaus, departments, special committees, and commissions that make up its organization today. In the early years, the primary duties of the State Government were to distribute the state-held lands, to collect taxes, and to administer the few laws and regulations that were on the statute books. The state budget in the year 1847 was only $127,677. From this small beginning, the government has grown until it now spends half a billion dollars annually. As the economy of the State has grown in its complexity—shifting from a frontier country, first, to an agricultural economy and during the past three decades to a semi-industrial economy—the demands for services, regulations, and controls of the State Government have increased manifoldly.

In the 1920's the automobile brought a demand for a state system of highways, and the severe depression of the 1930's added to the pressure for state welfare programs, resulting in increases in the number of persons employed by the State Government and in the amount of money needed to operate the business of the State. By 1940, the per capita cost of the State Government had increased to $25.83 for each person living in the State, compared with 70 cents in 1850.

During the 1940's, state aid for schools was placed on a different basis, requiring a larger outlay of money from the state budget. This expenditure, together with mounting demands for further regulatory and supervisory services and additional welfare programs, brought the per capita cost of State Government up to $64.84 in 1950.

As the State Government has grown in its activities, it has brought more and more people to Austin. More than 50 departments of the State Government are located in the capital city, and approximately one-half of all wages and salaries paid out of the state budget goes to residents of the Austin metropolitan area. Additional buildings have been rented for government office space. As the activities of the State Government have reached into the life of virtually every citizen in Texas, more and more people have found it desirable to visit their state capital to learn more about a certain phase of government or to contact their legislators or the administrative officials.

In 1950, there were 1,688 Federal government employees, excluding military personnel, living in Travis County. Among the more important Federal agencies maintaining offices in Austin are the Bureau of Internal Revenue, the Postal Department, the Bureau of Reclamation, and the Bureau of Agricultural Economics. The size of the Federal government payroll in Travis County increased rapidly during the past 20 years. In 1920 there were only four agencies of the Federal Government with offices in Austin. By 1930, the number had increased to 13; by 1940, to 30; and by 1950, to 35. This increase is largely the result of the Federal Government's program of decentralization and establishment of additional branch offices within its several departments. Austin has been selected as the site of many of these branch offices, inasmuch as it frequently is desirable for them to be located in proximity to the state government of the area to be served.

Military activities in the Austin area were of considerable importance during the past decade. In World War II, Camp Swift (28 miles to the east), Bergstrom Air Force Base (southeast of the city), and San Marcos Air Base (30 miles to the south) were sources of considerable income to the Austin area. Bergstrom Air Force Base has remained a permanent installation of the Air Force; and while the size and scope of its activities are not public information, the importance of the base is indicated by the fact that a $6,500,000 housing development is being built near-by and $16,465,000 has been approved recently for expanding facilities at the base. Also, Austin has been selected as the site of one of four national headquarters for the Air Force Reserve. In addition to Bergstrom Air Force Base, Camp Mabry, located in the western outskirts of the city, is a permanent National Guard center. City and county governments also make a substantial contribution to the income of the Austin area, with payrolls in 1950 estimated at about $7,500,000.

The University of Texas

The University of Texas, while technically a part of state government activities, is of such importance to Austin as to warrant separate consideration. The University was established in 1883, and the first year 221 students were enrolled. Growth in enrollment was relatively slow at first, and for many years the University was a minor factor in the economic life of Austin. The campus had been established in what was then the outskirts of the city, and payrolls for the faculty were not particularly significant in the income picture of Austin. By 1900, more than 800 students were enrolled, and for the next 20 years the number of students increased steadily, reaching 4,090 by 1920 and 11,146 by 1940.

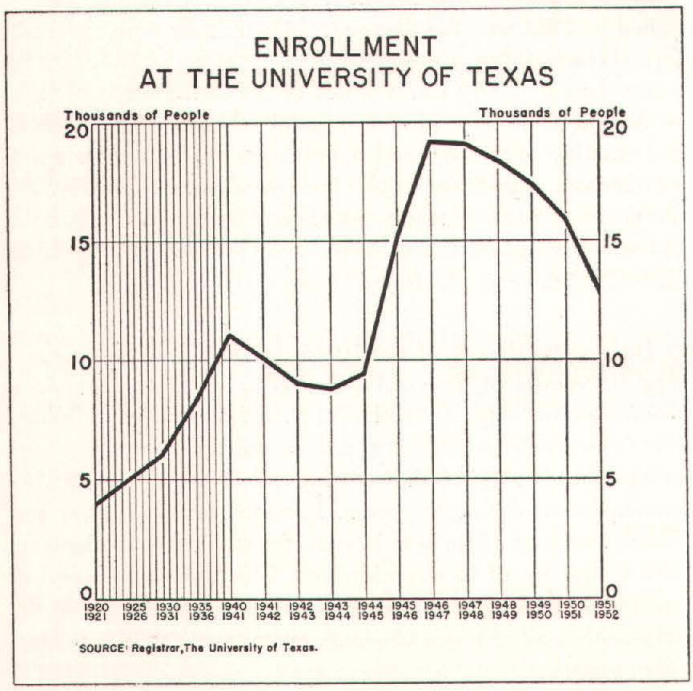
During the decade of the 1930's the building program of The University of Texas also exerted a sustaining influence upon the economy of Austin. At that time several buildings were constructed and several million dollars in building contracts were let. This building program of the University became possible during the period because of the discovery and development of oil on land in west Texas given to the University at the time of its establishment. This income has been of such magnitude as to permit the University to build one of the most outstanding physical plants to be found on any university campus.

Enrollment dropped to a low during World War II of about 8,800 in 1943-44 but, following the end of hostilities, climbed rapidly to a new record of 19,331 in the school year 1946-47. Payrolls at the University jumped from about $4,000,000 in 1943-44 to more than $9,000,000 in 1949-50. Enrollment has dropped from the record reached in 1946-47 but has remained relatively high, with 15,984 registered for the school year 1950-51 and 12,741 for the fall term of 1951-52.

The importance of the University as a source of income to Austin is felt in many ways. The payroll of University employees—in excess of $9,000,000—represents a sizable contribution to the flow of income in the city. In addition, it is estimated that in the school year 1950-51 each student spent in the neighborhood of $1,000 to $1,200, providing additional income to Austin of about $17,000,000 to $18,000,000. In 1951-52, such spending may amount to $14,000,000. Some of this money was earned in Austin by students working all or part of their way through school, but it is estimated that only about one-fourth of the students were engaged in part-time employment, compared with about two-thirds during prewar years.

The University also draws many visitors to Austin throughout the year. Relatives and friends of students visit for week ends and, while there, spend money in Austin. A football game may attract from 15,000 to 40,000 visitors to the city. In recent years the University has also included in its program studies of business conditions throughout the State and special research projects pertaining to relatively small areas or to specific industries in the State. Such projects bring additional visitors to Austin.

The University attracts people to Austin in still another way, which may be highly significant although it eludes measurement. Many families move to Austin when the oldest child becomes of college age in order that they may be near the University. Frequently, these families continue to live in the city even after all the children have graduated. It is quite possible that more families would follow such a procedure if the opportunities for employment were greater in Austin.



Agriculture

Agricultural income from the farm and ranch lands surrounding Austin represents a significant contribution to the income stream. The farm lands to the east and south of the city are unusually fertile, producing cotton, corn, and small grains. In recent years, livestock have become increasingly important to that section and, of course, always have been the major agricultural product in the hill country to the west. Gross agricultural income in Travis County in 1950 was estimated at approximately $10,000,000, most of which was spent in Austin. An additional $35,000,000 to $40,000,000 of agricultural income was received by adjoining counties, a portion of which was also spent in Austin.

Manufacturing

The number of manufacturing firms in the Austin area has increased rather steadily during the past two decades and particularly since 1945. Nearly 250 such establishments are listed in the *Directory of Texas Manufacturers* for 1950, published by the Bureau of Business Research of The University of Texas. On the other hand, largely as a result of differences in definition, a Department of Commerce *Census of Manufacturers*' figure for 1950 would be about 125—12 more than were reported in the 1947 census.

Manufacturing and processing firms in the Austin area are engaged principally in the processing of food and kindred products, in printing and publishing, and in the manufacture of stone, clay, and glass products. There is also a small amount of furniture manufacturing, milling of wood products, building of machinery, and fabrication of metal products. Two plants, The Calcasieu Lumber Company and The Steck Company (printers and publishers), employ more than 250 persons each; seven others employ more than 100; 17, more than 50 persons; and the remaining firms, less than 50, with many employing fewer than 8. Total payrolls of all manufacturing firms in 1950 are estimated at $8,500,000.

The manufacturing industry in the Austin area is based largely upon processing of food products produced in the area, the utilization of aggregates (limestone and related materials) as building materials, and the printing and publishing business, which was first established in the city in 1875.

Products from the manufacturing plants in the Austin area are shipped mostly to southwestern markets, but in the case

of certain food products and printed material, distribution extends beyond the limits of this region.

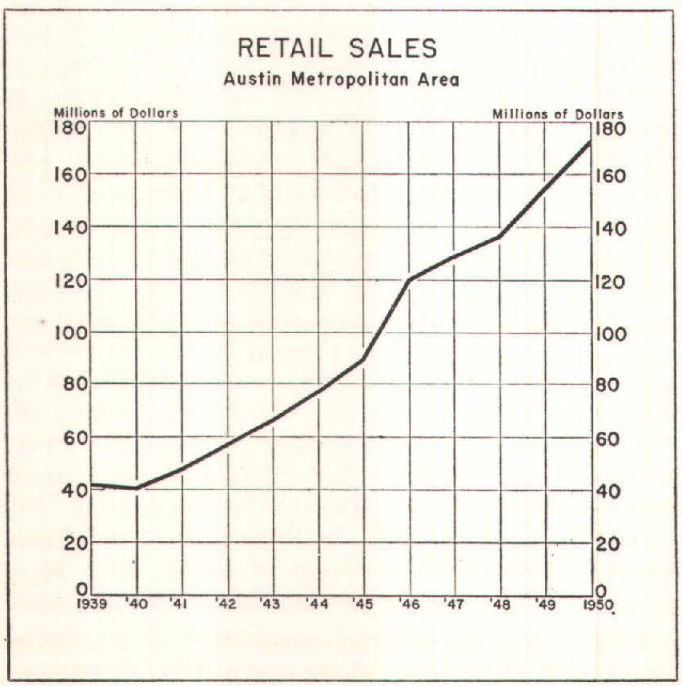
Visitors

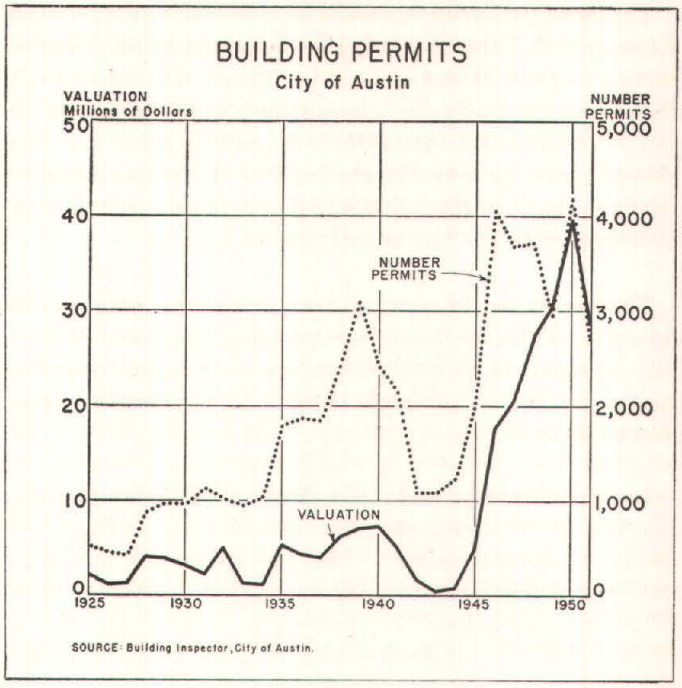
It is estimated that in 1950, people coming to Austin—most of them to visit the University or to do business with the State Government—spent approximately $8,000,000 in the city. This figure is more than double the amount estimated to have been spent in 1948 and results partly from the fact that prices have increased but mostly because several important state-wide trade associations have established their headquarters in the city.

Austin is not a tourist center, but the six lakes of the Lower Colorado River Authority extending up the river from Austin attract many visitors. A few cabins and camp sites have been developed along the lakes, and residents from as far away as Houston have built week-end cabins or homes in the region. Fishing, boating, camping, and hunting are available within an hour's drive from Austin, and people visiting the area for these purposes bring additional income to the city.

Trade

Retail sales in the Austin metropolitan area are estimated at about $173,000,000 for 1950, an increase of 26 percent over 1948 and 330 percent over 1939, which compares with increases for the State of Texas of 5 percent and 281 percent, respectively. The estimated per capita retail sales for the city in 1950 are $1,080, compared with $890 for the state average. In 1948, expenditures for personal and business services were





$58 per person, compared with a state average of $51. Comparable data are not available for 1950. The large number of students in the city and the relatively stable income of most of its citizens are undoubtedly contributing factors to this favorable level of retail sales and service expenditures.

Construction

Employment in the construction industry of the Austin area has remained at a high level for the past 20 years. Building permits dropped only slightly during the depression years of the mid-1930's and were relatively high throughout World War II, except during 1943 and 1944. Since the end of World War II, they have increased rapidly and in 1950 were 440 percent higher than in 1940 and 45 percent higher than in 1948. Payrolls and proprietary income from the construction industry have had a sustaining influence on the income of the city and have provided employment for about one-seventh of the entire labor force of the community. Construction activity is normally high during a period of growth such as Austin has experienced during the past 20 years; however, the volume of building permits in Austin and their freedom from violent fluctuations have not been characteristic of many other areas. Moreover, the increase in construction in Austin from 1948 to 1950 is substantially greater than that which occurred in most cities of comparable size.

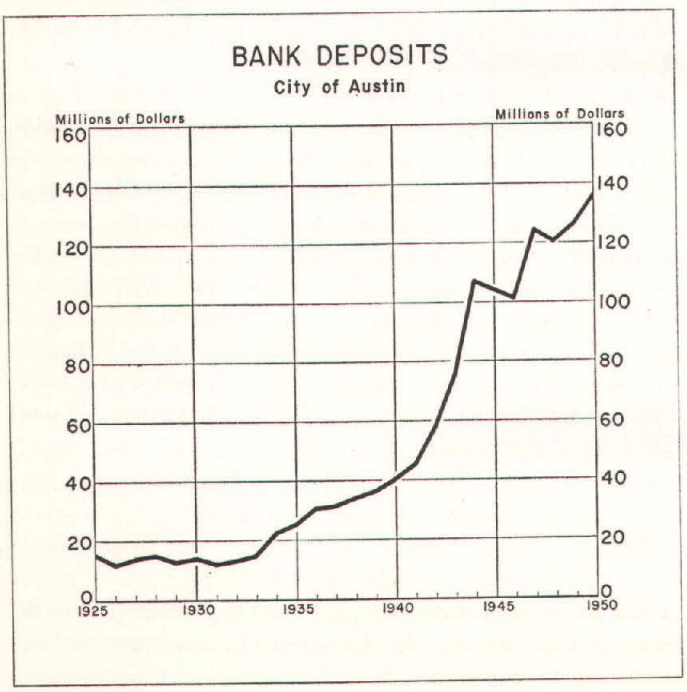
Banking

The banks of Austin have played an important part in the city's development by providing financial assistance to business, industry, and agriculture. At the present time, there are

five commercial banks operating in Austin: Austin National Bank, The American National Bank, The Capital National Bank in Austin, The Fidelity State Bank, and Texas State Bank. As of June 30, 1951, total deposits of these banks exceeded $123,000,000, and total assets were more than $130,000,000—increases of 360 percent and 350 percent, respectively, since 1939. Bank deposits for the years 1925 to 1950 are shown in the accompanying chart.

Banking in Austin generally has reflected the steady but persistent growth of income and economic activity of the city. The relatively stable level of business during the depression years of the 1930's is reflected in the stability of bank deposits during that period.

In certain aspects, banking in Austin differs from banking in other major cities of the State. For example, on December 31, 1950, deposits of the United States Government and of state and political subdivisions made up 24 percent of total deposits, compared with 7½ percent for other major cities in the Eleventh Federal Reserve District. This relationship has persisted for more than a decade. Also, Austin banks usually carry a larger proportion of their total assets in "cash and balances with other banks" than is true in most other Texas cities. For example, on December 31, 1950, about 36 percent of the total assets of Austin's banks was represented by cash and balances with other banks, while this item represented only 30 percent for banks in other major cities. Both of these peculiarities of Austin banking can be traced almost directly to the fact that the State Government is located there and that the Collector of Internal Revenue has a large office in the city. Financial transactions of both of these agencies involve substantial sums of money and at times create unusual problems for Austin bankers.



What Lies Ahead

The economic history and the income pattern of today present strong evidence that the future of Austin will be dominated by activities of the State and Federal governments and The University of Texas. Some increase in the number of manufacturing and processing plants is probable. Additional trade and service businesses also will be established in the city to service the growing population. The recent trend toward the establishment of home offices of insurance companies and of state headquarters for trade and lobby organizations probably will continue, although perhaps not as rapidly as during the past 5 years. The agriculture of the Austin area is fairly stable and not likely to change materially except in keeping with state and national trends toward greater mechanization and more diversification in the Blackland section.

There is always the possibility that the diversified mineral deposits near the city some day will form the basis of a new and expanding industry. Such a development is not yet evident. However, the recreational possibilities of the hill country lying above Austin appear to present the greatest single undeveloped resource of the area. In this field of economic activity, considerable progress may be made during the next decade.

Another area of potential development is in the attraction of additional commercial research laboratories to the city. The Jefferson Chemical Company, a research organization of The Texas Company and the American Cyanamid Corporation, recently selected Austin as the site of its new laboratories. Other firms may find it advantageous to locate their basic experimental laboratories in Austin, where they can take full advantage of The University of Texas' fine library and consultation with the University's highly trained technical staff.

What is the likelihood of continued growth in the activities of State Government? As mentioned earlier, governments—Federal, State, and local—constantly are being requested to perform additional services. This pressure has been responsible largely for the greatly increased budgets and activities of the state departments in Austin. The rapid upward trend of the State's budget evident during the past 5 years cannot continue in the future, for it would place an unbearable burden upon the citizens of the State. In fact, a levelling off already is evident, and the establishment of three organizations designed specifically to develop economy in State Government is evidence that the citizens of Texas are determined to halt the upward cost of government. Two of these organizations, the Texas Legislative Council—a fact-finding agency for the Legislature—and the Legislative Budget Board, which is charged with the responsibility of writing the appropriation bill, were created by legislative action in 1949; and one, the Texas Economy Commission—composed of citizens from every county—was organized at the invitation of Governor Allan Shivers. The Texas Economy Commission—a nonpolitical organization—is charged with the responsibility of making a

study of the Executive Branch of the Texas State Government, in order that more efficiency and economy may be obtained.

While these groups may not fulfill their purposes 100 percent, the fact that they have been brought into existence suggests that certain checks will be placed on the growth of State Government and, in so far as they are effective, will tend to retard the upward trend of government payrolls in Austin.

Expansion in Federal government activities in the Austin area is much more likely, in view of the trend toward decentralization of Federal government offices and the increased military activity in the vicinity of Austin. Federal government payrolls and other income from Federal payments, such as allowances to military personnel, are likely to increase in the area during the next decade.

What is the outlook for enrollment at The University of Texas during the next 20 years? It will be influenced by many factors that elude accurate appraisal, such as the requirements of the military services and the general economic situation. But some facts can be stated with a degree of certainty. First, the Texas population of children between the ages of 6 to 11 (born during the war years) virtually assures that the number of boys and girls of college age living in the State of Texas will be substantially higher during the period 1956-62 than it is today. Moreover, the birth rate has not declined since the end of World War II, as had been anticipated by population experts. Thus, it is entirely possible that the potential number of college students (children born during the years 1946-53) may be even greater during the period 1962-70.

There is every reason to believe that The University of Texas will share in this larger potential enrollment. The physical plant of the University appears generally adequate to handle a larger enrollment, and its scholastic standing in the South will continue to attract a large number of students. A trend toward a larger number of junior, senior, and graduate students relative to the lower classes is already evident and probably will continue as more and more college students take 2 years' training at their local or near-by junior colleges, transferring to the University for their junior and senior years. Also, enrollment in the Graduate School has increased as more and more students find it desirable to take college work above the bachelor degree level. It appears likely that enrollment at the University will continue at about present levels for the next 3 to 5 years, then gradually will increase, reaching a peak perhaps as high as 25,000 by 1965 or 1970.

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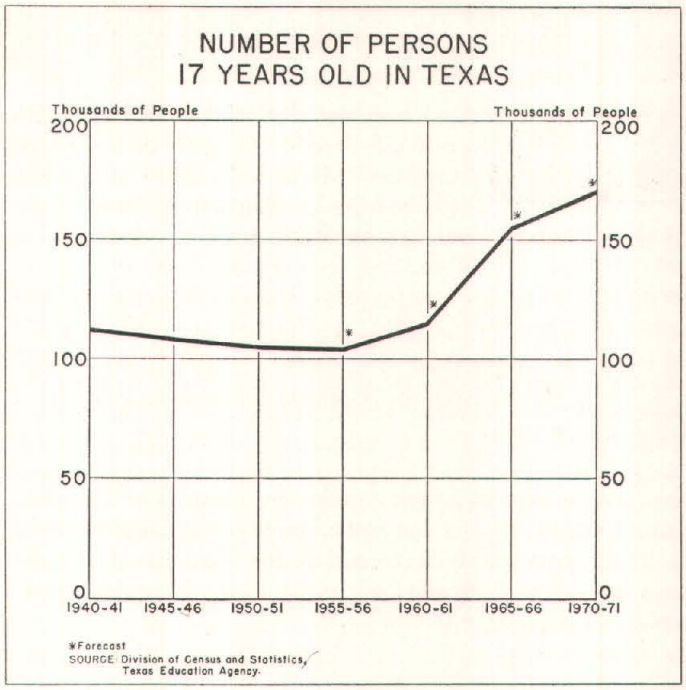
In summary, the outlook for Austin is favorable for continued growth in response to a gradual increase in the activities of the State and Federal governments in the Austin area, an expansion in the enrollment of The University of Texas

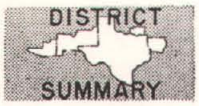


(expected to begin about 1958), and an increase in the number of personal and business service organizations. Other areas of potential expansion in Austin's economy include further development of recreational facilities in the lake area and the establishment of additional manufacturing and processing plants. Build-up of the lake area will be dependent upon a thorough but sound promotional campaign, preceded by the investment of some risk capital in camps, lodges, roads, and other facilities.

Manufacturing and processing plants best suited to the Austin area are those which handle a high value product or which can capitalize on the abundant water supply or mineral deposits of the area.

As Austin grows, its citizens face certain problems that should be dealt with immediately and honestly. Further growth calls for zoning of new areas and expansion of the city's planning program. It also means more houses, streets, traffic, utilities, police and fire protection, and schools. Additional bonds for increasing the number of schools already have been voted, and construction of new buildings will meet current needs but may not prove adequate for the next decade. Spending for municipal improvements has not kept pace with needs, as shortages of materials during World War II delayed construction and maintenance of streets and utilities. Also, during the decade of the 1930's, Federal funds under various public works programs relieved the citizens of the cost of needed civic improvements. This situation has existed to a greater or lesser extent in other cities, but the problem is more difficult in Austin because of the large proportion (25 to 30 percent) of the city area that is tax-exempt, being occupied by government agencies.

REVIEW OF BUSINESS, INDUSTRIAL, AGRICULTURAL, AND FINANCIAL CONDITIONS



Economic activity in the Eleventh Federal Reserve District this fall has continued at a high level, under the strengthening influence of the defense program. Some upturn in consumer buying has occurred, but merchants are continuing their attempts to reduce inventories and are ordering conservatively. The fall increase in bank loans has been substantially smaller than in other postwar years, due, in part, to smaller demands of trade for carrying inventories and to bankers' efforts to hold down unnecessary loans under the Voluntary Credit Restraint Program. Seasonal gains have occurred in nonagricultural employment, although the increases have been tempered by declines in employment in construction and in some nondefense manufacturing industries. Ample to excessive stocks of crude petroleum and refined products, particularly in the mid-continent area, have resulted in a cutback in November oil production, with a further decrease anticipated in December.

Somewhat heavier consumer buying during October and November has encouraged merchants, who are now anticipating that their Christmas sales will be as large as, or moderately larger than, last year's record volume. Department store sales in this District during the first half of November were noticeably higher than in the same period of 1950, and October sales rose 5 percent from September and 13 percent from a year earlier. October furniture store sales showed a marked increase to reach the highest level for any month this year, and total new car registrations of the Dallas, Houston, and San Antonio metropolitan areas were up 12 percent from September to October, although falling 8 percent behind the October 1950 volume.

Nonfarm employment in Texas showed a somewhat slower rate of increase during the fall months than during the summer, but the November level of employment was 5 percent higher than a year earlier, and manufacturing employment, approximately 10 percent higher. Crude oil production in the District, after reaching a new peak in October of 3,168,000 barrels per day or 305,000 barrels daily above October a year ago, declined in November as Texas and Louisiana allowables were reduced 128,000 barrels daily. Texas allowables were reduced further—by 80,000 barrels daily—for December. The construction industry is feeling increasingly the effects of material controls, with October construction contract awards in the District one-third less than in September this year or October last year.

Most district crops this year, with the exception of cotton and rice, are expected to fall substantially below the 1950 harvest, due to lower per acre yields and smaller harvested acreage. The latest estimate of the cotton crop was reduced sharply, although the crop still may exceed by almost 50 percent last year's small production. The reduced cotton crop forecast resulted in an appreciable rise in prices. Prices of most other crops also rose during November, but livestock prices declined as marketings continued at a rather high level.

Merchants in the Eleventh Federal Reserve District are anticipating that their Christmas sales will be at least as large as, if not moderately larger than, the record volume of last year. This opinion stems partly from the somewhat heavier consumer buying which developed during October and November, when gains were noted in most lines. Moreover, the higher levels of employment and income and the improved financial position of many consumers, arising from a reduction in indebtedness and an increase in savings this year, are factors expected to promote Christmas buying. At the same time, it should be pointed out that these favorable factors failed to produce any noticeable stimulus to trade during the summer months.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES Oct. 1951 from Oct. 1950	NET SALES Oct. 1951 from Sept. 1951	NET SALES 10 mo. 1951 comp. with 10 mo. 1950	STOCKS[1] Oct. 1951 from Oct. 1950	STOCKS[1] Oct. 1951 from Sept. 1951
DEPARTMENT STORES					
Total Eleventh District	13	5	3	—3	1
Corpus Christi	14	33	#	—9	—1
Dallas	9	6	—#	—3	1
El Paso	9	2	1	—	—
Fort Worth	13	10	1	—7	#
Houston	17	—8	13	3	4
San Antonio	18	17	—#	—8	—#
Shreveport, La.	19	—#	4	—	—
Other cities	11	4	—2	—6	#
FURNITURE STORES					
Total Eleventh District	27	16	—	2	—2
Austin	20	11	—	—8	—#
Dallas	80	4	—	—5	—6
Houston	21	10	—	—	—
Port Arthur	8	—2	—	—	—
San Antonio	36	43	—	—	—
Shreveport, La.	20	14	—	1	—#
Wichita Falls	40	22	—	7	—5
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District	—23	—4	—	—	—
Dallas	—29	—5	—	—	—

[1] Stocks at end of month.

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1935-39 = 100)

Area	UNADJUSTED Oct. 1951	UNADJUSTED Sept. 1951	UNADJUSTED Aug. 1951	UNADJUSTED Oct. 1950	ADJUSTED[1] Oct. 1951	ADJUSTED[1] Sept. 1951	ADJUSTED[1] Aug. 1951	ADJUSTED[1] Oct. 1950
SALES—Daily average								
Eleventh District	437	441	366	405	405	409	411	375
Dallas	408	401	317	390	371	361	373	355
Houston	468	529	420	419	426	494	477	381
STOCKS—End of month								
Eleventh District	474p	488r	481	479	452p	474r	486	456

[1] Adjusted for seasonal variation.

p Preliminary.

r Revised.

District department store sales during the first part of November were up noticeably from the level of the preceding month and averaged 13 percent higher than in the same period last year. This better showing followed a moderate rise in October, when sales registered a 5-percent increase over September and a 13-percent increase over a year earlier to mark the first year-to-year gain since June. The higher volume

of sales in October was partially accounted for by two more trading days than in September and one more trading day than in October a year ago. Moreover, sales in October last year reflected a temporary lull in retail trade, following the heavy war-scare buying of the summer and early fall of 1950. Sales in this District during the past several weeks have risen more noticeably than in most other sections of the country, but cumulative sales for the first 10 months of this year are up only 3 percent over the same period last year, or about the same as in the Nation.

Stocks at district department stores rose less than seasonally during October and at the end of the month were 3 percent below the year-earlier level, the first year-to-year decline since February 1950. Of course, stocks a year ago were at a very high level and present stocks are still relatively heavy—probably heavier than most merchants desire. Nevertheless, most stores have succeeded in achieving a better position on stocks in relation to sales than at any other time since the early weeks of this year. Widespread clearance sales and special promotions have helped reduce inventories. Moreover, a conservative ordering policy has been a factor in the downward adjustment of inventories.

WHOLESALE TRADE STATISTICS

Eleventh Federal Reserve District

(Percentage change)

Line of trade	NET SALES p			STOCKS[1]p	
	October 1951 from		10 mo. 1951 comp. with 10 mo. 1950	October 1951 from	
	October 1950	Sept. 1951		October 1950	Sept. 1951
Automotive supplies	—8	12	—	50	28
Drugs and sundries	3	9	10	19	4
Dry goods	0	—7	—2	—35	—10
Grocery (full-line wholesalers not sponsoring groups)	23	8	—	3	6
Hardware	7	8	7	23	—4
Industrial supplies	—21	—29	25	30	4
Machinery equipment and supplies except electrical	—32	—29	—	26	15
Metals	15	55	—	37	—3
Tobacco products	1	7	#	5	10
Wines and liquors	31	32	—10	—	—
Wiring supplies, construction materials distributors	41	—28	—	160	81

[1] Stocks at end of month.

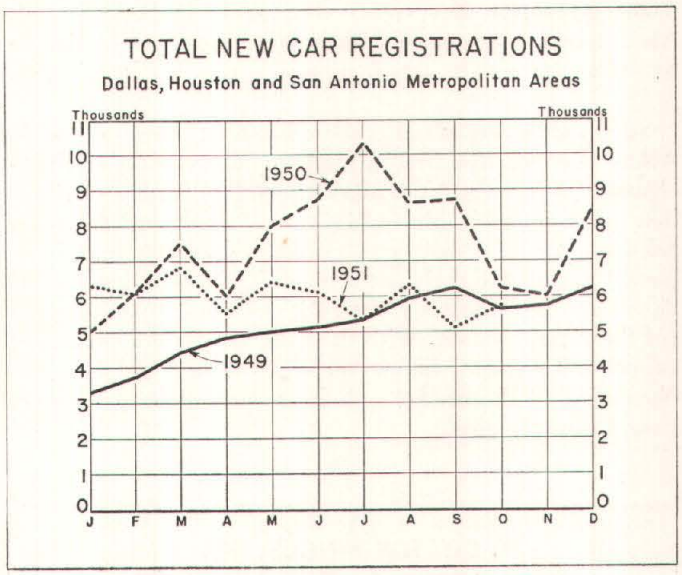
p Preliminary.

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

SOURCE: United States Bureau of Census.

It appears that some merchants reduced their inventory buying too sharply and have been forced to re-enter the market. At least, orders outstanding at district department stores rose 8 percent during October, a month in which a decline usually occurs. Orders outstanding at the end of the month were 25 percent below a year earlier, as compared with a 38-percent year-to-year decrease at the end of the preceding month.

New car registrations in the three larger metropolitan areas of the District rose noticeably during October, following a marked decline in the preceding month. Buying in anticipation of the higher excise taxes which became effective November 1 may have bolstered new car sales. The October registrations were down 8 percent from a year earlier. While new car registrations in every month this year except January have fallen below the corresponding months of 1950, they have been higher in every month except September than in the corresponding months of 1949.



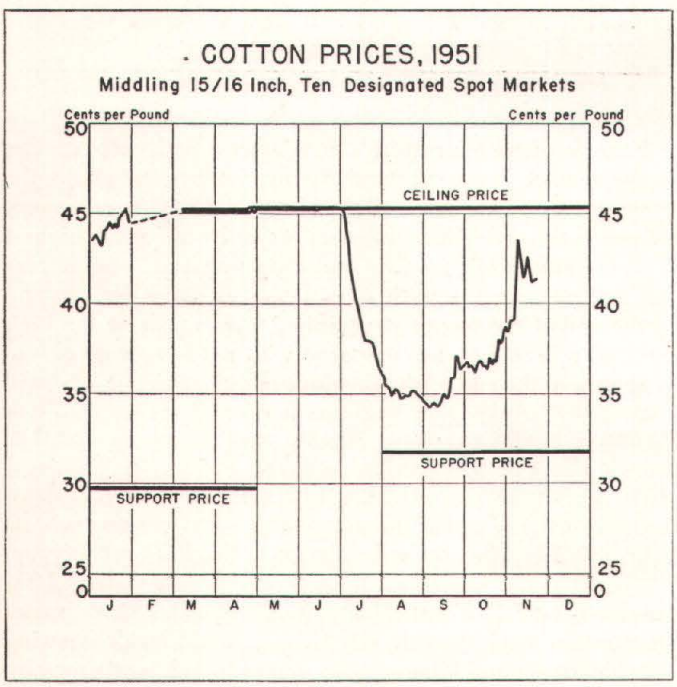
Sales at district furniture stores, after a noticeable decline in September, rose substantially in October, to attain the highest volume for any month this year. October sales were 27 percent higher than a year earlier and were at the highest level for any October on record. Furniture store stocks were down 2 percent, the sixth consecutive monthly decline, and at the end of the month were only 2 percent above the high level of a year ago, as compared with a 16-percent year-to-year gain at the end of the previous month.

The United States Department of Agriculture announced on November 8 its revised estimate of the 1951 cotton crop, reducing the October estimate by 1,160,000 bales, or to 15,771,000 bales. Reductions in state estimates were rather general, with only Georgia and Florida showing small increases and Missouri, Arizona, and California remaining unchanged. The estimate of the Texas crop was lowered half a million bales, or to 4,300,000; the Oklahoma estimate, at 500,000 bales, is down 80,000; while Louisiana and New Mexico reported reductions of 30,000 and 10,000 bales, respectively.

The announcement of a sharp reduction in the November cotton crop estimate attracted immediate attention throughout the cotton trade, both at home and abroad. Many people had expressed the opinion that unfavorable weather during August and September had had such a serious effect upon the cotton crop that final ginnings probably would fall short of the October estimate. However, the reduction of some 7 percent in the estimate was greater than the trade expected, and the cotton market rose virtually the limit of 2 cents per pound on the day of the announcement and the following day, with

Middling 15/16-inch cotton in the 10 spot markets closing on November 9 at 43.43 cents per pound, or about 4½ cents per pound above a week earlier. The market strength was induced, in part, by earlier forecasts of the United States Department of Agriculture that domestic consumption would total between 10,000,000 and 10,500,000 bales and that exports would reach 6,000,000 bales in the current cotton year ending next July 31. Also, there has been an effective holding movement carried on by cotton farmers in anticipation of a rise in cotton prices.

Since the market advance, there has been some increase in selling of cotton by farmers, but many cotton mills and merchants withdrew from the market, pending further clarification of the situation. Meanwhile, some foreign countries canceled contracts for delivery of United States cotton. It is reported also that the Department of Agriculture has revised downward the estimates of domestic consumption and exports for the current season. With these changes in the balance of supply and demand, the market began to sag, and as late as November 19 the market was down more than 2 cents per pound from the peak.



The trend in cotton prices thus far this year is shown in an accompanying chart. After the market reopened in March, following the establishment of price ceilings, prices held at ceiling levels until the first of July. Announcements of large acreage increases this year and subsequent estimates of large production forced cotton prices down more than 11 cents per pound, reaching a low point on September 5. Prices then began an irregular climb and have regained much of the previous loss, although prices are well below OPS ceilings.

Production estimates for other important field crops are shown in an accompanying table. As compared with 1950, it is expected that farmers in the five states of the District this year will harvest more rice but smaller crops of corn, sorghum grain, peanuts, and potatoes. Yields of virtually all important crops were below those of a year ago; in some cases the declines were substantial. Smaller acreages of many crops also were a factor in the reduced volume of production.

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	Texas			Five southwestern states[1]		
	Average 1940-49	1950	Estimated Nov. 1, 1951	Average 1940-49	1950	Estimated Nov. 1, 1951
Cotton[2]	3,049	2,946	4,300	4,460	4,275	6,680
Corn	62,517	65,730	45,786	112,462	119,183	90,553
Sorghum grain	69,694	148,818	89,794	84,067	180,886	109,350
Rice[3]	8,264	11,544	12,397	18,264	22,035	23,947
Peanuts[4]	303,934	323,400	139,800	413,641	456,245	253,260
Irish potatoes	4,648	2,752	2,328	9,996	6,952	5,833
Sweet potatoes	5,378	5,130	1,755	14,730	15,870	7,945

[1] Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
[2] In thousands of bales.
[3] In thousands of bags, 100 pounds each.
[4] In thousands of pounds.
SOURCE: United States Department of Agriculture.

The commercial vegetable areas of south Texas suffered substantial crop losses as a result of the freezing temperatures of November 3. The snap bean crop was lowered about 60 percent from production indicated a month earlier, while the eggplant and pepper crops are down 40 percent and 53 percent, respectively. The acreage of tomatoes expected to furnish production is estimated by the United States Department of Agriculture at 4,800 acres, compared with 9,000 prior to the cold spell. Hardy-type vegetables in Texas were affected to some extent in all sections, although losses will be minor. Revised estimates of truck crop production are shown in an accompanying table.

PRODUCTION OF SELECTED TRUCK CROPS, BY SEASONS

(In thousands of bushels)

	1951	1950
ARIZONA		
Cauliflower, winter[1]	270	375
LOUISIANA		
Snap beans, early fall	150	168
Spinach, winter	21	18
NEW MEXICO		
Carrots, fall	912	943
OKLAHOMA		
Spinach, late fall	288	112
TEXAS		
Snap beans, late fall	40	112
Beets, winter	435	420
Cauliflower, winter[1]	216	187
Spinach, winter	3,125	2,070
Tomatoes, fall	264	500
Green peppers, fall	192	496
Eggplant, fall	40	94

[1] In thousands of crates.
SOURCE: United States Department of Agriculture.

Ranges and pastures in most of the District, with the principal exception of the Edwards Plateau and the Trans-Pecos areas, have shown improvement in the past 2 months, although the freezing temperatures of early November killed summer grasses. Rains are still needed over wide areas to stimulate further growth of small grains, winter grasses, and clovers. Supplemental feeding of livestock is continuing on a large scale in many areas, particularly in the dry western sections.

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	October 1951	October 1950	September 1951	October 1951	October 1950	September 1951
Cattle	87,890	61,676	71,022	33,514	34,118	28,625
Calves	57,036	44,342	56,158	38,231	36,059	40,328
Hogs	57,799	61,387	52,855	8,755	7,587	7,113
Sheep	128,253	31,385	85,760	[1]49,963	[1]18,632	[1]40,652

[1] Includes goats.

Weekly marketings of cattle and sheep in major southwest markets since the first of August have been above comparable weeks of 1950, partly because of the lack of range and pasture feed and the high costs of purchased feeds. Marketings from the drought-stricken Edwards Plateau and Trans-Pecos areas have been particularly heavy as ranchers culled herds closely. The heavier marketing of livestock in the District in October, as compared with a year earlier, is shown in the accompanying table. However, this high rate of marketing continued into November. During the 4 weeks ended November 10, salable receipts of cattle at the Fort Worth market totaled 57,400 head, compared with 40,000 in the same weeks of 1950. Marketings of calves totaled 36,200 head as against 32,000 a year ago. Receipts of sheep and lambs reached 57,600 head, versus 16,200 in the same weeks of last year. Hog marketings, totaling 18,600 head, were up almost 6,000 head as compared with a year earlier. Commercial meat production in Texas this year will about equal that of 1950. Milk production is down 3 percent.

Marketing of broilers is now declining seasonally, while marketing of turkeys is at a high level. Production of poultry in the District in 1951 will exceed greatly that of 1950, with both chickens and turkeys showing increases. Placement of broiler chicks on Texas farms for the year through mid-November totaled about 46,000,000, or double those to the same date in 1950. January-October egg production in Texas was 6 percent less than in the same period last year, while production in the five states of the District, combined, is off 5 percent.

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Nov. 23	Comparable week last month	Comparable week last year
COTTON, Middling 15/16-inch, Dallas	lb.	$ .4220	$ .3670	$ .4370
WHEAT, No. 1 hard, Fort Worth	bu.	2.80¾	2.72	2.48½
OATS, No. 2 white, Fort Worth	bu.	1.29¼	1.17	1.14
CORN, No. 2 yellow, Fort Worth	bu.	2.22¼	2.04¾	1.76¾
SORGHUMS, No. 2 yellow milo, Fort Worth	cwt.	3.06	2.82	2.31
RICE, No. 2 Patna, Houston	cwt.	[1]5.41	5.80	—
HOGS, Good & Choice, Fort Worth	cwt.	19.00	20.75	19.00
SLAUGHTER STEERS, Choice, Fort Worth	cwt.	34.50	35.00	31.00
SLAUGHTER CALVES, Choice, Fort Worth	cwt.	33.50	33.50	30.00
STOCKER STEERS, Choice, Fort Worth	cwt.	33.00	34.00	31.00
SLAUGHTER LAMBS, Good & Choice, Ft. Worth	cwt.	30.00	30.00	29.00
HENS, Fort Worth	lb.	.27	.28	—
FRYERS, Fort Worth	lb.	.27	.28	—
TURKEYS, hens, Fort Worth	lb.	.40	.39	—
MOHAIR, adult, west Texas	lb.	[2]1.10	—	—
MOHAIR, kid, west Texas	lb.	[2]1.35	—	—

[1] Week ended November 19.
[2] Week ended November 9.

After declining for about four consecutive months, farm commodity prices in the District strengthened during October and November, although they still average substantially below the record high of last April. Price advances of the past month have been confined very largely to crops, as livestock generally have experienced price declines. In addition to the rise in the cotton market, as described previously, grain prices on the Fort Worth market on November 19 were up sharply, as compared with the same date in October: wheat, 9 cents; barley, 13 cents; oats, 12 cents; and corn, 17 cents per bushel; sorghum grain was up 24 cents per hundredweight. Other commodities showing gains during this period include wool, cottonseed, flaxseed, sweet potatoes, peanuts, and turkeys. On the other hand, hog prices were down about $2.00 per hundredweight during the month ended November 19, while cattle and lambs were off from $1.00 to $2.00 or more. Broiler prices in south Texas declined about 2 cents per pound.

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	June		July	
	1951	1950	1951	1950
Arizona	$ 19,240	$ 22,124	$ 16,055	$ 15,977
Louisiana	13,641	10,920	11,769	9,997
New Mexico	12,564	10,777	8,739	6,568
Oklahoma	61,137	54,806	57,893	57,107
Texas	107,846	105,484	148,995	144,176
Total	$214,428	$204,111	$243,451	$233,825

State	August		Cumulative receipts January—August	
	1951	1950	1951	1950
Arizona	$ 8,118	$ 6,858	$ 157,313	$ 124,841
Louisiana	33,870	24,338	149,568	117,968
New Mexico	8,452	5,875	93,596	76,754
Oklahoma	55,964	49,066	337,916	330,531
Texas	204,359	210,761	1,070,935	1,123,279
Total	$310,763	$296,898	$1,809,328	$1,773,373

SOURCE: United States Department of Agriculture.

It now appears that farm income in the District in 1951 will exceed that of 1950 by perhaps 5 percent, as increases in Arizona, Louisiana, New Mexico, and Oklahoma will be largely offset by a reduction in Texas. Production prospects early in the year indicated that cash receipts from farm marketings this year might show a gain of perhaps 15 to 20 percent; however, drought over wide areas—principally in Texas—caused sharp reductions in crop yields and, therefore, in income from crops. Information presently available indicates that income from crops in the five states, combined, this year may be down 20 percent or more, while income from livestock and livestock products may be up some 15 to 20 percent.

Reports from over the District indicate a continued, strong demand for loans. This strong demand stems from three major factors: the seasonal demand for credit associated with the harvesting and movement of crops, the seasonal upswing in business activity during the fall months, and the credit requirements growing out of the expansion of defense and defense-related production in the Southwest.

The increase in loans at all member banks in the District between the call dates of June 30 and October 10 was mark-

edly less, however, than the unusually large expansion during the comparable period of last year and was well below that of other postwar years. During this period member bank loans rose $27,703,000 to a record total of $2,447,940,000, with country banks accounting for 85 percent of the increase. The unusually moderate expansion in loans at banks in the larger cities reflects principally decreases in most categories of commercial and industrial loans, which nearly offset the marked seasonal increase in loans to commodity dealers. Excessively high inventories and the reduction in receivables following the institution of credit controls permitted firms in some lines to liquidate outstanding bank indebtedness at a time when inventory and other working capital loans ordinarily show a tendency to expand. More recent trends between mid-October and mid-November, however, indicate a continued sharp expansion in loans to commodity dealers but only a mild upturn in other commercial and industrial loans.

In view of the continuing danger of a resurgence of inflationary pressures at a critical time in the Nation's rearmament program, the comparatively moderate loan expansion at the District's member banks between June 30 and October 10 is especially satisfying. Within the framework of a more restrictive general credit policy and the objectives of the Voluntary Credit Restraint Program, bankers continue to show a commendable amount of effort and cooperation in limiting the growth of bank credit to an amount commensurate with the requirements of the defense program and other essential needs.

Member bank deposits rose $369,288,000 between June 30 and October 10, with deposits of individuals, partnerships, and corporations accounting for 97 percent of the growth. Treasury spending in the District increased markedly during the period, constituting one of the principal factors in the deposit expansion. Another factor was the expansion of $183,244,000 in loans and investments. Interbank deposits rose $97,619,000, but most of this expansion was offset by decreases in deposits of the United States Government, deposits of states and political subdivisions, and other deposits.

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
October 1949...	$5,278,671	$652,043	$2,573,396	$421,811	$2,705,275	$230,232
October 1950...	5,831,230	657,976	2,850,628	411,759	2,980,602	246,217
June 1951.....	5,820,309	669,791	2,720,158	374,734	3,100,151	295,057
July 1951.....	5,855,513	673,533	2,746,696	376,455	3,108,817	297,078
August 1951.....	5,966,447	672,892	2,807,435	373,116	3,159,012	299,776
September 1951.	6,169,109	675,186	2,917,338	371,361	3,251,771	303,825
October 1951...	6,361,591	681,258	3,017,115	373,996	3,344,476	307,262

More recent banking trends in the District, as reflected by changes in the condition of the weekly reporting member banks during the 5 weeks ended November 21, show an increase of approximately 4 percent in loans, which was more than accounted for by the increase in the commercial, industrial, and agricultural category. Changes in other types of loans were confined to rather narrow limits. Investments rose approximately 3 percent, while deposits rose slightly more than 1 percent, principally as the result of increases in interbank deposits and United States Government deposits. Balances with domestic banks declined $25,037,000 during the 5 weeks, but reserves with the Federal Reserve Bank rose $11,838,000.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Nov. 21, 1951	Nov. 22, 1950	October 17, 1951
Total loans (gross) and investments	$2,867,862	$2,721,986	$2,771,833
Total loans—Net[1]	1,504,273	1,446,713	1,451,851
Total loans—Gross	1,520,656	1,460,294	1,468,174
Commercial, industrial, and agricultural loans	1,046,318	1,016,278	993,306
Loans to brokers and dealers in securities	8,955	6,953	8,899
Other loans for purchasing or carrying securities	57,881	57,281	60,532
Real estate loans	123,281	116,014	122,741
Loans to banks	923	400	1,490
All other loans	283,298	263,368	281,206
Total investments	1,347,206	1,261,692	1,303,659
U. S. Treasury bills	258,236	99,955	218,247
U. S. Treasury certificates of indebtedness	151,140	52,212	143,154
U. S. Treasury notes	193,358	321,679	195,668
U. S. Government bonds (inc. gtd. obligations)	579,875	631,267	577,247
Other securities	164,597	156,579	169,343
Reserves with Federal Reserve Bank	596,089	504,611	584,251
Balances with domestic banks	432,052	333,991	457,089
Demand deposits—adjusted[2]	2,300,777	2,152,163	2,263,388
Time deposits except Government	431,990	424,425	433,656
United States Government deposits	87,390	56,263	72,789
Interbank demand deposits	874,511	757,999	849,661
Borrowings from Federal Reserve Bank	6,000	100	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.

On November 15 the Secretary of the Treasury announced the offering of approximately $1,250,000,000 of 201-day

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		
	October 1951	Oct. 1950	Sept. 1951	October 31, 1951	Oct. 1951	Oct. 1950	Sept. 1951
ARIZONA							
Tucson	$ 89,225	34	16	$ 96,604	11.2	9.6	9.8
LOUISIANA							
Monroe	50,332	11	14	48,510	12.7	12.0	11.4
Shreveport	176,357	16	5	186,567	11.4	10.1	10.8
NEW MEXICO							
Roswell	25,750	19	28	28,416	11.5	11.0	9.6
TEXAS							
Abilene	56,544	—1	14	52,682	12.8	14.0	11.5
Amarillo	159,338	30	21	110,062	17.9	15.6	15.4
Austin	133,771	14	7	116,039	14.2	12.5	13.7
Beaumont	128,145	12	8	92,528	17.0	15.0	16.2
Corpus Christi	127,257	19	8	101,501	15.2	13.8	14.6
Corsicana	16,320	—3	6	22,585	8.8	9.7	8.3
Dallas	1,475,294	10	9	1,003,548	18.0	18.5	17.0
El Paso	172,170	—8	15	136,159	15.6	17.5	14.0
Fort Worth	513,192	24	10	373,489	16.7	15.2	15.5
Galveston	82,550	9	9	98,926	10.1	9.4	9.4
Houston	1,439,193	7	2	1,109,457	15.7	15.6	15.6
Laredo	21,536	16	10	21,465	12.0	10.3	11.0
Lubbock	120,363	25	40	94,267	15.7	14.0	11.5
Port Arthur	41,894	10	5	42,486	12.0	11.6	11.4
San Angelo	46,536	5	10	55,208	10.2	10.9	9.6
San Antonio	370,908	12	6	382,991	11.8	11.0	11.0
Texarkana[3]	23,464	21	14	23,892	11.9	10.2	10.4
Tyler	52,670	7	8	52,377	12.1	11.9	11.4
Waco	74,175	3	3	90,493	10.3	10.9	10.8
Wichita Falls	89,427	30	14	104,249	10.3	8.9	9.2
Total—24 cities	$5,486,411	11	8	$4,444,501	15.0	14.6	14.2

[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 $42,394,000 for the month of October 1951.

Treasury bills, designated Tax Anticipation Series, to be dated November 27 and to mature June 15, 1952. The bills will be acceptable at maturity in payment of income taxes or may be redeemed for cash at that time. The new issue represents the second offering of tax anticipation bills in recent weeks and, according to an earlier Treasury announcement, is for the purpose of meeting the anticipated cash requirements of the Treasury. The new issue was sold at an average discount of 1.497 percent.

The Secretary of the Treasury also announced, on November 13, that the outstanding 2½-percent Treasury bonds of March 15, 1952-54, are called for redemption on March 15, 1952. These bonds are outstanding in the amount of $1,023,568,000. It was also announced that the 2-percent Treasury bonds of 1951-53, which also are callable on March 15, 1952, would not be called for redemption on that date.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	November 15, 1951	November 15, 1950	October 15, 1951
Total gold certificate reserves	$ 598,793	$644,309	$ 546,096
Discounts for member banks	0	2,000	0
Industrial advances	52	0	77
Foreign loans on gold	37	0	0
U. S. Government securities	1,118,499	881,788	1,142,084
Total earning assets	1,118,588	883,788	1,142,161
Member bank reserve deposits	1,003,906	861,386	951,238
Federal Reserve notes in actual circulation	682,702	633,341	676,525

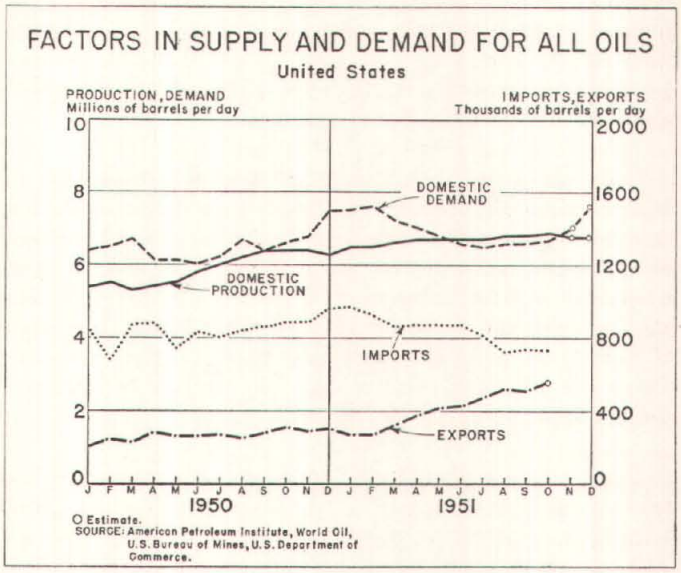
During the recent Treasury defense bond drive, between September 3 and November 13, sales of all series of savings bonds in the Eleventh District amounted to $28,946,000, as compared with redemptions of $39,866,000. Sales of Series E bonds amounted to $23,141,000, or approximately $7,600,000 less than redemptions. Sales of the Series F and Series G bonds, likewise, were less than redemptions. In the Nation, sales of all series amounted to $729,000,000, while redemptions totaled $995,000,000.

NEW MEMBER BANK

The Anthony State Bank, Anthony, Texas, a newly organized institution located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, opened for business November 7, 1951, as a member of the Federal Reserve System. The new bank has paid-in capital funds of $112,500, comprised of capital of $75,000, surplus of $25,000, and undivided profits of $12,500. The officers are: Paul W. Price, President, and Will McPherson, Vice President and Cashier.

Nonfarm employment in Texas continued to increase during the fall months, though at a somewhat slower rate than during the summer. In November such employment continued about 5 percent more than a year earlier, with manufacturing employment up approximately 10 percent.

The oil industry is entering the winter season of high consumption with ample, if not excessive, stocks, with the result that domestic production is being cut back.



National stocks of crude oil rose in early November to 262,000,000 barrels, the highest level in more than 2 years; while stocks of the four major refined products — gasoline, kerosene, gas and distillate fuel oil, and residual fuel oil— reached 296,000,000 barrels, surpassing the record of November 1949. Total stocks of crude oil and the four products also set a new record, as did stocks of gas and distillate fuel oil. Stocks of crude oil and each of the four major products are 5 to 21 percent more than a year ago. In view of the current stock position, the petroleum industry is watching closely the factors affecting demand, such as the severity of the winter weather, the outlook for supplies from Iran, and military requirements for petroleum products.

The petroleum situation in the Nation continues to be characterized by changes in both supply and demand. Domestic

CRUDE OIL PRODUCTION

(Barrels)

Area	October 1951 Total production	October 1951 Daily avg. production	Increase or decrease in daily average production from Oct. 1950	Increase or decrease in daily average production from Sept. 1951
ELEVENTH DISTRICT				
Texas R. R. Com. Districts				
1 South Central	1,080,900	34,868	3,804	1,038
2 Middle Gulf	5,424,350	174,979	22,319	5,351
3 Upper Gulf	15,942,350	514,269	44,069	5,707
4 Lower Gulf	8,398,750	270,927	34,395	7,352
5 East Central	1,714,700	55,313	12,168	—1,890
6 Northeast	12,209,450	393,853	—7,668	—3,840
East Texas	8,403,200	271,071	—24,653	—5,769
Other fields	3,806,250	122,782	16,985	1,929
7b North Central	2,685,000	86,613	8,240	2,916
7c West Central	3,645,400	117,594	40,144	2,607
8 West	31,179,050	1,005,776	133,807	12,729
9 North	5,002,100	161,358	7,169	1,641
10 Panhandle	2,610,250	84,202	—5,798	—568
Total Texas	89,892,300	2,899,752	292,649	33,043
New Mexico	4,438,900	143,190	13,238	—438
North Louisiana	3,885,200	125,329	—897	127
Total Eleventh District	98,216,400	3,168,271	304,990	32,732
OUTSIDE ELEVENTH DISTRICT	98,116,150	3,165,037	144,220	10,544
UNITED STATES	196,332,550	6,333,308	449,210	43,276

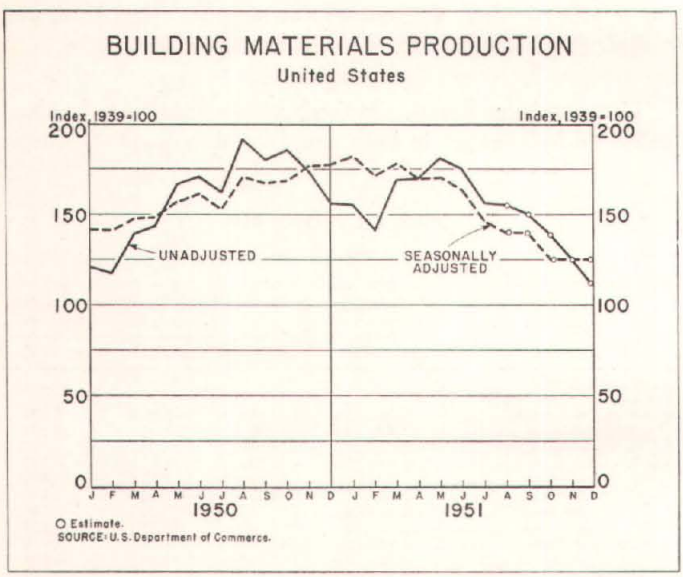
SOURCE: Estimated from American Petroleum Institute weekly reports.

production, after generally rising for 18 months and exceeding domestic consumption since last June, has reached successive new peaks in recent months. The continued high level of production was desirable because of the large domestic demand, the reduced imports, and the increased exports following the shutdown of production in Iran. By November, however, a cutback in production of crude oil and refined products was made, to bring supplies in better balance with demand.

In the Eleventh Federal Reserve District, where successively higher crude oil production records had been established, production allowables were cut back in Texas and Louisiana by a total of 128,000 barrels daily for November, so that output during the early part of that month declined to a rate between the August and September levels. A further reduction of Texas allowables by 80,000 barrels daily for December will leave output close to that for last April—though appreciably above any earlier month.

During the October period of peak production, the District's output amounted to 3,168,000 barrels per day, or 32,000 barrels daily above the previous month and 305,000 barrels daily above October last year. Production in the Nation has followed the pace set by this District, with a peak being reached in October, followed by a decline in early November.

Refinery activity as indicated by runs to stills declined in the Nation in October to 6,483,000 barrels per day, dropping 114,000 barrels daily from the September rate and reaching the lowest level since last May—though remaining 394,000 barrels daily above a year ago. In this District, runs to refinery stills decreased 9,000 barrels daily in October, amounting to 1,928,000 barrels per day, which is 126,000 barrels daily above the rate in October 1950.



The construction industry is feeling increasingly the effects of materials controls. Allotments of the controlled materials—steel, copper, and aluminum — to building products manufacturers have been reduced substantially for the fourth quarter of 1951. The United States Department of Commerce reports that in this 3-month period most manufacturers requiring such materials are expected to operate at only 50 percent or less of their average rates throughout 1950 and the first half of 1951. It is also reported that finished products now in trade channels will be used up rapidly and that before the end of the year shortages probably will delay, to a greater extent, the completion of projects. While supplies of lumber, brick, cement, and some other materials are relatively plentiful, the balance among the various types of materials is being disturbed severely.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	October 1951p	October 1950	September 1951p	January—October 1951p	January—October 1950
ELEVENTH DISTRICT..	$ 67,757	$ 99,039r	$ 99,777	$ 1,169,936	$ 981,888r
Residential.....	35,394	51,230r	41,084	505,491	463,539r
All other.....	32,363	47,809r	58,693	664,445	518,349r
UNITED STATES[1].....	1,051,419	1,135,815	1,082,855	13,585,024	12,245,561
Residential.....	496,247	529,867	497,716	5,433,400	5,765,763
All other.....	555,172	605,948	585,139	8,151,624	6,479,798

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

Even by October, construction contracts awarded in the District reflected this growing scarcity of critical materials. The total value of October awards—$68,000,000—is about one-third less than in September of this year and in October of last year. The reduction has been particularly severe in the case of nonresidential awards, which fell in October to about one-half of the September total and two-thirds of that a year ago. These large decreases reflect the fact that the National Production Authority has rejected most applications for controlled materials for nonessential projects.

BUILDING PERMITS

City	October 1951 Number	October 1951 Valuation	Percentage change in valuation from Oct. 1950	Percentage change in valuation from Sept. 1951	10 months 1951 Number	10 months 1951 Valuation	Percentage change in valuation from 10 months 1950
LOUISIANA							
Shreveport....	282	$ 1,230,829	—11	—47	3,334	$ 14,483,670	—47
TEXAS							
Abilene.....	96	372,022	—66	—17	1,006	5,936,686	—52
Amarillo.....	336	1,492,722	—50	—54	3,384	18,465,481	—7
Austin.....	202	1,461,350	—59	—70	2,305	26,023,873	—26
Beaumont.....	294	592,387	47	—70	2,546	6,601,551	—26
Corpus Christi..	307	843,132	—76	—37	3,194	16,851,568	—30
Dallas.....	1,968	6,734,463	—28	—37	17,448	86,927,021	—18
El Paso.....	288	771,824	—63	28	2,553	13,500,717	—38
Fort Worth....	885	2,449,247	4	—15	7,037	39,391,027	—1
Galveston.....	145	229,699	—80	146	1,197	7,144,383	2
Houston.....	816	5,296,710	—48	—53	9,484	114,834,413	—19
Lubbock.....	241	3,369,902	15	209	2,762	16,260,396	—27
Port Arthur....	205	630,311	80	68	1,676	5,165,442	1
San Antonio...	1,409	3,957,736	6	31	12,437	40,361,217	—12
Waco.....	261	1,474,205	—38	75	2,102	13,313,574	—26
Wichita Falls...	101	546,521	67	61	1,032	5,849,980	32
Total.....	7,836	$31,453,060	—34	—31	73,497	$431,110,999	—20

Residential awards declined 14 percent from September to October, with awards in the latter month being about one-third less than a year ago. The starting of high-priced, luxury homes has been cut back severely, due to the limitations on the amounts of controlled materials permitted per dwelling unit.