# MONTHLY

# BUSINESS



# REVIEW

### FEDERAL RESERVE BANK OF DALLAS

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DALLAS, TEXAS

February 1, 1952

On January 30, the Directors of the Federal Reserve Bank of Dallas addressed a letter to the principal executive officers of the member banks in the Eleventh District, stating their position with respect to several fundamental central banking issues which may become the subject of discussion at forthcoming hearings of the Subcommittee on General Credit Control and Debt Management—a subcommittee of the Joint Committee on the Economic Report. The Directors believe that the subject matter of this letter is of such importance to the people of the Eleventh District as to justify reproduction in the Monthly Business Review.

Dear Sir:

Several months ago, Senator Joseph C. O'Mahoney, Chairman of the Joint (Senate-House) Committee on the Economic Report, appointed a Subcommittee on General Credit Control and Debt Management. Soon after the Subcommittee's appointment, its Chairman, Representative Wright Patman of Texas, announced that "We have been asked to focus our inquiry on the current problems and relationships of the Government agencies responsible for general credit control and debt management - the Federal Reserve System and the Treasury Department."

Questionnaires on the subject of this inquiry have been submitted by the Subcommittee to financial and economic officials of the Government, the presidents of the Federal Reserve banks, the Chairman of the Federal Open Market Committee, state bank supervisors, economists, commercial bankers, life insurance executives, and dealers in United States Government securities. The answers to these questionnaires will provide a valuable fund of information for intensive study by the Subcommittee, its staff, and others. It is now expected that the Subcommittee will begin its hearings in Washington about March 1.

The Federal Reserve System, as the Nation's central banking system, has a very great public responsibility; we believe that a periodic congressional review and study of the administration and functioning of the Federal Reserve System and the effectiveness with which it is discharging its responsibilities in the public interest are both desirable and essential.

On the basis of our study of the questionnaires which have been released by the Subcommittee and the statement of the Chairman of the Subcommittee regarding the scope of the inquiry, it appears that certain very fundamental issues are being raised. Most important of these issues, in our opinion, are those involving the relationship of the Federal Reserve System to the Executive Department of the Government and the degree of autonomy of the central banking system; the closely related question pertaining to the ownership of the Federal Reserve banks; distribution of authority within the Federal Reserve System; and the value of general credit controls as a factor in contributing to economic stability.

As members of the Board of Directors of the Federal Reserve Bank of Dallas, we believe that we should inform the principal executive

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officers of the member banks of the District, as well as the general public, regarding our position on these issues. The following paragraphs of this letter are devoted to that purpose.

The question of the relationship of the Federal Reserve System to the Executive Department of the Government raises the most fundamental of central banking issues - namely, the independence of the central bank. This is not a new issue; it was fought out when the Federal Reserve System was first established in 1913 and again when the Banking Act of 1935 was enacted. On each of these occasions the legislation confirmed the determination of the American people to make the Federal Reserve System responsible to the Congress and to assure the System's independence of the Executive Department of the Government. Nevertheless, from time to time the issue has been revived for one reason or another.

Independence of the Federal Reserve System is an intangible thing that is very difficult to define precisely. Obviously, it cannot mean a disregard on the part of the System with respect to those government financial policies which are necessary to carry out essential economic obligations as determined by the Congress. On the other hand, it seems equally clear that the System should not ignore the probable consequences of unsound, inappropriately easy money policies, even though such policies may be related to government economic programs. Independence of the Federal Reserve System should mean freedom from the pressures of any political administration, the President of the United States, his cabinet, or others in the Executive Department of the Government. It should mean freedom to exercise independence of judgment and to reach decisions based on competence and experience in the highly technical field of central banking. The System should be free to determine its policies in terms of the interest of the American people as a whole and not in terms of any particular group - public or private. Independence of the System also should mean freedom to determine and administer monetary and credit policies within the limits of authority granted it by the Congress - which will, in the long run, contribute most effectively to economic stability; in other words, policies which will help to preserve and maintain the integrity and value of the dollar.

We are firmly convinced that the independence of the Federal Reserve System with respect to its relation to the Executive Department of the Government should not be weakened in any degree. We would oppose legislation which would tend to make the System subordinate to the Executive Department. We do not favor those suggestions that have been made from time to time to restore the Secretary of the Treasury to a place on the Board of Governors of the Federal Reserve System or to vest ownership of the Federal Reserve banks in the Government. In our opinion, no other development would be more certain to lead to increased direct Government control over the economy or more certain to break down ultimately the private competitive enterprise system than a loss of independence of the central banking system to the Executive branch of the Government. record of developments in other countries is a warning which we cannot afford to ignore. We reaffirm our position that the Federal Reserve System should be responsible and accountable only to the Congress and, through Congress, to the American people.

The issue of ownership of the Federal Reserve banks is, in our opinion, merely another facet of the issue of the independence of the Federal Reserve System, and, therefore, it is equally important and fundamental. The present ownership of the Federal Reserve banks by the member banks of the System is a severely limited type of ownership which is not characterized by the usual proprietary interest. Under this form of ownership, control by the member banks over the policies and operations of the Reserve banks is neither implied nor exercised.

If, however, ownership of the Federal Reserve banks were to be transferred to the Government, the present sound and proven arrangement with respect to control over the policies and operations of the Reserve banks would be destroyed and in its place there would be the imminent threat of Government control over the policies and operations of the central banking system and ultimately the private banking system. Government ownership of the Federal Reserve banks - unlike ownership by the member banks of the System - would imply and inevitably lead to prompt control of the System and a loss of independence with all of the consequences that such a move would entail. Furthermore, such other advantages of the present form of ownership as (a) the active interest of member banks in Reserve bank problems; (b) the effective cooperation between private business and banking and the Reserve banks toward the end of achieving System objectives that are in the public interest; (c) freedom from political pressures; and (d) the effectiveness of a decentralized, regional central banking system would be lost or greatly minimized in the event of Government ownership of the Reserve banks. For these several reasons, we are opposed to any change in the present form of ownership of the Federal Reserve banks.

The distribution of authority within the Federal Reserve System between the Board of Governors, the Federal Open Market Committee, and the Federal Reserve banks is especially valuable. It tends to assure decentralized administration, to encourage initiative, to attract a high quality of System management, and to promote group judgments on major System policies. Like other fundamental issues relating to the Federal Reserve System, this question of a regionalized versus a centralized central banking system has been argued many times. The Congress has always maintained the regional character of the System.

We favor strongly this unique and typically American organization, for it permits a desirable degree of effective supervision by a public body - the Board of Governors of the System - and positive contributions from the management of the Reserve banks. We oppose, therefore, any tendency toward centralization of the Federal Reserve System. In fact, we believe that the regional characteristics of the System should be strengthened, with greater authority being vested in the boards of directors of the Reserve banks. Broader authority lodged with the directors and management of the Reserve banks would enable the banks to make an even more positive contribution in the formulation of System policies than is the case under existing relationships.

The Subcommittee undoubtedly will devote much time to a discussion of the relative merits of general versus selective or direct credit controls as means of influencing the volume of credit toward the objective of achieving economic stability. We recognize that credit

control alone cannot assure economic stability; it can make a genuine contribution toward that end, however, if exercised effectively in combination with sound fiscal and debt management, wage, and other basic economic policies.

General credit control, through which the central banking system influences the availability and cost of bank reserves, is impersonal in its administration and leads to a minimum of direct governmental interference with individual decisions; thus, it is particularly well adapted to the private competitive enterprise system. Controls of this type, including open market operations, changes in rediscount rates, and changes in reserve requirements, affect bank reserve positions and, therefore, influence the ability and willingness of commercial banks to extend credit; such controls, however, permit the private banking system to continue to allocate the available volume of credit among businesses and other borrowers.

The question of the effectiveness and value of general credit control is closely related to - in fact, largely dependent upon - the degree of independence of the central banking system. The central banking system must be in a position to make the availability of bank credit easier or tighter as economic conditions may require; it cannot be bound to a continuous easy money policy; it cannot be committed to a continuous par support of the prices of Government securities.

Continuous par support of the prices of Government securities would mean a loss of control over bank reserves by the central banking system, thus, making an effective credit policy impossible; it would mean that banking and nonbanking investors would usurp the central banking system's authority with respect to the availability of reserves; it would mean that the Government, through the public sale of its securities, would have undue access to the credit of the central banking system - a situation that could lead to very serious consequences; it would mean that all Government securities would become, in a sense, demand obligations, since their par value would be obtainable in cash at any time; it would mean destruction of the price mechanism in the field of credit - a mechanism that is an essential part of private competitive enterprise; finally, it would mean that in the attempt to prevent or counteract the effect of these developments, the Government would face the necessity of extending its intervention into private economic activity to a very substantial degree through more severe and numerous direct controls.

These consequences of continuous par support would intensify greatly the danger of inflation and a further decline in the value of the dollar; would tend to prevent the maintenance of an independent central banking system; and would undermine American private enterprise. These dangers require that banks, nonbanking, and other investors carefully consider their long-run interests and should disregard such short-term interests as the possibility of profit or loss and the alleged but unreal security that is sometimes attributed to continuous par support.

The central banking system must be in a position to determine its credit policies on the basis of requirements dictated by conditions in commerce, industry, agriculture, finance, and government. Such requirements, however, should be evaluated in terms of their effect on the over-all stability of the economy and not in terms of their effect upon any particular group - government or private.

We recognize that under certain conditions there may be areas of credit that can be reached effectively only through selective controls, but we believe that such controls should be considered as supplementary to general credit controls; they should not be considered as a substitute for the broader, more impersonal general type of controls. Moreover, it is our opinion that such selective controls cannot be satisfactorily effective in the long run unless they are administered in an atmosphere of effective general control over the volume and availability of bank reserves.

These several issues, which will be studied by the Subcommittee, are of vital importance not only to the Nation's central banking system but also to every private banker and businessman - in fact, to every citizen. It is for that reason that we have taken this opportunity to bring them to your attention; to express to you our opinions on these issues in our capacity as directors of the Federal Reserve Bank of Dallas. We urge that you give these questions your most careful consideration and would greatly appreciate a frank expression of your views in regard to them.

Sincerely yours,

P. P. Butler First National Bank in Houston Houston, Texas

Buttle George L. Mackregor

George L. MacGregor Dallas Power & Light Company Dallas, Texas

J. R. Parten (Chairman of the Board) Woodley Petroleum Company Houston, Texas

W. L. Peterson State National Bank Denison, Texas

George H. Zimmerman Wm. Cameron and Company

Waco, Texas

R. B. Anderson

(Deputy Chairman of the Board) W. T. Waggoner Estate Vernon, Texas

Muderson

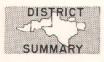
J. Edd McLaughlin Security State Bank and Trust Company Ralls, Texas

W. F. Beall 3 Beall Brothers 3 Jacksonville, Texas

WFBeall

G. A. Frierson G. A. Frierson & Son Shreveport, Louisiana

### REVIEW OF BUSINESS, INDUSTRIAL, AGRICULTURAL, AND FINANCIAL CONDITIONS



Employment in retail trade, agriculture, and some industries in January was seasonally lower than in December. The lower rate of oil output, resulting from

temporary cutbacks in allowables in late 1951, continued into January, although production for the month was above a year ago; moreover, increased allowables in Texas for February are expected to restore production to approximately the October 1951 record level. Construction contract awards, which have been declining since around mid-1951, were at a relatively low level in December; contract awards for residential construction were off sharply from a year ago, while awards for defense plant construction, as well as public works, helped to sustain activity in the nonresidential sector of the building industry.

Total resources and deposits of the weekly reporting member banks in the District rose during the 4 weeks following Christmas, while loans and investments declined. Commercial, industrial, and agricultural loans declined in each of the first 2 weeks of the period, but increases in the following 2 weeks were more than offsetting. In view of the weight of seasonal factors in the expansion of loans in the closing months of 1951, the amount of gross loan reduction in the first quarter of 1952 probably will be substantial.

Department store sales in the District in the first 3 weeks of January were off sharply from the December peak and were 11 percent lower than the war-scare volume of a year ago, although higher than in comparable weeks of 1949 and 1950. Department store stocks have been reduced, and merchants began 1952 with fewer goods on hand than a year earlier.

Farm and ranch activities in January were more limited than usual for this season, as drought delayed field work in preparation for planting 1952 crops. However, farmers completed harvest of remaining 1951 crops, as well as early 1952 winter truck crops in southern sections. Planting of spring commercial vegetable crops is active in areas where moisture is adequate, but forecasts of acreage show declines from a year ago. The entire District is in need of rain to stimulate growth of winter crops and grasses. Livestock marketings are seasonally low; farm commodity prices are irregular.



The total dollar volume of retail sales in the Eleventh Federal Reserve District appears to have reached a new high in 1951, but the sales level failed to meet

merchants' expectations. The large increases experienced by most stores in 1950 were replaced by small increases, or even decreases in some cases; moreover, with higher prices prevailing, the physical volume of merchandise sold was somewhat less than in 1950. Sales in the durable goods lines, which had been dominant in the generally rising trend of retail sales in the postwar period, declined from the extremely high level of the previous year, but the decreases in hard

RETAIL TRADE STATISTICS
(Percentage change)

		NET SA	STOCKS1		
	Dec. 1951 from		10 1061	Dec. 1951 fro	
Line of trade by area	Dec. 1950	Nov. 1951	-12 mo. 1951- comp. with 12 mo. 1950	Dec. 1950	Nov. 1951
DEPARTMENT STORES					
Total Eleventh District	5	41	5	-4	-20
Corpus Christi	7	41	3	-12	-32
Dallas	7 2	37	1	-2	-18
El Paso	6	41	3	-6	-25
Fort Worth	6 2	49	3 2 13 2 5	-7	-20
Houston	10	44	13	-2	-20
San Antonio	5	32	2	-7	-17
Shreveport, La	5	35	5	-2	-36
Waco	23	48	11	11	-24
Other cities	-#	43	3	5	-22
URNITURE STORES					
Total Eleventh District	13	34		-9	5
Austin	17	48	-	-22	-5
Dallas	35	22		-9	-5 -4 -11
Houston	17	35		-7	11
	7	11	_	,	-11
Port Arthur	25	36	_	_	_
San Antonio	8	41	_	-12	_
Shreveport, La	19	17	_	-14	-9 -7
Wichita Falls	14	17	_	-14	-/
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District	-8	8	_	-	_
Dallas	-12	11	_	-	-

<sup>1</sup> Stocks at end of month.

goods were more than offset by gains in food, apparel, and other soft goods. District department store sales in 1951 were about 5 percent higher than in 1950, following an increase of almost 10 percent in the previous year. Sales at district furniture stores were down about 3 percent, as compared with a 7-percent increase in 1950; and sales of new cars in the three larger metropolitan areas of the District were down 22 percent, in contrast with a 46-percent gain from 1949 to 1950.

The increase in retail sales in 1951 reflects a higher level of consumer income after taxes, which rose gradually over the year with the expansion of defense and defense-supporting industries, the reactivation and development of military installations, and rising wage rates. Nevertheless, the increase in retail trade was considerably less than would have been expected on the basis of the rise in disposable income. Retail sales in 1951 were smaller in relation to consumer income after taxes than in any previous postwar year. The failure of sales to keep pace with the increase in income can be explained by such factors as the war-scare buying in the last half of 1950, which borrowed sales from 1951; the desire of individuals to reduce indebtedness and to rebuild savings drawn down by the scare buying; the elimination of the deferred demand built up during the war years; the moderate decline in new home construction; the decrease in the number of new households established; and consumer resistance to high prices.

The lower-than-anticipated level of sales accentuated the rise in retail inventories, for merchants had bought heavily in the latter part of 1950 and the early weeks of 1951 on the assumption of a continued strong rise in sales, further increases in prices, and possible shortages of items involving

<sup>#</sup> Indicates change of less than one-half of 1 percent.

critical materials. Inventories rose noticeably during the first several months of the year, with department store stocks reaching a peak in July. Merchants began taking steps to reduce inventories shortly after the lull in consumer buying became evident in the spring of the year. Inventory buying was reduced sharply, and widespread markdowns and clearance sales were instituted and continued throughout the last half of the year. Department store stocks at the end of the year, after allowing for normal seasonal variation, were down 17 percent from the July 31 peak and were about 4 percent below a year earlier.

### WHOLESALE TRADE STATISTICS Eleventh Federal Reserve District

(Percentage change)

		NET SALES	STOCKS1p		
	Dec. 19	51 from	10 1051	Dec. 1951 from	
Line of trade	Dec. 1950	Nov. 1951	—12 mo. 1951— comp. with 12 mo. 1950	Dec. 1950	Nov. 1951
Drugs and sundries	1	-11 -45	10	12	-9
Dry goods	_3	-45	-2	_34	_9 _2
not sponsoring groups)	-18	-24	-	-16	-11
Hardware	-17	-25	5	-2	-2
Metals	-11	4	_	26	-2 $-5$
parts (commercial)	-4	-18 3	-	-	-
Tobacco products Wiring supplies, construction	-6	3	-1	7	-10
materials distributors	44	6	_	48	2

<sup>1</sup> Stocks at end of month.

SOURCE: United States Bureau of Census.

Merchants' profit margins were substantially lower in 1951 than in the very favorable previous year. The markdowns and clearance sales employed to reduce inventories resulted in lower profit margins. Moreover, since gross receipts of most stores showed only moderate increases, the noticeable rise in labor and other operating costs tended to reduce net profits.

While cash sales in 1951 constituted about the same proportion of total department store sales as in 1950—approximately 31 percent—charge sales became relatively more important, and instalment sales, relatively less important. The ratio of charge account sales to total sales increased from 58 percent in 1950 to about 60 percent in 1951, while the ratio of instalment to total sales declined from 11 percent to 9 percent. Instalment accounts outstanding at district department stores decreased steadily during the first 8 months of 1951, continuing the downward trend which had developed in the last 2 months of the previous year. On August 1, 1951, instalment receivables were down about 30 percent from the October 31, 1950, high. With the moderation of instalment credit controls at the beginning of August 1951, instalment accounts outstanding increased during the last 5 months of the year.

The tighter credit terms prevailing in 1951 under Regulation W, which contributed to the decline in instalment sales, also fostered a rise in the instalment collection ratio, which at the end of the year was 18 percent, as compared with 14 percent a year earlier. Charge accounts outstanding were moderately higher than in the previous year, with the amount

outstanding on December 31 up 10 percent from the corresponding date a year earlier. Meanwhile, the charge account collection ratio averaged only 48 percent in 1951, as compared with 50 percent in 1950.

#### INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1935-39=100)

	UNADJUSTED				ADJUSTED <sup>1</sup>			
Area	Dec. 1951	Nov. 1951	Oct. 1951	Dec. 1950	Dec. 1951	Nov. 1951	Oct. 1951	Dec. 1950
SALES—Daily average								
Eleventh District	203	144	119	193	122	129	114	116
Dallas	194	141	118	190	119	122	110	116
Houston	226	157	121	206	135	140	122	123
STOCKS—End of month						100	***	100
Eleventh District	108p	135	136	112	117p	120	125	122

<sup>&</sup>lt;sup>1</sup> Adjusted for seasonal variation.
p Preliminary.

While consumer buying in January appears to have fallen substantially below the unusually high war-scare inflated volume of a year ago, the post-Christmas decline in sales has not been abnormally large. District department store sales during the first 3 weeks of January were 11 percent lower than a year earlier but were 17 percent higher than in the same period of 1950 and 6 percent higher than in the same period of 1949.



Most of the District received some sleet, snow, or drizzling rain early in January, which brought slight relief to drought-stricken crops and grazing lands.

In east Texas and northern Louisiana where somewhat heavier rains fell, surface moisture generally is adequate for small grains, clovers, and other cover crops, but subsoil moisture is insufficient even in these favored areas. More rain is needed over the entire District to assure continued development of winter crops and grasses and to provide moisture reserves necessary for full development of summer crops.

Although the winter wheat crop has benefited from recent precipitation, its final outcome is very uncertain. Unless additional moisture is received within a short time, production is expected to fall short of December forecasts, which place the Texas crop at 40,000,000 bushels and the Oklahoma crop at 80,000,000 bushels.

Conditions in January were more favorable for growing crops in most commercial vegetable areas and for planting of early spring vegetables in the Lower Valley. However, rainfall is deficient in all commercial vegetable areas and irrigation water is short in the Valley. Supplies of hardy-type vegetables continued to increase in January, particularly cabbage, cauliflower, lettuce, and spinach. The Texas winter cabbage crop is estimated at 90,000 tons, compared with the 1951 crop of 56,000 tons. Winter spinach production in the State is estimated at 3,375,000 bushels, compared with 2,070,000 bushels last year. Cauliflower production is placed at 216,000 crates, as against 187,000 crates a year ago. On the

p Preliminary.

other hand, the winter lettuce crop is expected to total only 600,000 crates, or 250,000 below last year.

Beet, broccoli, and carrot crops made good growth in irrigated sections in December and January, and harvest was under way about the middle of January. Onions are in good condition in all sections, despite the need for surface moisture in nonirrigated areas. The acreage of early spring onions in Texas is estimated at 40,500 acres, compared with 1951 figures of only 14,400 acres planted and 9,200 acres harvested. Considerable acreage of Lower Valley early spring tomatoes, as well as additional acreage of watermelons in the Falfurrias section, was planted in recent weeks.

Unprotected livestock suffered in the chilling wind, sleet, and snow which covered much of the northern part of the District in early January. The ice and snow on pastures and

### LIVESTOCK RECEIPTS

(Number)

	FORT	WORTH MA	ARKET	SAN ANTONIO MARKET			
Class	December 1951	December 1950	November 1951	December 1951	December 1950	November 1951	
attlealves	20,553	31,897 20,637 72,970	51,572 33,220 77,730	17,926 15,552 6,632	19,254 20,915 7,168	23,635 25,386 5,436	
heep		23,144	47,304	19,556	19,186	116,728	

<sup>1</sup> Includes goats.

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ranges made it necessary to feed livestock in affected areas. However, unseasonably warm temperatures during the second and third weeks of the month stimulated development of small grains and clovers. The condition of range feed in Texas on January 1 was rated at 63 percent, which is the lowest condition rating reported for this date in the 30 years for which records are available, with the lone exception of 1935, according to the Bureau of Agricultural Economics.

Heavy supplemental feeding has maintained cattle in fair flesh on most farms and ranches in the District, but cattle depending entirely on the short range feed are thin. Most herds have been culled down to the number to be taken through the winter. Ewes are going through the winter in generally poor condition. Livestock marketings are seasonally low.

A United States Department of Agriculture report on hay and grain stocks on farms January 1 indicates the probability of serious feed problems for southwestern farmers and ranchers if the widespread drought continues. Stocks of hay and grains on farms in this area were considerably below a year ago and much below average for this date, as shown in the accompanying table.

In taking a backward glance at agriculture in the District in 1951, the most important factors shaping developments were the drought over wide areas, very large production of certain major crops, and the sharp fluctuations in farm com-

### HAY AND GRAIN STOCKS ON FARMS, JANUARY 1

(In thousands of bushels)

		Texas		Five southwestern states <sup>1</sup>			
Crop	Average 1941-50	1951	1952	Average 1941-50	1951	1952	
Corn for grain	31,441	23,923	20,531	59,415	46,771	41,726	
Wheat	11,064	1,614	2,077	25,881	5,279	5,455	
Oats	13,258	10,069	4,887	28,271	14,573	7,932	
Barley	1,537	666	212	4,112	1,643	984	
Rye		49	27	273	90	55	
Hay2	913	879	660	2,679	2,762	2,356	

<sup>&</sup>lt;sup>1</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

modity prices. Production of all agricultural commodities in the five states of the District last year is estimated at about 4 percent above 1950, although 15 percent below the 1949 record. Total agricultural production in Texas was virtually unchanged from the previous year. Production in the 5-state area in 1951, which has been exceeded only in four previous years, reflects increases in production of crops and livestock and livestock products.

Total crop production in the five states of the District rose about 4 percent above the 1950 level, although it was more than 25 percent below the record of 1949. The increase for the area reflects larger production of crops in Arizona, Louisiana, New Mexico, and Oklahoma, combined, which more than compensated for a slight decline in Texas, where the drought was most severe. As compared with 1950, the five states of the Eleventh District in 1951 produced more cotton and oil-bearing crops but a smaller volume of food grains, feed grains, fruits, truck crops, and roughage. The decline in output of grains resulted from the effects of the drought and the shift of cropland to cotton; the low production of truck crops and fruits reflects droughty conditions in nonirrigated commercial vegetable areas and freeze damage to citrus groves.

Production of livestock and livestock products in the Southwest in 1951 rose for the third successive year. Total volume of output is estimated at 3 percent above 1950, although 8 percent below the all-time record of 1943. The larger output of livestock and livestock products in the area last year resulted from increased production of meat animals and poultry, which more than offset declines for eggs, milk, wool, and mohair.

Meat animal production in 1951 was stimulated by record-high prices at local markets, while the increased output of poultry, including broilers and turkeys, reflects the growing consumer demand for poultry meat. The decline in egg production is attributed partly to the discontinuance of price supports early last year, at which time egg producers culled their laying flocks and reduced production. The smaller output of milk resulted from the effect of drought on pastures and ranges, as well as some decline in dairy cow numbers. Lighter weights per fleece accounted for the smaller production of wool, as the number of sheep shorn was larger than in 1950.

<sup>&</sup>lt;sup>2</sup> In thousands of tons. SOURCE: United States Department of Agriculture.

Farm prices in the District began a sharp advance in 1950 at the start of the Korean War and continued this rise until April 1951. In Texas, the index of farm commodity prices in April reached 399 percent of the 1910-14 base, compared with 274 a year earlier. This sharp upward spiral of farm commodity prices resulted largely from uncertainty concerning domestic and foreign requirements associated with the war.

When it became apparent taht the war probably would not assume world-wide proportions, estimates of domestic requirements were reduced greatly and prices of many farm commodities declined drastically, influenced also by forecasts of record agricultural production in 1951. Prices showing the greater declines were those of cotton, wool, mohair, rice, and cottonseed. By August 1, farm commodity prices in Texas had tumbled to 343 percent of the 1910-14 base, or 14 percent below the April peak.

### FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended Jan. 21, 1952	Comparable week last month	Comparable week last year
COTTON, Middling 15/16-inch, Dallas	lb.	\$ .4180	\$ .4190	\$ .4435
WHEAT, No. 1 hard, Fort Worth OATS, No. 2 white, Fort Worth CORN, No. 2 yellow, Fort Worth SORGHUMS, No. 2 yellow milo, Fort Worth.	bu. bu. bu. cwt.	2.763/4 1.22 2.193/4 3.16	2.82¼ 1.75 2.28¼ 3.13	2.62 1.75 1.90¾ 2.63
HOGS, Good & Choice, Fort Worth SLAUGHTER STEERS, Choice, Fort Worth SLAUGHTER CALVES, Choice, Fort Worth STOCKER STEERS, Choice, Fort Worth SLAUGHTER LAMBS, Good & Choice,	cwt. cwt. cwt.	18.75 34.00 33.00 32.00	19.00 35.00 33.00 34.00	21.25 35.00 35.00 34.00
Fort Worth	cwt.	28.00	28.00	35.00
WOOL, 12-months, west Texas	lb. lb. lb. lb.	11.88 21.75 .24 .32 .35 .31	1.35 .26 .30 .40 .28	1.12 1.56

- 1 Week ended January 18, 1952.
- <sup>2</sup> Week ended January 11, 1952.

In succeeding months, however, when the domestic and export demand picture became clearer and production estimates were revised downward, prices moved upward again, although at the year's end they were still some 8 percent below the April record. As compared with December 1950, year-end prices of most grains, potatoes, hogs, veal calves, poultry, dairy products, hay, and citrus fruits were higher, while prices of rice, cotton, cottonseed, peanuts, beef cattle, lambs, eggs, and wool were lower.

Farm income in the five states of the District reached a new record of some \$3,700,000,000 in 1951, compared with \$3,500,000,000 in 1950. The increase in income resulted from both larger output of commodities and higher prices. However, the increase in production was the more important factor, since prices of crops in 1951 were at their lowest average level during the heavy crop marketing season from August through October and were lower than a year earlier.

While cash receipts from farm marketings in the District last year established a new record, costs of production were also at record levels. The United States index of prices paid by farmers for commodities used in production rose throughout most of 1951 and in December was at a record high about 7 percent above a year earlier. Interest charges were up 10 percent; taxes, 5 percent; and wage rates, 11 percent. Thus, despite record cash receipts from marketings, farmers in the District last year earned less net income than in some previous years.



Banking trends during 1951 developed within the framework of a moderately restrictive general credit policy, voluntary efforts on the part of financial insti-

tutions to limit credit expansion, and a noticeable leveling off in the over-all volume of business activity. These circumstances are in marked contrast with the underlying conditions that prevailed in 1950. Consequently, although there was a sustained strong demand for bank credit to meet the financial requirements of business, industry, agriculture, and consumers, loan expansion was well below that of most other postwar years.

Total loans of all member banks in the District, amounting to \$2,569,000,000 on December 26, 1951, were about \$177,000,000, or 7.4 percent, larger than on the comparable date a year earlier. Loan expansion in 1951 was much less than the increase of \$375,000,000, or 18.6 percent, in 1950. Although loans of country banks comprise less than 45 percent of the District's member bank loans, most of the loan expansion during 1951 occurred at these smaller banks. Country member banks reported loan expansion of \$148,000,000, or 15 percent, as compared with loan expansion of \$29,000,000, or 2 percent, at reserve city banks.

During 1951, estimated total resources of the District's member banks rose from \$7,468,000,000 to \$8,007,000,000, an increase of about 7 percent. As was the case with respect to loans, the increase in resources was much greater at country banks than at reserve city banks-\$449,000,000, or 12 percent, and \$90,000,000, or 2.4 percent, respectively. The growth of deposits reflected this same trend, as country banks accounted for about 90 percent of the increase during the year. As a result, country banks held about 52.5 percent of the District's member bank deposits on December 26, 1951, as contrasted with approximately 50 percent a year earlier. Total deposits of the District's member banks amounted to \$7,460,000,000 on the last reporting date in December 1951, or \$456,000,000 more than on the comparable date in 1950. The expansion of resources and total deposits of all member banks in the District was approximately 7 percent during 1951, as compared with about 11 percent in 1950.

Loans of the 40 weekly reporting member banks in the Eleventh Federal Reserve District rose \$92,370,000 during the year, or slightly more than 6 percent, to a record total of \$1,569,404,000, as compared with the expansion of \$286,830,000, or 24 percent, in 1950. The increase in loans at these larger banks in the District was at a somewhat lower rate than at the Nation's weekly reporting member banks.

Between the end of January, when a seasonal peak was reached, and early in August, commercial, industrial, and

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

(Averages of daily figures, in thousands of dollars)

	COMBINED	TOTAL	RESERVE CIT	Y BANKS	COUNTRY	BANKS	
Date	Gross demand	Time	Gross demand	Time	Gross demand	Time	
December 1949	\$5,612,558	\$648,676	\$2,712,547	\$417,067	\$2,900,011	\$231,609	
December 1950	6,256,210	646,999	3,044,765	397,983	3,211,445	249,016	
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	
November 1951	6,592,874	686,144	3,101,804	376,802	3,491,070	309,342	
December 1951	6,753,139	706,327	3,170,047	390,143	3,583,092	316,184	

agricultural loans of these banks declined \$86,397,000, reflecting principally seasonal developments. In addition to seasonal contraction, however, the decrease reflects the working off of a substantial amount of excessive inventories and the repayment of loans by firms which had accumulated unusually large stocks in earlier months. Beginning in August, commercial, industrial, and agricultural loans at these larger city banks rose steadily until the end of the year, with the expansion in loans to cotton and other commodity dealers constituting the dominant factor in the increase. Manufacturers of food and liquor, grain and milling concerns, and sales finance companies also increased the amount of their outstanding bank indebtedness, but these increases were approximately offset by reductions in loans to wholesale and retail trade establishments, construction firms, and manufacturers of textiles, apparel, and leather. These changes in commercial, industrial, and agricultural loans over the 12 months resulted in a net expansion of \$50,484,000, which is \$140,203,000 less than the increase in 1950.

The trends of consumer and real estate loans during 1951 are particularly notable in that they reflect the influence of such restrictive factors as Regulations W and X, which became effective in September and October 1950, respectively. "All other" loans, the category which includes consumer loans, rose \$27,254,000, or approximately 10 percent, in 1951, as compared with the 29-percent increase in the preceding year. Similarly, real estate loans rose slightly less than 2 percent in 1951, in contrast with the 27-percent increase in 1950.

Deposits of the weekly reporting member banks rose \$228,573,000, or 6 percent, to a total of \$4,022,717,000. This deposit growth compares with the 11-percent increase in 1950. Demand deposits of individuals, partnerships, and corporations accounted for approximately two-thirds of the increase, with interbank deposits and time deposits of individuals and businesses showing the more notable increases among the other deposit categories. The growth of time deposits of individuals, partnerships, and corporations in 1951—about 6 percent—is in rather sharp contrast with the fractional increase during 1950, when the accumulation of liquid assets by consumers and others was curtailed sharply.

Investments in United States Government securities increased \$76,269,000 during 1951, as compared with the reduction of \$62,375,000 in 1950. The increase in holdings of Gov-

ernments reflects both the availability of a larger volume of funds and the debt operations of the Treasury. Investments in Treasury bills rose sharply, due to market purchases and also to bank subscriptions to two issues of Tax Anticipation bills. Largely reflecting Treasury refunding operations, holdings of bonds and notes declined, while investments in certificates of indebtedness rose. Continuing the trend that prevailed in 1950, holdings of municipal and other non-Government securities rose \$13,886,000. On December 26, total investments of these banks amounted to \$1,406,126,000.

## CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	January 23, 1952	January 24, 1951	December 19, 1951
otal loans (gross) and investments	\$2,927,075	\$2,751,056	\$2,970,893
Total loans—Net1	1,539,131	1,481,250	1,549,565
Total loans—Gross	1,555,409	1,495,853	1,565,884
loans	1,089,497	1,042,800	1,091,473
Loans to brokers and dealers in securities  Other loans for purchasing or carrying	8,914	7,698	9,080
securities	53,598	52,255	54,767
Real estate loans	114,927	121,128	120,292
Loans to banks	132	0	2,336
All other loans	288,341	271,972	287,936
Total investments	1,371,666	1,255,203	1,405,009
U. S. Treasury bills	241,232	105,674	316,563
U. S. Treasury certificates of indebtedness.	162,833	0	158,243
U. S. Treasury notes	181,272	398,500	179,466
U. S. Government bonds (inc. gtd.			
obligations)	617,786	593,516	581,562
Other securities	168,543	157,513	169,175
Reserves with Federal Reserve Bank	574,110	548,213	585,931
dalances with domestic banks	488,638	356,946	465,030
Demand deposits—adjusted2	2,395,837	2,238,732	2,377,288
ime deposits except Government	457,196	424,690	452,173
Inited States Government deposits	51,388	50,802	83,498
nterbank demand deposits	879,501	772,013	909,561
forrowings from Federal Reserve Bank	3,000	0	8,500

- 1 After deductions for reserves and unallocated charge-offs.
- Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.

Between December 26, 1951, and January 23, 1952, total resources and deposits of the weekly reporting member banks rose, while loans and investments declined. The expasion of \$56,827,000 in resources reflects principally the increase in reserves, cash, and bank balances. Increases in deposits of individuals, partnerships, and corporations and in demand deposits of states and their political subdivisions were the principal factors contributing to the \$58,084,000 expansion in total deposits. A rather large reduction in holdings of Treasury bills, which was offset in part by increased holdings of bonds and certificates, accounts for most of the decrease in investments. Although total loans declined fractionally during the 4 weeks, commercial, industrial, and agricultural loans rose \$9,873,000. Because of the heavy weight of seasonal factors in the expansion of loans in the closing months of 1951, the amount of gross loan repayment in the first quarter of 1952 probably will be substantial.

The volume of business transacted through banks in the Eleventh District, as reflected by debits to deposit accounts reported by banks in 24 major cities, was 16 percent higher in 1951 than in 1950. Reporting banks in each of the cities showed increases, ranging from 6 percent for Abilene, Texas, to 31 percent for Tucson, Arizona. The annual rate of turnover of deposits, or the rate of use of deposit accounts, was 14.8, as compared with 13.8 during 1950.

## ANNUAL BANK DEBITS AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Amounts in thousands of dollars)

		DEBITS1		DEPC	OSITS2
				rate of	nual turnover
City	1951	1950	Percentage change	1951	1950
ARIZONA					
Tucson	\$ 981,641	\$ 750,397	31	10.3	8.8
LOUISIANA					
Monroe	541,171	483,357	12	11.3	10.5
Shreveport	2,057,532	1,814,379		10.9	10.0
NEW MEXICO					
Roswell	267,380	230,341	16	10.3	9.8
TEXAS	20,1000	200,041		10.0	,,,,
	623,490	586,444	6	12.0	12.5
Abilene	1,599,313	1,311,503		15.6	13.8
Austin	1,696,047	1,575,705		15.1	13.9
Beaumont	1,440,205	1,261,147		15.8	13.7
Corpus Christi	1,445,253	1,229,752		15.0	13.4
Corsicana	163,955	144,917		7.5	6.9
Dallas	17,222,571	15,204,638		18.2	18.0
El Paso	2,083,201	1,864,436		15.5	14.3
Fort Worth	5,653,467	4,647,362		15.8	14.5
Galveston	947,824	854,456		9.5	8.9
Houston	17,412,152	14,702,669		15.9	14.5
Laredo	250,399	214,795		11.6	9.6
Lubbock	1,267,826	1,117,750		13.2	13.0
Port Arthur	502,050	410,077		12.0	10.3
San Angelo	508,706	468,684		9.8	10.0
San Antonio	4,356,301	3,814,048		11.7	10.8
Texarkana3	230,948	201,274		9.5	8.6
Tyler	599,034	553,815		11.6	10.7
Waco	832,354	777,285		10.1	10.4
Wichita Falls	940,449	791,001	19	8.7	8.5
Total—24 cities	\$63,623,269	\$55.010.232	16	14.8	13.8

1 Debits to deposit accounts except interbank accounts.

<sup>2</sup> Demand and time deposits, including certified and officers' checks outstanding but excluding deposits to the credit of banks.

3 These figures include 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 \$404.667,000 for the year 1951.

Banking and other economic trends during 1951 were affected significantly by Federal Reserve action pointing toward a more restrictive general credit policy. In January, higher reserve requirements calculated to absorb about \$2,-400,000,000 of reserve funds became effective. Following the Federal Reserve-Treasury "accord" in March, the System discontinued the policy of par support of prices of Government securities, and a general readjustment to lower levels occurred in prices of Treasury marketable issues. Although the System maintained orderly conditions in the market, prices were permitted to reflect more nearly the underlying market conditions. As a result of this action, the addition of central bank credit to the banking system and the accompanying creation of reserves were held to a minimum. Early in March the Federal Reserve System participated with the American Bankers Association, the Life Insurance Association of America and the Investment Bankers Association of America in the development of the Voluntary Credit Restraint Program, which has as its purpose reducing to a minimum nonessential, speculative, and inflationary loans. Although it is impossible to assess the precise effect of these policies, it is clearly evident that they contributed importantly in arresting the inflationary growth in the money supply.

Sales of savings bonds in the Eleventh District totaled \$135,000,000 during 1951, as compared with redemptions of \$229,000,000. The trends of sales and redemptions in the Nation were roughly similar to those for the District, with net redemptions amounting to \$1,690,000,000.

#### CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

ltem	January 15, 1952	January 15, 1951	December 15 1951
Total gold certificate reserves,	\$ 631,099	\$611,262	\$625,576
Discounts for member banks	3,000	0	5,000
Industrial advances	16	0	39
Foreign loans on gold	0	0	0
U. S. Government securities	1,097,752	994,411	1,112,029
Total earning assets	1,100,768	994,411	1,117,068
Member bank reserve deposits	1,060,473	964,752	1,062,096
Federal Reserve notes in actual circulation	680,040	624,127	698,414

In 1951 the Treasury offered six refunding issues of 17/8-percent certificates of indebtedness to holders of \$22,384,-000,000 of maturing or called Treasury securities, excluding the weekly bill maturities. Investors exchanged \$21,448,000,-000 of their holdings for the new issues, and \$936,000,000, or 4 percent, of the maturing or called issues was paid in cash. As a result of the special exchange offering announced in March, holders of \$13,574,000,000 of the 2½-percent Treasury bonds of June 15 and December 15, 1967-72, exchanged these securities for the new 23/4-percent nonmarketable bond of 1975-80. At the time of the exchange, the bonds of 1967-72 were outstanding in the amount of \$19,656,000,-000.

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

(Amounts in thousands of dollars)

	DEE	ITS1		1	DEPOSIT	S <sup>2</sup>	
			ntage e from		Annual	rate of	turnove
City	December 1951	Dec. 1950	Nov. 1951	Dec. 31, 1951	Dec. 1951	Dec. 1950	Nov. 1951
ARIZONA		-		And SERVICE ADMINISTRA	ECHANIC AND		
Tucson	\$ 90,187	18	5	\$ 104,364	10.6	10.4	10.4
LOUISIANA							
Monroe	51,075	16	2	57,069	11.5	10.6	12.4
Shreveport	208,674	3	18	213,099	12.4	13.0	11.3
NEW MEXICO							
Roswell	23,640	#	-7	29,877	9.6	10.3	10.6
	20,040	П		27,077	7.0	10.0	10.0
TEXAS	55 /1/	,		FT 0.41	110	101	
Abilene	55,616	-6 10	_8	57,241	11.9	13.4	12.1
Amarillo	144,749			116,292		16.1	17.0
Austin	127,455	-13	-6	112,958	13.3	15.5	13.9
Beaumont	133,617	12	$-\frac{2}{7}$	102,070	16.3	15.2	17.5
Corpus Christi	135,761	19	23	106,223	15.7	14.3	15.1
Corsicana	17,018	1	15	22,991	9.0	9.1	7.3
Dallas	1,733,491			1,039,178	16.9		17.8
El Paso	204,436	8	8	149,746	17.0	16.7	16.3
Fort Worth	537,656	6		379,853		18.2	16.1
Galveston	84,734	3 5 3	8	99,622	10.2	10.1	9.5
Houston	1,698,819	2	15	1,166,885	17.8	17.9	16.8
Laredo	22,086			23,293	11.4	11.8	10.2
Lubbock	155,730	12	6	112,877	17.3	16.7	17.9
Port Arthur	47,116	6	-1	44,547	12.7	13.0	13.2
San Angelo	41,968	-8	-1	55,546	9.1	10.8	9.2
San Antonio	391,350	4	11	389,819	12.1	12.4	11.0
Texarkana <sup>3</sup>	20,087	9	-6	25,581	9.7	9.1	10.7
Tyler	53,118	1	4	56,184	11.6	12.0	11.6
Waco	76,295	11	12	92,887	9.8	10.8	8,9
Wichita Falls	87,616	11	5	108,899	9.8	9.7	9.6
Total—24 cities	\$6,142,294	5	9	\$4,667,101	16.0	16.6	15.0

1 Debits to deposit accounts except interbank accounts.

<sup>3</sup> Demand and time deposits, including certified and officers' checks outstanding but excluding deposits to the credit of banks.

5 These figures include 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 \$38,084,000 for the month of December 1951.

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

The Treasury borrowed \$4,501,683,000 during 1951 by increasing weekly offerings of Treasury bills in excess of weekly maturities and by the sale of two special issues of Treasury Tax Anticipation bills. In each week from July 5

to August 16 and from September 13 to September 27, inclusive, weekly bill offerings exceeded maturities by \$200,000,000. On October 23 the Treasury sold \$1,250,958,000 of 144-day Tax Anticipation bills, and on November 27, \$1,250,725,000 of similar bills having 201 days to maturity.

### NEW PAR BANK

The Citizens State Bank, Somerville, Texas, an insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on January 1, 1952. The bank has a capital of \$25,000, surplus of \$50,000, and undivided profits of \$25,000. The officers are: Horace C. Harden, President, and Ervin B. Flencher, Cashier.



New records were established in most lines of industrial activity in the Southwest during 1951. Especially impressive levels were attained in crude oil produc-

tion, petroleum refining, natural gasoline production, natural gas output, oil and gas wells drilled, carbon black production, sulphur output, cement production, total value of construction contracts awarded, and value of residential contracts awarded. Both nonfarm employment and manufacturing employment were at the highest levels in history. Although a record was not established in nonresidential construction contract awards, a new postwar peak was reached.

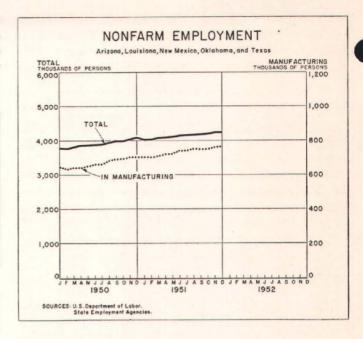
NEW INDUSTRIAL ACTIVITY RECORDS IN THE SOUTHWEST, 1951

Item	Production or a	Percent increase from 1950p	
Crude petroleum¹	1,107,773,000		19
retroleum refining	694,199,000	barrels	19
Natural gasoline 1	124,000,000		19
Notural aas	3.820.000.000.000	cubic feet	22
Oil and gas wells drilled1	19,800		7
Carbon black <sup>3</sup>	1,550,000,000	pounds	21
Sulphur <sup>8</sup>	5,300,000		2
Cement <sup>2</sup>	18,000,000		5
Construction contracts awarded, total1	\$1,316,000,000		10
Residential construction contracts awarded1.	\$558,000,000		4
Nonfarm employment, year-end3		persons	3
Manufacturing employment, year-ends	762,000		8

- Eleventh District.
- <sup>3</sup> Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
- # Indicates increase of less than one-half of 1 percent.

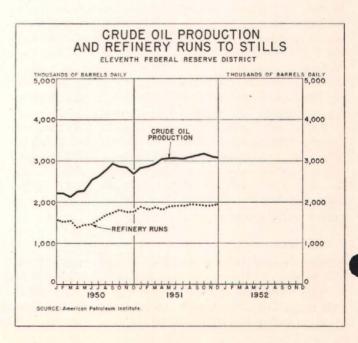
Activity in cotton textile mills and production of cottonseed products increased from the previous calendar year but were appreciably below record levels. Pine lumber production declined slightly from the previous year, as the result of the downward trend of construction activity during the second half of the year.

Employment in manufacturing has followed an almost uninterrupted upward course in the Southwest for nearly 2 years. Total nonfarm employment also has moved generally upward, though interrupted by temporary post-Christmas declines. The defense program and the particularly high level of civilian economic activity account for this gradual expansion in employment.



At the end of 1951, nonfarm employment amounted to about 4,230,000 persons in the five southwestern states, representing an increase of 3 percent from a year earlier. Manufacturing employment totaled approximately 762,000 persons, or 8 percent above the previous year. The gains in employment in aircraft, chemical, and metal and metal products plants were especially impressive. Since the seasonal peak in December, employment has declined, particularly in retail trade, but by mid-March the upswing characteristic of most of the postwar period should again be in progress. Gains in aircraft, apparel, ordnance, and other industries may cause the December nonfarm employment peak to be exceeded as early as March.

Crude oil production and refinery activity in the Eleventh District have increased irregularly since early 1950. A few cutbacks in production allowables, notably in November and



December 1951, represented temporary adjustments rather than real turning points. Defense requirements, a high level of civilian demand, and increased foreign needs as a result of the Iranian shutdown account for this strength in the oil industry.

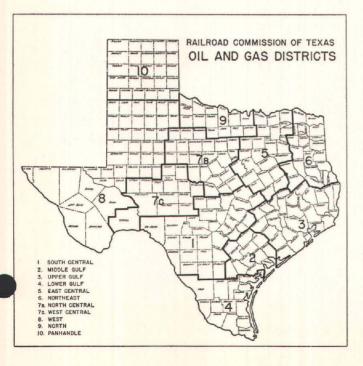
Crude oil production in the Eleventh District averaged 3,068,000 barrels per day during December; this is 39,000 barrels daily, or 1 percent, less than during November but 389,000 barrels daily, or 15 percent, above December 1950. This percentage gain from a year earlier is about double that for the Nation, with most of the national increase occurring in this District. Nevertheless, production in the District declined in January for the third consecutive month, as the result of another moderate cutback in production allowables.

#### CRUDE OIL PRODUCTION

(Barrels)

	Decemb	er 1951	Increase or decrease in daily average production from						
Area	Total production	Daily avg.	Dec. 1950	Nov. 1951					
	production	production	200. 1700	1101. 1701					
ELEVENTH DISTRICT									
Texas R. R. Com. Districts	2000000								
1 South Central	1,019,300	32,881	1,805	-671					
2 Middle Gulf	5,154,650	166,279	21,747	-3,751					
3 Upper Gulf	15,063,300	485,913	39,227	-5,612					
4 Lower Gulf	7,944,000	256,258	34,013	-4,035					
5 East Central	1,638,150	52,844	12,260	-1,566					
6 Northeast	12,248,050	395,098	27,719	-7,017					
East Texas	8,332,100	268,777	-1,978	-8,323					
Other fields	3,915,950	126,321	29,697	1.306					
7b North Central	2,613,850	84,318	11,578	858					
7c West Central	3,815,850	123,092	42,771	2,992					
8 West	29,660,300	956,784	177,771	-21,086					
9 North	4,900,350	158,076	8,741	-224					
10 Panhandle	2,589,700	83,539	-6,461	279					
Total Texas	86,647,500	2,795,082	371,171	-39,833					
New Mexico	4,560,300	147,106	17,990	-414					
North Louisiana	3,905,000	125,968	218	1,293					
Total Eleventh District	95,112,800	3,068,156	389,379	-38,954					
OUTSIDE ELEVENTH DISTRICT	97,502,100	3,145,229	65,741	17,285					
UNITED STATES	192,614,900	6,213,385	455,120	-21,669					

SOURCE: Estimated from American Petroleum Institute weekly reports.



These downward adjustments in output during the last 3 months resulted from the ample stocks position of the industry at the beginning of the heating season. While stocks of crude oil and the four major refined products—gasoline, kerosene, gas and distillate fuel oil, and residual fuel oil—declined by 15,000,000 barrels, or 3 percent, during December, the rate of decline is typical of this time of year, and the total stocks of the industry continue at relatively high levels.

An increase in Texas production allowables for February by 81,000 barrels may restore crude oil output of the District to approximately the record level of last October.

### PETROLEUM REFINERY CAPACITY, 1950-52

(Amounts in barrels per day)

Date	Texas Gulf	Inland Texas	Northern Louisiana and Arkansas	Total Eleventh District	Outside Eleventh District	United States
OPERABLE CAPACI	TY					
Jan. 1, 1950	1,591,500	281,100	86,200	1,958,800	4,658,200	6.617.000
Jan. 1, 1951	1,573,150	255,050	86,250	1,914,450	4,942,500	6,856,950
Jan. 1, 1952e	1,667,150	290,200	88,250	2,045,600	5,182,900	7,228,500
Oct. 1, 1952e	1,709,150	291,600	89,250	2,090,000	5,275,600	7,365,600
INCREASE FROM J	AN. 1. 1950	. TO				
Jan. 1, 1952e	75,650	9,100	2,050	86,800	524,700	611,500
Oct. 1, 1952e	117,650	10,500	3,050	131,200	617,400	748,600
PERCENT INCREASE	FROM JAN	. 1. 1950.	О			
Jan. 1, 1952e	4.8	3.2	2.4	4.4	11.3	9.2
Oct. 1, 1952e	7.4	3.7	3.5	6.7	13.3	11.3

e Estimated.

SOURCE: American Petroleum Institute.

Refinery activity as indicated by crude oil runs to stills averaged 1,944,000 barrels per day in this District during December; this is 18,000 barrels daily above November and 165,000 barrels daily above a year earlier. These increases reflect not only the strength of demand but also the rise in refinery capacity as a result of the large expansion program of the industry. Such expansion of capacity is scheduled to continue at least through 1952.

Construction contract awards in the Eleventh District—unlike most other indicators of business activity—have shown a definite weakening tendency for 7 months as the stimulus of the Korean situation has worn off and as credit restrictions

#### VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type  ELEVENTH DISTRICT						January — December		
	December 1951p		December 1950		November 1951	1951p	1950	
	\$	85,645 23,235 62,410	\$	120,619 48,980 71,639	\$63,456 32,882 30,574	\$1,316,116 557,743 758,373	\$1,192,438 557,476 634,962	
Residential All other	1,	,234,339 346,104 888,235		1,168,432 478,583 689,849	931,768 443,884 487,884	15,751,131 6,223,388 9,527,743	14,501,595 6,741,028 7,760,567	

<sup>1 37</sup> states east of the Rocky Mountains

p Preliminary.

SOURCE: F. W. Dodge Corporation.

and government regulations affecting supplies of materials have had increasing effect. These tendencies have been especially pronounced with regard to residential building awards, which ended the 2-year period 1950-51 at the lowest level of the entire 24 months. Nonresidential awards also declined during the second half of 1951, although they did recover somewhat in December.

The value of construction contracts awarded in the District during December amounted to \$85,600,000, or 35 percent more than in November, although 29 percent below the exceptionally high level of December 1950. Residential awards in December were \$23,000,000, or 29 percent below the November level and 53 percent lower than a year earlier. Nonresidential awards rose to \$62,000,000 in December, which is more than double the amount of the previous month, though 13 percent less than a year earlier.

### DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)									
Area	December			August—December					
	1951 <sup>1</sup>	December 1950 <sup>2</sup>	November 1951 <sup>3</sup>	This season	Last season				
CONSUMPTION									
Total Texas mills U. S. mills	11,208 672,715	12,328 784,636	12,258 730,817	61,933 3,784,717	68,992 4,395,621				
Daily Average Texas mills	590 35,406	649	629 37,478	601 36,834	639 40,855				
STOCKS, U. S.—End of period Consuming establishments Public storage and		2,033,770	1,439,702	_	_				
compresses	5,691,222	6,656,541	5,934,682	_	_				

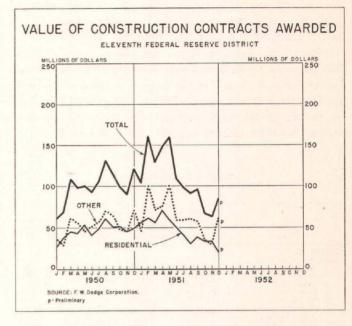
- Four weeks ended December 29, 1951.
   Four weeks ended December 30, 1950.
   Four weeks ended December 1, 1951.
   SOURCE: United States Bureau of the Census.

### COTTONSEED AND COTTONSEED PRODUCTS

	TE	KAS	August 1 to November 30		
	August 1 to 1	November 30			
	This season	Last season	This season	Last season	
COTTONSEED (tons)			11		
Received at mills	1,056,364	794,606	4,198,257	2,735,093	
Crushed	636,959	574,504	2,349,935	1,817,272	
Stocks, end of period	487,196	427,893	1,932,516	1,202,321	
COTTONSEED PRODUCTS					
Production					
Crude oil (thousand pounds).	196,236	176,184	727,203	571,938	
Cake and meal (tons)	307,921	268,641	1,089,816	814,056	
Hulls (tons)	143,713	134,367	518,888	416,908	
Linters (running bales)	205,823	173,043	750,800	596,136	
Stocks, end of period					
Crude oil (thousand pounds).	26,777	14,512	90,332	44,494	
Cake and meal (tons)	15,608	63,839	60,242	207,924	
Hulls (tons)	7,317	29,563	32,617	82,635	
Linters (running bales)	40,465	14,455	173,200	82,622	

SOURCE: United States Bureau of Census.

The awarding of contracts for defense plant construction, as well as for public works, accounts for the year-end strength in the nonresidential sector of the industry. Residential contract awards might have fallen even lower had it not been for some military and defense area housing projects.



### BUILDING PERMITS

				7		12 months 1951				
City	December 1951			Percei chang valuatio	ge in	Number	W.L.	Percentage change in valuation		
	Number	_	Valuation	Dec. 1950	Nov. 1951	Tromber	Valuation	from 12 months 1950		
LOUISIANA Shreveport	184	\$	492,802	_43	-29	3,759	\$ 15,669,734	-46		
TEXAS Abilene	276 141 132 233 1,148 151 537 60 685 151 108 868 251		218,815 1,530,325 1,425,958 172,720 746,262 4,336,102 430,447 1,603,368 243,250 8,660,677 791,539 492,891 2,016,694 973,620 216,375	-68 -57 -66 -81 -84 -64 -69 111 -56 -61 129 -70 -9	-73 9 -13 -51 35 -25 -35 -7 108 7 -26 -2 -31	3,977 2,604 2,900 3,652	6,965,571 21,405,134 29,089,385 7,128,858 18,151,989 97,026,091 14,589,437 42,722,171 7,504,674 131,567,352 18,127,819 6,160,584 44,322,662 15,284,444 6,379,505	-52 -18 -27 -27 -38 -33 -42 -10 1 -26 -30 -11 -22 -23		
Total	5,061	\$	24,351,845	-69	-9	84,715	\$482,095,414	—27		