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THE FEDERAL DEBT

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Perhaps no other topic of general interest has drawn as much attention and study during roughly the past two decades as the public debt of the United States Government.¹ In fact, it is generally agreed that the rise in the debt during the 1930's and the unprecedented expansion of 1940-45 represent one of the more significant and far-reaching structural changes ever to affect the financial framework of the Nation's economy.

During recent months a great deal of public and private discussion has centered around developments affecting the debt. In the Southwest, bankers, businessmen, and others have shown renewed interest in the problems and economic implications of a Federal debt amounting to approximately \$275,000,000,000. This article is presented, therefore, for the purpose of outlining some of the principal features of the public debt, particularly some of the underlying characteristics and basic data which may be useful to southwestern businessmen and others in appraising the course of Federal financial developments.

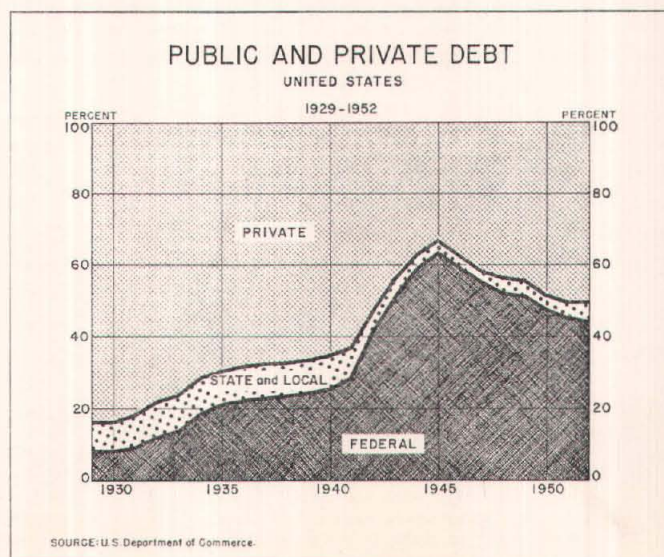
The Debt in Perspective

The absolute size of the Federal debt is frequently cited as evidence of its very great importance in the national economy. Indeed, one cannot fail to be impressed by the total. Actually, however, it is extremely difficult to visualize fully the meaning of such an amount, for billion-dollar totals measure values far beyond the comprehension of the ordinary person. A greater appreciation of the magnitude of the debt may be gained perhaps by relating it to other totals, such as population, the gross volume of the country's production of goods and services, or total public and private debt. In fact, it is generally agreed that the significance of the debt depends

less upon its absolute size than upon its relative weight within the business and financial structure of the economy.

On December 31, 1953, the gross direct debt of the United States Government amounted to approximately \$275,000,000,000, or the equivalent of about \$1,725 per capita of the country's population (continental United States). In 1940 the per capita amount was \$325, as compared with \$132 in 1930 and \$228 in 1920. The sharp rise in the per capita totals reflects a tenfold expansion in the debt and a growth of about one-half in population.

The productive capacity of the United States exceeds that of any other nation in the world. During 1953 a record volume of goods and services was turned out, about 5 percent above 1952. The country's productive strength represents a major factor, of course, in its ability to increase and to service debt — public, as well as private. Federal debt outstanding at the end of 1953 amounted to almost 75 percent of the dollar value of the gross production which flowed from the Nation's farms, factories, mines, and other enterprises during the year.



¹ In this article the terms "Federal debt," "public debt," and "Treasury debt" are used synonymously to mean gross direct debt of the Government — that is, interest-bearing public issues of Federal securities plus interest-bearing special issues of Federal securities (to United States Government investment accounts) plus matured debt on which interest has ceased plus debt bearing no interest. This usage excludes Treasury and public holdings of bonds, debentures, and notes payable issued by Government corporations and other agencies.

In 1940 the proportion was about 42 percent; in 1930, approximately 18 percent.

A further indication of the relative size of the Federal debt is its weight within the country's debt structure, as reflected by a comparison of gross debt of the Government with total public and private debt. For example, at the end of 1952, debt of the Government accounted for an estimated 44 percent of total public and private debt. This proportion is in marked contrast with the 25 percent for 1940 and the 9 percent for 1930. At the end of 1945, Government debt accounted for 63 percent of total public and private debt. In the post-war period, however, this proportion was reduced markedly, inasmuch as private and state and local government debt rose sharply while Federal debt showed relatively little change on balance.

The greatly expanded Federal debt is an integral part of the business and financial framework of the United States, a member which is virtually certain to endure far beyond the "foreseeable" future. Reflecting in part the growth of the public debt relative to total debt during roughly the past two decades, United States Government securities have become the most important single class of financial instruments in both the short-term money markets and the capital markets of the country. Marketable Government securities of relatively short term, particularly Treasury bills, provide one of the principal media through which financial institutions — as well as nonfinancial corporations, individuals, and others — make adjustments in their cash positions. Similarly, a substantial proportion of the total volume of individual savings and institutional and other investment funds flows into intermediate- and long-term Treasury securities. Because of the weight of Government debt in the total debt structure and the development of a highly sensitive market in Treasury issues, yields on marketable Government securities constitute the anchor to which the entire structure of interest rates is tied.

Treasury securities represent a substantial proportion of the total assets of all commercial banks in the country and, because of this fact, an important element in the Nation's money supply. By the same token that an expansion in commercial bank holdings of Government securities increases the total money supply through an increase in deposits, a reduction has the effect of extinguishing deposits. These results, of course, represent gross effects, inasmuch as they may be either dampened or accentuated because of other developments affecting the money supply. For example, deposit expansion arising from an increase in bank holdings of Government securities may be counteracted by the liquidation of customer loans; conversely, a rise in bank-held Government securities may be accompanied by an expansion of loans.

The Government securities market constitutes the medium through which the Federal Reserve System may exercise one of its most powerful instruments — open market operations — for influencing the volume, availability, and cost of reserves of the commercial banking system and, thereby, the country's money supply. This instrument is reflected in the

authority of the System to purchase and sell Government securities in the open market. Central bank purchases not only increase the volume of reserves of commercial banks and their ability to expand credit but also may affect prevailing yields on both Government securities and other marketable securities; conversely, sales extinguish reserves and may lead to changes in interest rates. In addition to increasing or decreasing reserves, purchases and sales of Government securities between the central bank and nonbank holders also affect the total volume of commercial bank deposits.

Reflecting principally market purchases of Government securities, the total volume of outstanding Federal Reserve credit is based, in large measure, upon holdings of Treasury issues. For example, on December 30, 1953, outstanding Reserve bank credit amounted to \$26,977,000,000, with holdings of Governments accounting for 96 percent. Reserve bank holdings of Government securities increased \$1,218,000,000 during 1953.

As the foregoing discussion suggests, the greatly expanded public debt has been integrated into the business and financial framework of the United States as one of its key members. In many respects, the increase in debt has become built-in and *relatively* permanent in character. This development, of course, does not necessarily rule out either the appropriateness of an objective of debt retirement or the possibility of realizing substantial progress toward that goal. It perhaps has led, however, to a more critical examination on the part of the public, government officials, and others of some of the problems which are involved in managing the Federal debt, particularly the conditions under which debt retirement is feasible.

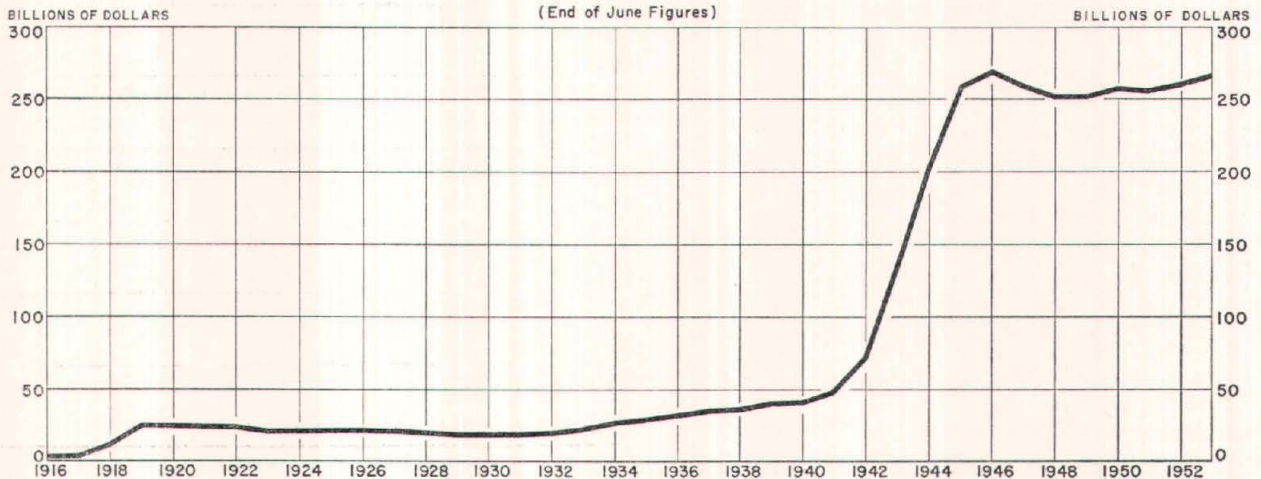
In order for the Treasury to be in a position to effect a net reduction in the debt, there must be a surplus of cash receipts from the public over cash payments to the public, exclusive of debt operations in connection with trust fund net investments. It is true, of course, that the balance in the General Fund of the Treasury may be drawn down at times to retire debt. Use of such an expedient is limited, however, and depends upon the presence of a balance in excess of anticipated requirements. In any event, such an excess would rarely account for more than a very small percentage of the total debt.

The ability of the Treasury to realize a surplus in its cash accounts and to retire debt depends upon a number of factors, some of which may be subject to very little control at times. The tax and spending programs of the Government represent the heart of the problem of achieving a surplus for purposes of debt reduction. These, in turn, are heavily influenced, if not actually shaped to some extent, by the general trend of business and other economic activity in the country. Attempting to achieve a substantial cash surplus during a period of declining employment, production, and income likely would unduly accentuate existing downward pressures and aggravate the processes of adjustment already under way. Moreover, because such a program would have the effect of further dampening total business activity, it would be self-defeating through a shrinking of the ability of the economy to yield tax revenue.

FEDERAL DEBT

1916-1953

(End of June Figures)



SOURCE: U.S. Treasury Department.

During periods of rising or full employment, production, and income, debt reduction not only is feasible but also may be highly desirable. Debt reduction is possible because Treasury revenues are likely to be rising and relatively large under the stimulus of favorable economic conditions. Furthermore, the contractive effects of a surplus which may be intolerable when business is declining are likely to be counterbalanced during an upswing and submerged in a rising trend of general activity. Because of the fact that a surplus in the Treasury's spending and revenue accounts is restrictive in its effects, such a development may be highly desirable in offsetting or arresting expansive forces of an unstabilizing nature.

Growth of the Debt

Gross direct debt of the United States Government rose to an all-time high level of \$279,214,000,000 in February 1946. Approximately 80 percent, or \$224,174,000,000, of this total represents growth following the country's entry into World War II in December 1941. The peak level of the debt in 1946 compares with the post-World War I record total of \$26,597,000,000 in August 1919 and the interwar low of \$16,026,000,000 in December 1930. On March 31, 1917, immediately before the Nation entered World War I, the debt was \$1,282,600,000, or less than 1 percent of the amount which is currently outstanding.

A combination of favorable developments following World War II permitted a moderate amount of debt repayment. The Federal debt declined to a postwar low level of \$251,530,000,000 in April 1949, reflecting a decrease of \$27,683,000,000, or almost 10 percent, from the February 1946 total. Because of the reduction in the rate of Government spending following the cessation of hostilities in August 1945 and the build-up of funds in connection with the Victory Loan of December 1945, the Treasury's balances at commercial banks

and the Federal Reserve banks became excessively large, relative to current requirements. Moreover, in the fiscal years 1947, 1948, and 1949 the Treasury's cash operating income exceeded cash operating outgo in the amount of \$16,613,000,000. Funds for debt retirement were derived, therefore, from a drawing down of the General Fund balance and from net current cash receipts.

Since the 1949 postwar low, the trend of the debt has been generally upward. The rising tendency has been particularly evident since April 1951, with the debt increasing \$20,441,000,000 between that date and December 31, 1953. Cash borrowing during July 1953, alone (principally in anticipation of a relatively large cash deficit in the last half of the calendar year) was the major factor contributing to a June-to-July increase of \$6,598,000,000. On December 31, 1953, the outstanding gross direct debt of the Government was \$275,168,000,000 (which includes debt not subject to the legal limit), or almost 99 percent of the record total of February 1946.

Origin of Increases in the Debt

Generally speaking, growth of outstanding Treasury debt has its origin principally in borrowing by the Government from the public to finance current cash operating expenditures in excess of current cash operating receipts from taxes and other sources. An expansion in Government debt stemming from such a development reflects, of course, an equivalent transfer of presently existing funds from individuals, businesses, and others to the Treasury or, alternatively, the creation of entirely new funds through the expansion of credit by the commercial banking system.

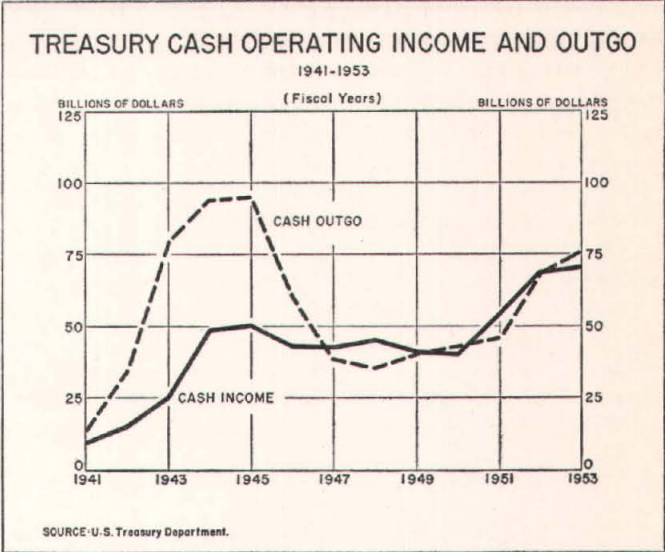
Historically, the more substantial cash deficits in the Treasury's operations have been incurred during periods of

great national emergency, when it was either impracticable or undesirable to finance current cash spending entirely through taxes. Similarly, such conditions generally have required borrowing not only from nonbanking sources but also from commercial banks, either directly or indirectly.

The expansion of the Federal debt during a period of somewhat less than 40 years from a level of \$1,282,000,000 to approximately \$275,000,000,000 was generated almost entirely out of the emergency spending requirements imposed by war and, to a markedly less degree, by the economic crisis of the 1930's. War represents the principal factor reflected in the twentyfold increase from March 1917 to August 1919. Similarly, the more than fourfold expansion from late 1941 to early 1946 was rooted in the emergency created by World War II; it was superimposed upon the somewhat less than twofold rise in the depression decade of the 1930's. Recent increases reflect principally the financing of a rising volume of defense or defense-related expenditures, particularly spending in connection with the emergency created by Korean hostilities.

Because of the various accounts in which Treasury operations are reflected — e.g., budget, trust, public debt, and the General Fund — and the fact that not all expenditures and receipts represent cash transactions, changes in the public debt are not accounted for entirely by changes in net cash operating income or outgo. A number of other factors may be involved. For example, the proceeds of net cash borrowing may be employed fully in increasing the General Fund balance of the Treasury through a build-up of Government deposits at commercial banks and the Federal Reserve banks. An increase in the General Fund balance through borrowing normally would be made, of course, in anticipation of cash spending. The cash operating deficit or surplus, however, would not reflect such a build-up or the expansion in outstanding securities through which it is effected. Moreover, growth in the outstanding public debt may stem from non-cash debt transactions — that is, debt operations which do not result in cash receipts to the Treasury or which reflect cash receipts included in cash operating income. Accrued interest on savings bonds and net investments by Government trust accounts (for example, the Unemployment Trust Fund) in Federal securities fall within these categories.

During the six fiscal years between July 1, 1940, and June 30, 1946, the Treasury sustained a total cash operating deficit of \$186,657,000,000 — that is, cash budget and trust account receipts arising from tax collections and other sources fell short of cash operating outgo by this amount. Federal securities outstanding (including guaranteed securities) rose during the same period, however, by a substantially greater amount — \$221,402,000,000. The increase in debt in excess of the cash operating deficit reflects principally a rise of \$12,346,000,000 in the General Fund balance and noncash debt transactions amounting to \$21,919,000,000. The former reflects the greatly expanded rate of spending during the war and the resulting need for substantially higher balances in the Treasury's checking accounts, while the latter represents principally net investments by trust funds and accounts and by Government agencies in Federal securities. The increase



in debt because of noncash transactions also reflects the accrual of interest on savings bonds and Treasury bills and the issuance of Federal securities in connection with certain items treated as budget expenditures, including armed forces leave bonds, adjusted service bonds, excess profits tax refund bonds, and notes for the International Bank for Reconstruction and Development and the International Monetary Fund. Finally, the discrepancy between the cash operating deficit and the increase in outstanding securities is accounted for, in part, by the cash issuance or redemption of nonguaranteed securities of Federal agencies.

Composition of the Debt

Unfortunately for purposes of description, outstanding Treasury debt is not reflected in a single, all purpose-type debt instrument. Actually, the various categories of securities which constitute the public debt are far from being uniform in many respects. The fact that the debt consists of a number of kinds of securities reflects, at least in part, the practical problems posed by differences in requirements among major sectors of the investing public, the diversification needs of individual investor groups, the changing financing requirements of the Treasury, and the legal provisions of established Government programs which entail the issuance of "tailored" obligations.

FEDERAL DEBT		
December 31, 1953		
Kind of debt	Amount	Percent of total
Interest-bearing debt		
Public issues		
Marketable obligations.....	\$154,631,000,000	56.2
Nonmarketable obligations.....	77,053,000,000	28.0
Special issues.....	41,197,000,000	15.0
Matured and noninterest-bearing debt		
Matured debt on which interest has ceased.....	436,000,000	.1
Debt bearing no interest.....	1,851,000,000	.7
Total ¹	\$275,168,000,000	100.0

¹ Includes debt not subject to statutory limitation.
SOURCE: United States Treasury Department.

The securities which comprise the public debt may be broken down into a number of rather broad categories. Moreover, some of these groups may be subdivided further according to various characteristics. Perhaps the broadest division which can be made in Treasury debt is *interest-bearing securities* and *all other securities*. The former includes the great bulk of all outstanding Treasury issues, approximately 99 percent of the total, or \$272,881,000,000, as of December 31, 1953. The latter consists principally of noninterest-bearing demand notes issued to the International Monetary Fund for payment, in part, of the United States subscription to that institution but includes also noninterest-bearing savings stamps, excess profits tax refund bonds, and currency items, as well as matured debt on which interest has ceased. On December 31, noninterest-bearing and matured debt amounted to \$2,287,000,000.

Interest-bearing debt of the Treasury consists of *public issues* and *special issues*, with publicly issued securities accounting for approximately 85 percent of the total interest-bearing debt, as of December 31. Public issues, as the name implies, consist of those securities which are available to the investing public at the time they are issued. Special issues, on the other hand, are restricted as to ownership and consist of securities which the Treasury issues to the various Government investment accounts, such as the Federal Old-Age and Survivors Insurance Trust Fund, the Unemployment Trust Fund, and the Civil Service Retirement Fund.

Public issues of Treasury securities may be subdivided further into *marketable obligations* and *nonmarketable obligations*. The former, which accounted for 56 percent of the total public debt and 67 percent of all public issues on December 31, may be transferred among investors through purchase and sale in market transactions, while the latter cannot be bought and sold in the market but may be acquired or redeemed directly through the Treasury.

Marketable obligations of the Treasury consist of four general types of debt instruments: Bills, certificates of indebtedness, notes, and bonds. Inasmuch as these securities are

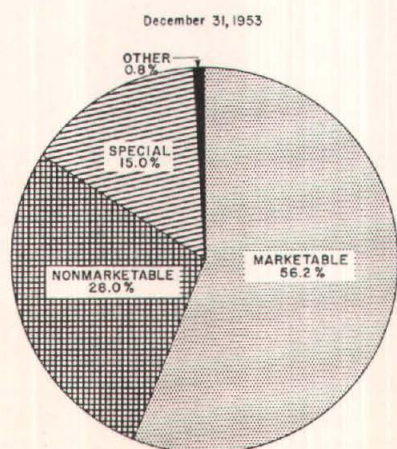
bought and sold among investors with widely varying investment requirements, their terms and other distinguishing characteristics differ in a number of respects. Treasury bills, for example, differ from other marketable Government securities in that they are issued on a discount basis to successful bidders for regular weekly offerings. Bills represent the shortest maturity obligations issued by the Treasury, usually 91 days for regular issues sold each week and from 144 days to 210 days for the tax anticipation series which have been offered on five occasions since October 1951. Currently, there are 13 issues of 91-day bills outstanding, each amounting to approximately \$1,500,000,000, with one issue maturing each week. Principally because of their very short maturity and ready marketability, Treasury bills are particularly attractive to investors for purposes of satisfying liquidity requirements.

Treasury certificates of indebtedness also fall within the category of short-term securities, inasmuch as maturities at the time of issue are for 1 year or less. Customarily, certificates are issued at par, and in contrast with most other marketable Governments (exclusive of bills), the full amount of interest is payable at maturity. Five issues of Treasury certificates, totaling \$26,386,000,000, are outstanding, with maturity dates ranging from February 15 to September 15, 1954. The certificates which mature March 22 are designated "tax anticipation series" and may be used for payment of income taxes due March 15. As in the case of Treasury bills, certificates of indebtedness represent an attractive investment medium to holders requiring a relatively high degree of liquidity.

Marketable Treasury notes customarily are issued at par, with maturities ranging from over 1 year to 5 years. Interest is payable semiannually, except when notes are issued with a term close to 1 year, in which case the full amount may be payable at maturity as in the case of certificates of indebtedness. The 11 issues of notes outstanding in the amount of \$31,406,000,000 on December 31 mature within the period from March 15, 1954, to October 1, 1958; at the time of issue, maturities ranged from 12½ months to 5 years. Six of the outstanding issues, totaling \$3,341,000,000, differ somewhat in their origin from other outstanding notes. They were issued (to holders choosing to exercise their option) in exchange for the nonmarketable Investment Series Treasury bonds of 1975-80, which were offered to investors first on an exchange basis, as of April 1, 1951, and again on a combination cash-exchange basis in May 1952. Eighty-one percent of these notes outstanding on December 31 represent exchanges by the Federal Reserve banks. Additional amounts — dated April 1 or October 1, whichever is appropriate — may be issued as holders of the investment series bonds elect to exchange.

Treasury bonds represent the largest single category of the marketable public debt — \$77,220,000,000, or 50 percent — and a substantial proportion of the total public debt — 28 percent. Inasmuch as the maturities of these obligations upon issue ordinarily are more than 5 years, they represent the longest term debt instruments issued by the Treasury. Because of the time to maturity and relatively high yields to purchasers or subscribers, Treasury bonds are more suitable,

COMPOSITION OF FEDERAL DEBT



SOURCE: U. S. Treasury Department.

in most instances perhaps, for attracting the long-term investment funds of institutional and other investors than are other marketable Treasury issues. The original maturities of the 27 issues of marketable bonds currently outstanding ranged from 5 years and 10 months to slightly more than 30 years. Treasury bonds, however, usually are callable a few years before maturity at the option of the Secretary of the Treasury. For example, although the 3¼-percent bonds of 1978-83, the longest issue currently outstanding, mature June 15, 1983, they may be called for redemption as early as June 15, 1978. Three issues which are now outstanding may not be called before maturity. As in the case of certificates and notes, Treasury bonds customarily are issued at par. Interest is payable semiannually.

In addition to Treasury bonds and other marketable securities mentioned above, the total marketable public debt also includes "other bonds," which consist of Panama Canal bonds of 1961 and Postal Savings bonds (46th to 49th series). These obligations were outstanding in the amount of \$107,000,000 as of December 31, 1953.

Nonmarketable public issues of Treasury securities were outstanding in the amount of \$77,053,000,000 as of December 31, 1953. As mentioned above, these obligations are not purchased and sold in market transactions, as in the case of marketable issues, but may be acquired or redeemed directly through the Treasury. Outstanding amounts consist of United States savings bonds (Series E through H and Series J and K), Treasury savings notes (Series A through D), Treasury bonds (Investment Series A and B), and depositary bonds (First series). Savings bonds and investment series Treasury bonds account for 75 percent and 17 percent, respectively, of the total.

Because of intensive sales promotion efforts by the Treasury (particularly during World War II) with the cooperation of local public and private groups throughout the country, United States savings bonds are more familiar to the general public than perhaps any other type of Treasury issue. This is especially true in the case of Series E savings bonds. Both Series E and Series H bonds yield the investor a return of 3 percent, compounded semiannually, if held 9 years and 8 months to maturity. The former may be redeemed after 2 months from issue date at the option of the owner; the latter, after 6 months from issue date on 1 month's notice. Interest on E bonds accrues as an addition to current redemption values, while interest on Series H bonds is paid semiannually by check. Series J and K bonds yield the investor 2.76 percent for 12 years to maturity.

With reference to the needs of both the Treasury and investors, the various series of savings bonds are truly "tailored" securities in a number of respects. Factors such as nonmarketability (which insures, of course, insulation from market price fluctuation), the privilege of redemption upon demand after the elapse of stated minimum time periods, relatively high yields to maturity, continuous availability for purchase by investors, and limitations upon amounts which may be purchased annually were designed to make savings bonds attractive to smaller investors and, at the same time, to limit the flow of funds into these media to bona fide savings.

Two issues of Treasury bonds, Investment Series, currently are outstanding. The first — 2½-percent bonds of Series A which mature October 1, 1956 — was issued October 1, 1947, in connection with a limited offering (that is, limited with respect to individual subscriptions, although not specifically in total) to financial institutions, pension and retirement funds, endowment funds, credit unions, and fraternal benefit associations. Outstanding bonds of this series, amounting to \$913,845,000 on December 31, may be redeemed before maturity on 1 month's notice at the option of the owner; however, redemption before maturity is at less than par value. The second — 2¾-percent bonds of Series B which mature April 1, 1980, and are callable April 1, 1975 — was issued April 1, 1951, on an exchange basis to holders of the 2½-percent marketable Treasury bonds of June 15 and December 15, 1967-72, who elected to exercise the exchange privilege. A further offering of these bonds was made in May 1952 for cash or for cash and in exchange for the 4 issues of 2½-percent marketable Treasury bonds due within the period March 15, 1970, to December 15, 1972, but excluding the issue maturing September 15, 1972. Series B bonds, outstanding in the amount of \$11,989,000,000 on December 31, may be exchanged at any time at the option of the owner for marketable 1½-percent 5-year Treasury notes.

In many respects, Treasury savings notes are a special-purpose, nonmarketable-type security designed to meet the requirements of corporations and others for investing funds to be used in payment of Federal income, estate, or gift taxes. They may be purchased, of course, for other purposes. On December 31, four series of these securities totaling \$6,026,000,000 were outstanding. Usually, savings notes are continuously available for purchase; on October 23, 1953, however, the Treasury suspended their sale until further notice, with this action reflecting in part the nearness of the public debt to the legal limit. Maturities of outstanding issues range from 2 to 3 years from issue date, with the privilege of redemption in payment of taxes at any time after 2 months from issue. They may be redeemed for cash at the option of the owner at any time after 4 months from issue date. Commercial banks may redeem tax savings notes for cash but receive no interest. Investors other than commercial banks may purchase them for purposes other than the payment of taxes, as such investors may redeem savings notes for cash, including interest accruals.

On December 31, depositary bonds (2 percent, First series) in the amount of \$416,000,000 were outstanding. These bonds may be issued for the account of commercial banks which have been designated to perform certain depositary functions (other than the handling of Treasury Tax and Loan accounts). They mature 12 years from issue date and may be redeemed at the option of either the owner or the Treasury at any time upon 30 to 60 days' notice.

Special issues of the Treasury were outstanding in an amount of \$41,197,000,000 on December 31, accounting for 15 percent of the gross public debt. As mentioned above, special issues are restricted as to ownership and consist of securities which the Treasury issues to the various Government

investment accounts. These securities consist of certificates and notes which are nonmarketable and may not be held by the public. On the basis of the amounts of special issues outstanding on December 31, the larger of the 16 Treasury investment accounts include the Federal Old-Age and Survivors Insurance Trust Fund (\$16,006,000,000), the Unemployment Trust Fund (\$8,580,000,000), the Civil Service Retirement Fund (\$5,629,000,000), the National Service Life Insurance Fund (\$5,219,000,000), the Railroad Retirement Account (\$3,236,000,000), and the Government Life Insurance Fund (\$1,219,000,000). Outstanding amounts issued to other accounts ranged from \$700,000 (Federal Housing Administration funds) to \$813,300,000 (Federal Deposit Insurance Corporation).

Requirements for the issuance of special Treasury securities to the various funds and accounts stem, in part, from legal provisions embodied in legislation establishing such trust funds and accounts and from a need to invest additions to reserves. Trust fund reserves accumulate as the amount of current employment taxes, assessments, premium income, contributions, and earnings on investments exceeds expenditures for fulfilling the purposes of the funds, e.g., retirement and insurance benefit payments. Rates of interest on outstanding issues range from 1½ percent to 4 percent, with most rates determined either by the minimum investment yield specified in the laws establishing the various trust funds or by investment procedures prescribed by the Treasury based on legal earnings requirements of the funds. Some special issues are redeemable on demand; others, 1 year from issue date. Securities which were outstanding on December 31, 1953, had maturities ranging from January 1, 1954, to December 1, 1958.

Maturity and Ownership of the Debt

Public issues of Treasury securities currently outstanding are weighted heavily by obligations which mature or may be redeemed within 1 year, including securities which the Treasury may call for redemption. The concentration of large amounts of the debt in issues maturing in as short a period as 1 year and in issues which may be redeemed on relatively short notice (at the option of the holder) may pose a number of problems for the Treasury. Among the more important of these are the risks of large cash drains on Treasury funds at inopportune times through redemptions and the requirements for frequent refunding of maturing obligations.

As of December 31, 1953, almost 48 percent of all outstanding marketable obligations became due (or were first callable, in the case of partially tax-exempt issues) within 1 year. Moreover, 84 percent of all other public issues — i.e., total nonmarketable obligations exclusive of the 2¾-percent Investment Series bonds — were redeemable within 1 year. On December 31 the remainder of outstanding marketable issues became due as follows: Slightly more than 21 percent, in 1 to 5 years; 11 percent, in 5 to 10 years; 3 percent, in 10 to 15 years; and about 16 percent, beyond 15 years. Inasmuch as all outstanding special issues are held by the Treasury, maturities and redemptions do not pose the same problem as in the case of public issues.

ESTIMATED OWNERSHIP OF FEDERAL SECURITIES

October 31, 1953

Type of holder	Amount ¹ _p	Percent of total ¹ _p
Individuals.....	\$ 65,600,000,000	24.0
Commercial banks.....	62,700,000,000	22.9
United States Government investment accounts.....	48,000,000,000	17.6
Federal Reserve banks.....	25,300,000,000	9.2
Corporations.....	20,700,000,000	7.6
Insurance companies.....	15,800,000,000	5.8
Miscellaneous investors.....	13,700,000,000	5.0
State and local governments.....	12,200,000,000	4.5
Mutual savings banks.....	9,300,000,000	3.4
Total.....	\$273,500,000,000	100.0

¹ Par values of securities issued or guaranteed by the United States Government (excluding guaranteed securities held by the Treasury), except that United States savings bonds of Series A through F and J are included at current redemption values.

_p—Preliminary.

SOURCE: United States Treasury Department.

The public debt of the United States Government is distributed widely among various groups of holders. As mentioned above, the terms of individual issues have been tailored in a number of respects to fit the investment requirements of particular groups of the investing public, as well as to fulfill the financing needs of the Government. The promotion and maintenance of ownership of the debt among the public on as broad a scale as practicable contribute importantly to the ease and efficiency with which Treasury cash borrowing and refunding operations can be effected. Moreover, from the standpoint of public policy, wide distribution of the debt encourages greater interest and promotes more acute awareness among the public with respect to the problems associated with Treasury financing.

Individuals (including partnerships and personal trust accounts) hold a greater share of Federal securities than any other single group of owners — on October 31, 1953, an estimated \$65,600,000,000, or 24 percent. Savings bonds weigh heavily, of course, in these holdings. Commercial banks (including trust companies and stock savings banks) represent the second largest holders, accounting for \$62,700,000,000, or nearly 23 percent, on October 31. United States Government investment accounts and the Federal Reserve banks owned \$48,000,000,000, or approximately 18 percent, and \$25,300,000,000, or slightly more than 9 percent, respectively. Other owner groups and their holdings on October 31 included corporations other than banks and insurance companies, \$20,700,000,000, or nearly 8 percent; insurance companies, \$15,800,000,000, or about 6 percent; miscellaneous investors, \$13,700,000,000, or 5 percent; state and local governments, \$12,200,000,000, or almost 5 percent; and mutual savings banks, \$9,300,000,000, or slightly more than 3 percent.

Interest on the Debt

During the fiscal year ended June 30, 1953, interest on the public debt amounted to \$6,508,000,000, or about 9 percent of total budget expenditures. This total compares with interest expenditures of \$1,041,000,000 in fiscal 1940 and \$599,277,000 in fiscal 1932. The sharp rise of interest expenditures (particularly during World War II) reflects principally, of course, growth in the debt; this fact is emphasized when it is considered that the computed annual rate of interest on the outstanding debt declined over the greater part of the 20-year period.

REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at department stores in the Eleventh Federal Reserve District during the first half of January were 4 percent below the comparable period in 1953, the same as the year-to-year decline in December.

Total department store sales in 1953 exceeded those of 1952 by 1 percent, despite year-to-year losses in each of the last 4 months.

Prices of most major agricultural commodities increased moderately during the past month; meat animals and cotton scored important gains.

Crude oil production rose slightly in the first part of January but was still moderately below a year earlier. At mid-January, crude stocks of District origin were lower than a year ago.

Crude runs to refinery stills have been holding relatively stable in recent months, although activity in the District turned downward in January to the lowest daily rate since June 1952.

Nonagricultural employment in the five District states reached a record peak in December and then declined seasonally in January. Manufacturing employment in the District declined more than seasonally from November to December, as some defense industries reduced their work forces because of the declining volume of defense work under contract.

The value of construction contracts awarded in the District in December compares favorably with most other months of 1953. Total awards in 1953 showed a year-to-year loss of 11 percent, compared with a 4-percent gain for the United States.

Demand deposits of individuals and businesses rose sharply at weekly reporting member banks during the 5 weeks ended January 20. Loan demand was moderately strong in most weeks, causing a 4-percent rise in loans for commercial, industrial, and agricultural purposes.



Retail sales at department stores in the Eleventh Federal Reserve District during the first half of January were 4 percent below the comparable period in 1953. Although reports from individual stores varied, with some showing moderate gains, department store sales during the first half of the month declined from year-earlier totals in each of the District's major cities except San Antonio, which reported a gain of 1 percent.

District department store sales for the year 1953 exceeded those for 1952 by 1 percent, despite the year-to-year losses which occurred during the last 4 months. Of the individual cities reporting, Houston and Corpus Christi led the District with calendar-year gains of 3 percent.

The 1-percent increase in department store trade in the Eleventh District in 1953 compares with a gain of 2 percent in the Nation. In this District the comparison of 1953 department store sales with those of 1952 is particularly significant since 1952 was a record year, during which sales rose 6 percent above 1951. In the Nation, however, 1952 sales were only 1 percent above 1951.

Other Federal Reserve Districts reporting gains in department store sales in 1953 over 1952 are Cleveland and Chicago, 3 percent each; Atlanta, Minneapolis, and St. Louis, 2 percent each; and Boston and Philadelphia, 1 percent each. The Kansas City and San Francisco Districts showed no change from 1952. Federal Reserve Districts showing declines are Richmond and New York, each down 1 percent.

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES			STOCKS ¹	
	Dec. 1953 from		12 mo. 1953 comp. with 12 mo. 1952	Dec. 1953 from	
	Dec. 1952	Nov. 1953		Dec. 1952	Nov. 1953
DEPARTMENT STORES					
Total Eleventh District.....	-3	58	1	1	-20
Corpus Christi.....	1	75	3	-1	-20
Dallas.....	-2	56	2	-2	-20
El Paso.....	n.a.	n.a.	n.a.	n.a.	n.a.
Fort Worth.....	-5	60	-4	-3	-25
Houston.....	-4	56	3	2	-21
San Antonio.....	-4	50	-2	2	-15
Shreveport, La.....	-3	56	1	2	-16
Waco.....	-2	64	-5	7	-19
Other cities.....	1	61	2	1	-17
FURNITURE STORES					
Total Eleventh District.....	-11	38	—	-9	4
Austin.....	-14	42	—	2	-8
Dallas.....	-7	21	—	-24	-2
Houston.....	-8	55	—	—	—
Port Arthur.....	14	57	—	—	—
San Antonio.....	-24	38	—	—	—
Shreveport, La.....	-13	41	—	-15	-10
Other cities.....	-6	40	—	-1	66
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	-24	25	—	—	—
Dallas.....	-21	23	—	—	—

¹ Stocks at end of month.
n.a.—Not available.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED ¹			
	Dec. 1953	Nov. 1953	Oct. 1953	Dec. 1952	Dec. 1953	Nov. 1953	Oct. 1953	Dec. 1952
SALES—Daily average								
Eleventh District.....	209	144	128	215	125	127	122	128
Dallas.....	203	141	128	206	122	122	119	124
Houston.....	238	166	142	248	141	148	144	147
STOCKS—End of month								
Eleventh District.....	122p	151	152	120	134p	136	139	132

¹ Adjusted for seasonal variation.
p—Preliminary.

Final figures for December indicate that department store sales in the District rose, seasonally, 58 percent above November but were 3 percent below the all-time record of December 1952. The principal losses were in women's and misses' wearing apparel and accessories, down 3 percent, and major appliances, down 30 percent. On the other hand, basement store sales and sales of games and toys set new records, exceeding December 1952 by 3 percent and 7 percent, respectively. Among individual items showing substantial gains over 1952, sales of mechanical refrigerators rose 17 percent and radios and phonographs, 13 percent. Sales of men's clothing gained 2 percent.

Cash purchases at department stores during December represented 35 percent of total sales, which compares with 36 percent in December 1952. Reflecting a slight shift to shorter credit terms, the proportion represented by charge account sales was 57 percent, up 2 percentage points, while instalment sales accounted for 8 percent of total sales, down 1 point from a year earlier.

Accounts receivable on December 31 were at a record high, with instalment receivables accounting for most of the dollar increases over a year earlier. Instalment receivables rose 16 percent during 1953, while charge accounts rose 3 percent. Total department store credit outstanding was up 8 percent as compared with December 31, 1952.

Department store inventories were reduced approximately 20 percent during December and at the end of 1953 were 1 percent higher than on the same date a year earlier.

WHOLESALE TRADE STATISTICS

Eleventh Federal Reserve District

(Percentage change)

Line of trade	NET SALESp			STOCKS ¹ p	
	December 1953 from December 1952	November 1953	12 mo. 1953 comp. with 12 mo. 1952	December 1953 from December 1952	November 1953
Drugs and sundries.....	7	1	—	1	—4
Dry goods.....	12	10	—	—3	—13
Grocery (full-line wholesalers not sponsoring groups)....	—5	3	—	—3	—8
Hardware.....	2	—9	—1	#	—16
Industrial supplies.....	—5	10	—3	6	—2
Machinery equipment and supplies except electrical....	—2	—7	—	—7	—3
Metals.....	—24	—25	2	—6	—4
Tobacco products.....	—10	4	—2	—9	—10
Wines and liquors.....	—16	53	—	—	—

¹ Stocks at end of month.

p—Preliminary.

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

SOURCE: United States Bureau of the Census.

Furniture store sales at reporting stores in the District during December rose, seasonally, 38 percent above November but were 11 percent under December 1952. Total sales for the year 1953 compared with 1952 showed a loss of 7 percent. End-of-year inventories, although up 4 percent from November, were 9 percent lower than a year earlier. Total accounts receivable were virtually unchanged from December 31, 1952.



Field work was virtually at a standstill in much of the District during January, as winter weather brought freezing temperatures and some snow to northwestern counties and rainy weather to central and southeastern areas. Preplanting irrigation is under way in the Lower Rio Grande Valley of Texas, and bedding of land for early spring crops is making progress throughout the southern part of the State. Moisture supplies are generally adequate except in extreme west Texas and southern New Mexico, and the prospect of planting this year's crops under favorable moisture conditions is much improved as compared with a year ago.

The District's winter wheat crop made fair to good progress during the past month, although below-freezing temperatures during late December and early January retarded growth. Fields in many counties in northwest Texas and northeastern New Mexico are in need of moisture and warmer weather for further growth. Low temperatures also have killed the top growth on oats and barley in parts of the Low Rolling Plains and northern Edwards Plateau counties, but much of this acreage probably will recover. In central and eastern counties of Texas and in Louisiana, small grains and winter legumes are making good to excellent growth.

The movement of cattle and sheep from wheat pastures gained momentum during January as fields were grazed off. Virtually all sheep were removed from small grain pastures in the eastern counties of the Edwards Plateau in late December. The number of cattle on feed in the United States on January 1 was 9 percent smaller than the record level of a

CROP PRODUCTION

Texas and Five Southwestern States

(In thousands of bushels)

Crop	Texas			Five southwestern states ¹		
	Average 1942-51	1952	1953	Average 1942-51	1952	1953
Cotton ²	3,162	3,808	4,350	4,644	6,106	6,938
Corn.....	54,256	41,292	33,874	97,664	65,587	52,991
Wheat.....	59,088	34,626	23,035	134,333	144,123	95,154
Oats.....	25,280	20,910	39,150	47,630	32,198	54,141
Rice ³	9,498	13,800	14,924	20,021	25,856	27,080
Sorghum grain...	80,523	48,236	55,198	96,850	54,989	66,156
Peanuts ⁴	312,916	88,875	171,925	438,361	142,675	289,775
Flaxseed.....	734	1,062	868	1,328	1,150	868
Pecans.....	28,775	47,200	31,000	59,690	63,700	74,600
Irish potatoes...	4,040	2,040	2,484	8,796	4,800	6,099
Sweet potatoes...	4,372	1,215	2,550	14,272	9,235	11,511
Hay, all ⁵	1,547	1,512	1,705	4,739	4,606	5,063

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.

⁵ In thousands of tons.

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	December 1953	December 1952	November 1953	December 1953	December 1952	November 1953
Cattle.....	73,920	59,335	104,818	31,029	19,276	38,027
Calves.....	29,198	22,734	38,896	26,346	11,060	37,029
Hogs.....	44,522	83,215	52,886	—	3,132	—
Sheep.....	43,563	45,677	40,155	17,983	110,392	124,979

¹ Includes goats.

year earlier, according to the United States Department of Agriculture. Sharpest declines were recorded in the west northcentral states, while eastern Corn Belt states showed increases of from 4 to 5 percent and California reported an increase of 7 percent. The number of cattle on feed in Texas is estimated at 129,000 head—33 percent lower than a year ago. Oklahoma and New Mexico report declines of 20 percent and 44 percent, respectively, while the number on feed in Arizona was up 6 percent.

On January 1, sheep and lambs on feed for market in the United States were 4 percent fewer than a year ago. In the 11 Corn Belt states there was a drop of 6 percent, while California reports an increase of 23 percent. Oklahoma, New Mexico, and Arizona recorded increases of 33 percent, 73 percent, and 14 percent, respectively, while the number on feed in Texas was down 9 percent. The decline in numbers of sheep and lambs on feed in most major feeding areas of the Nation reflects the downward trend in numbers of sheep and lambs on farms and ranches.

The index of prices received by Texas farmers, which is prepared by the United States Department of Agriculture, increased slightly from November 15 to mid-December, with virtually all commodities sharing in the very small rise, but was 9 percent below a year earlier. Reports from commodity markets since mid-December indicate some further strengthening, particularly in prices for cotton and livestock. By mid-January, prices of beef cattle and sheep and lambs generally had risen \$1 to \$2 per hundredweight, and hog prices were up about \$2 to \$3, compared with mid-December. This strengthening of cattle and lamb prices occurred, even though marketings from wheat pastures increased substantially. Compared with a year ago, cattle prices are down sharply, but hogs are selling from \$4 to \$6 higher per hundredweight.

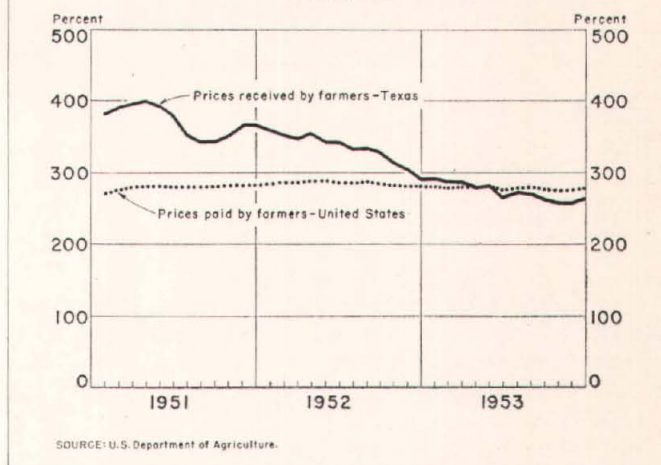
FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Comparable		
		Week ended Jan. 21, 1954	week last month	week last year
COTTON, Midding 15/16-inch, Dallas....	lb.	\$.3295	\$.3210	\$.3215
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.71 3/4	2.66 1/2	2.68 1/4
OATS, No. 2 white, Fort Worth.....	bu.	1.09	1.04 3/4	1.09 3/4
CORN, No. 2 yellow, Fort Worth.....	bu.	1.83 1/4	1.86 1/4	1.88 1/2
SORGHUMS, No. 2 yellow, Fort Worth....	cwt.	2.97	2.80	3.18
HOGS, Choice, Fort Worth.....	cwt.	27.00	25.00	19.50
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	25.25	24.00	25.25
SLAUGHTER CALVES, Choice, Fort Worth...	cwt.	20.50	18.50	25.00
STOCKER STEERS, Choice, Fort Worth....	cwt.	21.00	19.00	23.50
HENS, 4 pounds and over, Fort Worth....	lb.	.25	.25	.22
FRYERS, Commercial, Fort Worth.....	lb.	.25 1/2	.28	.27
BROILERS, south Texas.....	lb.	.25	.27	.27
EGGS, Graded and candled, Fort Worth...	case	15.50	16.00	13.00

FARM PRICES

1910 = 100



Cotton prices have advanced moderately since early January as a result of more favorable prospects for export business, an improved tone in the domestic market, and an increasing tightness of available supplies as a large part of the 1953 crop moves into the loan. The Commodity Credit Corporation has announced that loan entries through January 15 totaled 6,086,000 bales, of which 69,900 bales had been redeemed. Loan entries from the 1953 crop have exceeded those from any previous crop. The Corporation also holds 1,712,600 bales of 1952-crop cotton.

A recent report by the United States Department of Agriculture shows that the dollar value of farm and ranch land in the Nation declined 3 percent between July and November 1953. Among District states the largest decline was in Arizona, where values averaged 7 percent lower. Oklahoma and New Mexico experienced declines of 5 percent and 3 percent, respectively, and Texas and Louisiana, reductions of 2 percent.



Between December 16, 1953, and January 20, 1954, changes in the major categories of assets and liabilities of weekly reporting member banks in the District included increases in loans, cash assets, and deposits and a reduction in investments. Principally as a result of these changes, total resources of these banks rose \$151,084,000, or 3.0 percent, to a total of \$5,173,603,000.

Loan demand during the 5 weeks was rather strong, with commercial, industrial, and agricultural loans increasing by \$48,970,000, or 3.9 percent. During most weeks, sales finance companies, construction firms, and manufacturers of petroleum, chemicals, and related products borrowed relatively large amounts on balance; most other major manufacturing groups were also net borrowers, although on a somewhat smaller scale. On the other hand, commodity dealers, wholesale and retail trade establishments, and a group of miscellaneous borrowers repaid substantial amounts of outstanding loans.

CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Jan. 20, 1954	Jan. 21, 1953	Dec. 16, 1953
ASSETS			
Commercial, industrial, and agricultural loans....	\$1,298,919	\$1,200,339	\$1,249,949
Loans to brokers and dealers in securities.....	10,965	10,297	11,985
Other loans for purchasing or carrying securities..	74,238	66,704	76,016
Real estate loans.....	132,106	130,362	134,687
Loans to banks.....	1,109	32,535	9,039
All other loans.....	402,189	373,505	410,835
Gross loans.....	1,919,526	1,813,742	1,892,511
Less reserves and unallocated charge-offs..	17,067	18,963	17,803
Net loans.....	1,902,459	1,794,779	1,874,708
U. S. Treasury bills.....	155,898	212,170	187,129
U. S. Treasury certificates of indebtedness.....	262,003	154,725	259,150
U. S. Treasury notes.....	199,869	213,362	208,425
U. S. Government bonds (inc. gtd. obligations)...	684,375	705,566	672,627
Other securities.....	197,518	177,320	196,425
Total investments.....	1,499,663	1,463,143	1,523,756
Cash items in process of collection.....	435,339	402,109	342,061
Balances with banks in the United States.....	550,077	460,643	523,406
Balances with banks in foreign countries.....	1,564	1,158	1,331
Currency and coin.....	47,562	44,264	49,550
Reserves with Federal Reserve Bank.....	625,182	585,335	601,692
Other assets.....	111,757	101,781	106,015
TOTAL ASSETS.....	5,173,603	4,853,212	5,022,519
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,776,411	2,659,106	2,622,364
United States Government.....	69,494	74,719	85,787
States and political subdivisions.....	230,410	221,509	242,135
Banks in the United States.....	977,978	939,809	939,891
Banks in foreign countries.....	10,575	11,250	10,931
Certified and officers' checks, etc.....	66,200	73,699	59,063
Total demand deposits.....	4,131,068	3,980,092	3,960,171
Time deposits			
Individuals, partnerships, and corporations....	519,202	440,390	514,957
United States Government.....	10,144	10,386	10,144
Postal savings.....	450	450	450
States and political subdivisions.....	115,904	57,018	108,704
Banks in the U. S. and foreign countries.....	1,388	1,070	1,788
Total time deposits.....	647,088	509,314	636,043
Total deposits.....	4,778,156	4,489,406	4,596,214
Bills payable, rediscounts, etc.....	14,000	8,000	42,100
All other liabilities.....	59,952	60,824	63,716
Total capital accounts.....	321,495	294,982	320,489
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	5,173,603	4,853,212	5,022,519

Other changes in loans included decreases in loans to banks and "all other" loans, the category which includes consumer-type credits. Real estate loans and loans for financing security transactions showed somewhat smaller decreases. On January 20, loans of these banks were \$1,919,526,000, as compared with \$1,813,742,000 a year earlier.

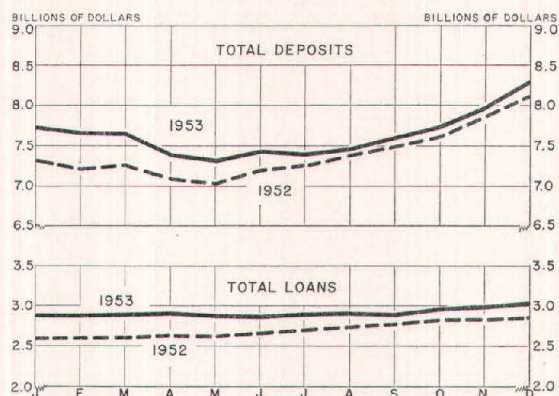
Investments of these banks declined \$24,093,000, or 1.6 percent, during the 5 weeks ended January 20. Sales or redemptions of Treasury bills represent the principal factor in the decrease, although holdings of Treasury notes were re-

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Date	COMBINED TOTAL		RESERVE CITY BANKS		COUNTRY BANKS	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
December 1951..	\$6,753,139	\$706,327	\$3,170,047	\$390,143	\$3,583,092	\$316,184
December 1952..	7,090,304	784,739	3,380,098	422,356	3,710,206	362,383
August 1953....	6,555,188	903,610	3,153,585	495,813	3,401,603	407,797
September 1953..	6,647,956	912,860	3,236,056	501,477	3,411,900	411,383
October 1953...	6,719,484	925,358	3,263,306	508,529	3,456,178	416,829
November 1953..	6,948,849	936,175	3,369,875	516,162	3,578,974	420,013
December 1953..	7,104,841	971,988	3,453,418	545,675	3,651,423	426,313

MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT

duced also. On the other hand, less than offsetting increases in holdings of Treasury certificates of indebtedness and bonds were reported. Investments in other securities showed relatively little change.

Reflecting for the most part a rather sharp expansion of 5.9 percent in demand deposits of individuals, partnerships, and corporations, total deposits of these banks increased \$181,942,000, or 4.0 percent, between December 16 and January 20. The rise in the demand accounts of individuals and businesses was associated, in part, with a gain of funds arising from Treasury operations. Changes in other categories of demand deposits included a reduction in United States Government and state and political subdivision accounts and a less than offsetting expansion in interbank deposits. Time deposits rose during the 5 weeks, reflecting principally an increase in the time deposits of states and local subdivisions.

Gross demand deposits of all member banks in the District averaged \$7,104,841,000 during December 1953, reflecting

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Dec. 30, 1953	Dec. 31, 1952	Nov. 25, 1953
ASSETS			
Loans and discounts.....	\$3,065	\$2,851	\$2,996
United States Government obligations.....	2,441	2,439	2,439
Other securities.....	460	431	454
Reserves with Federal Reserve Bank.....	1,024	1,059	1,022
Cash in vault.....	141	174	123
Balances with banks in the United States.....	1,264	1,212	1,079
Balances with banks in foreign countries ^a	1	1	2
Cash items in process of collection.....	340	436	371
Other assets ^a	155	142	147
TOTAL ASSETS^a.....	8,891	8,745	8,633
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,158	1,253	1,005
Other demand deposits.....	6,109	6,080	6,015
Time deposits.....	983	791	935
Total deposits.....	8,250	8,124	7,955
Borrowings ^a	0	30	43
Other liabilities ^a	71	69	65
Total capital accounts ^a	570	522	570
TOTAL LIABILITIES AND CAPITAL ACCOUNTS^a.....	8,891	8,745	8,633

e—Estimated.

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

(Amounts in thousands of dollars)

City	DEBITS ¹			DEPOSITS ²			
	December 1953	Percentage change from		Annual rate of turnover			Nov. 1953
		Dec. 1952	Nov. 1953	Dec. 31, 1953	Dec. 1953	Dec. 1952	
ARIZONA							
Tucson.....	\$ 109,802	3	19	\$ 86,999	15.2	14.4	13.1
LOUISIANA							
Monroe.....	52,547	-1	5	45,706	14.4	14.3	14.5
Shreveport.....	217,988	4	12	173,309	15.0	14.9	13.9
NEW MEXICO							
Roswell.....	25,736	-11	-6	30,199	10.3	12.1	11.3
TEXAS							
Abilene.....	59,371	2	14	55,312	13.2	13.3	12.0
Amarillo.....	129,523	-9	7	101,172	15.4	15.8	14.5
Austin.....	115,257	7	11	105,070	13.7	13.2	12.8
Beaumont.....	138,806	-1	9	104,585	16.4	17.3	15.7
Corpus Christi.....	143,268	-5	4	107,520	16.0	16.7	15.5
Corsicana.....	16,525	-4	28	22,469	8.9	9.7	7.1
Dallas.....	2,105,824	15	30	949,367	27.5	24.8	21.8
El Paso.....	227,879	-5	10	132,819	21.4	22.2	20.4
Fort Worth.....	586,438	1	23	340,475	20.9	21.1	17.3
Galveston.....	79,379	-1	9	81,798	11.8	14.6	10.8
Houston.....	1,894,258	3	19	1,161,142	20.0	21.2	17.5
Laredo.....	21,573	-17	14	19,216	13.4	14.9	12.5
Lubbock.....	147,263	-2	33	90,487	20.5	18.0	16.7
Port Arthur.....	49,984	3	20	38,433	15.6	15.0	13.2
San Angelo.....	38,503	2	9	45,524	10.3	9.5	9.7
San Antonio.....	398,926	1	12	316,482	15.1	15.0	13.7
Texarkana.....	18,482	-6	4	18,282	12.2	10.8	11.8
Tyler.....	60,063	3	14	59,956	12.2	13.0	11.2
Waco.....	81,235	1	8	69,257	14.4	15.2	13.8
Wichita Falls.....	88,678	-6	16	104,336	10.4	11.9	9.2
Total—24 cities.....	\$6,807,308	5	20	\$4,259,915	19.6	19.3	16.8

¹ Debits to demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.² Demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.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 \$38,896,000 for the month of December 1953.

NEW MEMBER BANK

The Peoples State Bank of Kountze, Kountze, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business January 18, 1954, as a member of the Federal Reserve System. The new bank has capital of \$75,000, surplus of \$25,000, and undivided profits of \$25,000. The officers are: W. B. Cariker, President; Chas. D. Smith, Vice President; Geo. N. Christian, Executive Vice President; and Frank Oxley, Cashier.

NEW PAR BANKS

The Sterlington Bank, Sterlington, Louisiana, an insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on January 1, 1954. The officers are: N. B. James, President; R. E. Wollank, Executive Vice President and Cashier; Dr. B. E. Spencer, Vice President; D. Y. Smith, Vice President; and Marvin O. Ramsey, Assistant Cashier.

The Cotton Belt State Bank, Timson, 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 4, 1954. The officers are: H. L. Rogers, Executive Vice President; Robin Hooper, Cashier; Ada Louise Hendricks, Assistant Cashier; and Yvonne Baker, Assistant Cashier.

increases of \$155,992,000 over November and \$14,537,000 over December 1952. Reserve city member banks accounted for 54 percent of the November-to-December rise. Time deposits averaged \$971,988,000 in December, up \$35,813,000 from November; 82 percent of the increase occurred at reserve city member banks. A sharp rise of \$187,249,000, or almost 24 percent, in time deposits of member banks represented one of the more notable banking developments in the District during 1953.

Spending by individuals and others in the District during December 1953 showed a rather sharp seasonal rise from the November level, as reflected by a 20-percent increase in debits to deposit accounts reported by banks in 24 cities. Debits during December 1953 were up 5 percent as compared with December 1952. The annual rate of turnover of deposits rose from 16.8 in November to 19.6 in December; the rate in December 1952 was 19.3.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

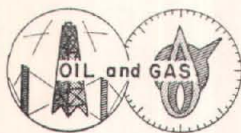
Item	Jan. 15, 1954	Jan. 15, 1953	Dec. 15, 1953
Total gold certificate reserves.....	\$ 831,768	\$ 716,674	\$ 744,718
Discounts for member banks.....	0	1,030	38,238
Industrial advances.....	0	0	0
Foreign loans on gold.....	705	945	675
U. S. Government securities.....	997,078	1,160,352	1,002,715
Total earning assets.....	997,783	1,162,327	1,041,628
Member bank reserve deposits.....	1,090,408	1,087,501	1,003,267
Federal Reserve notes in actual circulation.....	723,407	734,834	754,458

Between December 15 and mid-January the principal changes in the condition of the Federal Reserve Bank of Dallas included increases in gold certificate reserves and member bank reserve deposits and declines in total earning assets and Federal Reserve notes in actual circulation. The reduction in earning assets reflected principally decreases in discounts for member banks. On January 15, 11-K notes of this bank in actual circulation amounted to \$723,407,000 as compared with \$734,834,000 a year earlier.

During the year 1953, current earnings of the 12 Federal Reserve banks amounted to \$513,000,000, an increase of \$57,000,000 over 1952, according to preliminary figures. A somewhat larger volume of holdings of United States Government securities and a higher average yield on these holdings were the principal factors in the increase. Earnings from discounts for member banks, totaling \$15,000,000, were the largest since 1932. Current expenses amounted to \$114,000,000, or \$10,000,000 above 1952. Net earnings of the Reserve banks before payments to the United States Treasury were \$393,000,000, as compared with \$353,000,000 in 1952.

The Commodity Credit Corporation announced on January 15 a further offering to commercial banks of \$350,000,000 of certificates of interest in outstanding price support commodity loans. Previous offerings totaling \$810,000,000 were announced on October 14 and December 7, 1953. The new certificates, which bear interest at the rate of $2\frac{1}{8}$ percent per

annum, will represent participations of \$225,000,000 in a pool of support loans on cotton and of \$125,000,000 in a pool of loans on crops other than cotton. The certificates will be dated February 2 and will mature August 2.



The stock situation in the Nation's petroleum industry generally showed some improvement during December and the first part of January; however, gasoline stocks continued very

heavy, causing weakness in the wholesale markets for this product. Heating-oil markets tended to firm around mid-January, as severe winter weather over large sections of the country east of the Rocky Mountains resulted in a substantial rise in demand and large drafts on stocks. The continued curtailment of crude oil production and restraint on imports enabled crude stocks to be reduced by mid-January to a level falling within the range generally considered desirable for working-inventory purposes.

The demand for petroleum products, after dropping below year-earlier levels during October and November, showed year-to-year gains in December and the first part of January. Demand for major refined products at refineries and bulk terminals during the 5 weeks ended January 16 averaged 7,282,000 barrels per day, as compared with 7,113,000 barrels during the corresponding weeks a year earlier. Gasoline demand showed a year-to-year rise of about 4 percent. Demand for distillate fuel oil and kerosene was up 5 percent and 7 percent, respectively, but the consumption of residual fuel oil was down 7 percent.

The increased demand for home-heating oils caused by cold weather tended to strengthen prices of these products. Wholesale prices of kerosene and No. 2 fuel oil on the East Coast advanced around mid-January, with increases ranging from 1/10 to 4/10 cent per gallon. Moreover, at about the same time, refineries on the Gulf Coast and in the Mid-Continent area were reported to have raised their prices on bulk shipments as much as 1/8 cent to 1/4 cent per gallon. Prices of residual fuel oil continued firm, particularly in the Middle West. On the other hand, further weakness persisted in gasoline prices. In early January, Gulf Coast refineries lowered their bulk-cargo prices of regular gasoline 1/4 cent for 87 octane and 1/8 cent for 83 octane gasoline. This reduction represented the fourth cut since November.

Stocks of major refined products followed the usual seasonal pattern during December and the first part of January, with gasoline stocks rising and heating-oil stocks falling. As of January 16, primary stocks of gasoline totaled 165,551,000 barrels, which is an all-time high and is 15 percent above a year earlier. Despite substantial declines in previous weeks, distillate stocks on January 16 were 12 percent higher than a year earlier, while kerosene stocks were up 4 percent. Residual fuel oil stocks registered a 3-percent year-to-year increase; this increase was entirely accounted for by the higher level of stocks on the West Coast, which more than offset the decline occurring east of the Rockies.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	December 1953 ¹	December 1952 ²	November 1953 ¹	Change from	
				Dec. 1952	Nov. 1953
ELEVENTH DISTRICT.....	2,907.9	3,297.8	2,931.1	-389.9	-23.2
Texas.....	2,609.2	3,003.1	2,622.9	-393.9	-13.7
Gulf Coast.....	578.0	682.9	584.8	-104.9	-6.8
West Texas.....	970.8	1,177.7	969.3	-206.9	1.5
East Texas (proper).....	231.5	264.6	238.6	-33.1	-7.1
Panhandle.....	77.6	79.1	76.6	-1.5	1.0
Rest of State.....	751.3	798.8	753.6	-47.5	-2.3
Southeastern New Mexico.....	190.6	176.1	201.4	14.5	-10.8
Northern Louisiana.....	108.1	118.6	106.7	-10.5	1.4
OUTSIDE ELEVENTH DISTRICT	3,312.1	3,344.2	3,275.9	-32.1	36.2
UNITED STATES.....	6,220.0	6,642.0	6,207.0	-422.0	13.0

SOURCES: ¹ Estimated from American Petroleum Institute weekly reports.² United States Bureau of Mines.

Crude oil stocks in the Nation declined 13,000,000 barrels between November 28 and January 16 and on the latter date amounted to 269,600,000 barrels, or 2,000,000 barrels higher than a year earlier. Stocks of District origin on January 16 totaled 137,200,000 barrels, or 6,200,000 barrels less than a year ago.

Daily average crude oil production in the Eleventh District rose moderately in January, following five consecutive monthly declines. Production for the first half of January is estimated at 2,960,000 barrels per day, which is 52,000 barrels higher than the December rate but still 272,000 barrels less than the daily rate in January 1953. The recent increase in District production stems largely from the increased output of the Spraberry trend.

The Nation's crude oil production was up moderately in January for the second consecutive month. Daily average production for the first 16 days of January is estimated at 6,342,000 barrels, or 122,000 barrels higher than in December but 213,000 barrels less than in January a year ago.

Combined imports of crude oil and refined products have shown very little change during recent months, as increases in residual fuel oil receipts have offset decreases in crude receipts.

Refinery crude runs in the Nation have moved within a relatively narrow range since November. Runs during the first 16 days of January averaged an estimated 6,994,000 barrels per day, which is about the same as in December but 18,000 barrels less than in November and 48,000 barrels below January a year ago. Crude runs to refinery stills in the District also have been relatively stable in recent months but in the 2 weeks ended January 16 dropped to less than 2,000,000 barrels daily.

While marketed production of natural gas in the four producing states of this District (Louisiana, New Mexico, Oklahoma, and Texas) showed a small seasonal decline during the third quarter of 1953, the 1,584 billion cubic feet aggregate marketed production was 6 percent higher than in the third quarter of 1952. This year-to-year increase was accounted for by the gains of 15 percent and 8 percent in New Mexico and Texas, respectively. Marketed production in Oklahoma and Louisiana was down a little from a year earlier.

NATURAL GAS: MARKETING PRODUCTION

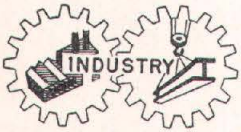
(In millions of cubic feet)

Area	Third quarter 1953	Third quarter 1952	Second quarter 1953
Louisiana.....	276,900	279,800	261,200
New Mexico.....	95,600	83,100	97,100
Oklahoma.....	131,200	134,100	154,600
Texas.....	1,080,400	998,100	1,080,200
Total.....	1,584,100	1,495,100	1,593,100

SOURCE: United States Bureau of Mines.

Production in the four District states represented 81 percent of the Nation's production during the third quarter.

Marketed production in the Nation for the year 1953 amounted to 8,425 billion cubic feet, according to preliminary data released recently by the United States Bureau of Mines. This volume represents a new record and is 5 percent higher than the 1952 total.



Unemployment in Texas in December was only 4.0 percent of the nonagricultural labor force. The comparable December figure for the Nation was 3.6 percent. The higher percentage of unemployed in Texas stems from reductions in defense-industry, construction, and government employment.

During recent months, as reductions in defense-industry employment occurred, many former employees, particularly women, withdrew from the labor force and, therefore, are not counted in the unemployment totals. It is estimated that an additional increase in unemployment occurred in January because of further layoffs in defense-related industries, reduced workloads in trade establishments, in-migration from other states, and seasonally lower levels of farm activity.

Seasonal trade activity late in 1953 raised nonagricultural employment in the five states of the District to a record height. From an estimated 3,874,100 in November, employment rose to 3,930,000 in December; however, the nonagricultural total in January was off to about 3,810,000, largely reflecting seasonal changes. Manufacturing employment, on the other hand, declined from 730,000 in November to about 716,000 in Jan-

UNEMPLOYMENT IN TEXAS
1952 and 1953

Month	Number of persons		Percent of nonagricultural labor force	
	1952	1953	1952	1953
January.....	97,400	99,000	3.6	3.6
February.....	96,800	105,000	3.6	3.8
March.....	91,900	100,000	3.4	3.6
April.....	88,700	97,000	3.3	3.5
May.....	88,800	99,100	3.3	3.6
June.....	101,600	118,900	3.8	4.3
July.....	96,500	112,100	3.6	4.0
August.....	89,000	112,400	3.3	4.0
September.....	86,500	107,100	3.2	3.9
October.....	83,800	107,100	3.1	3.9
November.....	89,400	112,800	3.2	4.0
December.....	85,600	112,800	3.1	4.0

SOURCE: Texas Employment Commission.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Nov. 1953 from	
	November 1953p	November 1952	October 1953	Nov. 1952	Oct. 1953
Total nonagricultural					
wage and salary workers..	3,874,100	3,854,400	3,869,700	.5	.1
Manufacturing.....	730,000	724,400	730,500	.8	— .1
Nonmanufacturing.....	3,144,100	3,130,000	3,139,200	.5	.2
Mining.....	226,900	223,300	226,500	1.6	.2
Construction.....	291,900	298,500	295,100	—2.2	—1.1
Transportation and public utilities.....	408,700	417,700	410,000	—2.2	— .3
Trade.....	988,200	983,800	977,100	.4	1.1
Finance.....	150,500	142,300	150,200	5.8	.2
Service.....	446,600	437,500	446,700	2.1	— .03
Government.....	631,300	626,900	633,600	.7	— .4

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
p—Preliminary.
SOURCE: State employment agencies.

uary. Within the manufacturing total, the most important changes occurring in the November-to-January period were a sharp reduction in employment in the transportation equipment industry and seasonal declines in food-processing and lumber industries. In January, both total nonagricultural employment and manufacturing employment were above the year-earlier figures by less than 10,000 workers.

Recently released data on military prime contracts, including supply and construction contracts but excluding subcontracts and contracts under \$10,000, show that firms in the five southwestern states received almost 20 percent of the contracts awarded in the Nation from June through September 1953. Over 90 percent of the \$611,134,000 in contracts awarded in the five states from June through September were placed in Oklahoma and Texas. Oklahoma firms received contracts valued at \$251,493,000, while Texas awards reached \$299,365,000. From July 1950 through September 1953, over \$5,227,000,000 in military prime contracts were awarded in the five southwestern states.

Of the total of \$208,355,000 in military construction contracts awarded in the Nation from June through September 1953, firms in the five southwestern states received \$26,335,000, or nearly 13 percent. From July 1951 through September 1953, firms in the Southwest were awarded over \$421,000,000 in military construction contracts, or 13.5 percent of the total awarded in the Nation.

COTTONSEED AND COTTONSEED PRODUCTS

Item	TEXAS		UNITED STATES	
	August 1 to November 30		August 1 to November 30	
	This season	Last season	This season	Last season
COTTONSEED (tons)				
Received at mills.....	1,204,076	1,129,024	4,846,537	4,420,890
Crushed.....	584,373	573,549	2,232,404	2,170,028
Stocks, end of period.....	707,834	617,497	2,769,505	2,387,760
COTTONSEED PRODUCTS				
Production				
Crude oil (thousand pounds).....	186,205	177,095	466,732	450,831
Cake and meal (tons).....	183,529	189,819	1,060,707	1,046,905
Hulls (tons).....	83,373	83,371	482,571	453,732
Linters (running bales).....	179,656	177,900	718,385	703,433
Stocks, end of period				
Crude oil (thousand pounds).....	16,640	25,050	72,848	97,990
Cake and meal (tons).....	55,954	24,855	163,022	144,420
Hulls (tons).....	27,996	15,373	52,827	52,154
Linters (running bales).....	53,151	76,395	194,068	279,398

SOURCE: United States Bureau of the Census.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	December 1953p	December 1952	November 1953	January—December	
				1953p	1952
ELEVENTH DISTRICT....	\$ 113,100	\$ 178,167	\$ 115,887	\$ 1,290,645	\$ 1,454,527
Residential.....	28,239	37,048	32,288	498,557	564,903
All other.....	84,861	141,119	83,599	792,088	889,624
UNITED STATES ¹	1,299,800	1,467,384	1,394,050	17,443,499	16,774,936
Residential.....	433,500	438,580	611,857	6,606,832	6,667,504
All other.....	866,300	1,028,804	782,193	10,836,667	10,107,432

¹ 37 states east of the Rocky Mountains.

p—Preliminary.

SOURCE: F. W. Dodge Corporation

The value of construction contracts awarded in the District in December totaled \$113,100,000, which is a large monthly figure in comparison with most months of 1953 and most previous Decembers but is far below the all-time monthly high of \$178,167,000 in December 1952. The December total is \$2,800,000 below that for November; residential awards were \$28,239,000, down \$4,000,000 from November, while non-residential awards were valued at \$84,861,000, up \$1,262,000.

December construction contract awards brought the 1953 District total to \$1,290,645,000, which is 11 percent below the 1952 record and is slightly below the 1951 figure but exceeds any earlier year. Contracts awarded in the United States in 1953 were valued at an all-time high 4 percent above the record established in 1952.

Final figures on the value of building permits issued in leading cities of the District in 1953 show that the totals for Shreveport, Abilene, Austin, Beaumont, Corpus Christi, El Paso, Fort Worth, Houston, and San Antonio were higher

BUILDING PERMITS

12 months 1953							
City	December 1953		Percentage change in valuation from		Number	Valuation	Percentage change in valuation from 12 months 1952
	Number	Valuation	Dec. 1952	Nov. 1953			
LOUISIANA							
Shreveport. . . .	416	\$ 2,774,548	105	21	4,090	\$ 24,572,873	26
TEXAS							
Abilene.	52	367,040	41	-88	1,199	10,499,865	29
Amarillo.	131	836,075	-48	-7	3,047	18,770,392	-22
Austin.	178	5,321,274	227	282	2,899	33,932,375	24
Beaumont.	121	313,476	83	-36	2,591	8,469,935	13
Corpus Christi. .	392	4,372,922	196	154	5,388	30,194,751	43
Dallas.	1,212	6,807,735	7	-29	20,840	112,620,335	-4
El Paso.	233	865,172	-32	4	3,385	19,198,971	24
Fort Worth. . . .	456	8,107,669	152	189	8,994	48,746,171	8
Galveston.	56	268,550	126	138	1,118	4,855,025	-25
Houston.	714	8,988,746	8	-35	11,658	130,212,536	14
Lubbock.	183	803,062	-31	-51	2,722	16,721,998	-17
Port Arthur. . . .	61	149,975	-76	-30	1,736	3,243,930	-27
San Antonio. . . .	998	3,084,769	-50	15	17,714	48,306,634	3
Waco.	151	1,397,024	109	182	3,586	11,557,349	-14
Wichita Falls. . .	61	498,446	-33	14	827	7,208,470	-61
Total.	5,451	\$44,956,483	28	6	91,794	\$529,111,610	4

than in 1952. The 16 reporting cities had a net year-to-year increase of 4 percent in the value of building permits issued in 1953.

Housing starts in the United States last year totaled 1,102,400 units, according to the Bureau of Labor Statistics, compared with 1,127,000 in 1952 and a record high of 1,396,000 in 1950. Perhaps the most significant fact about the downward trend in 1953 is that a reduction in starts of public housing units accounted for most of the decline from 1952. Forecasts by the Departments of Labor and Commerce indicate that another annual total in excess of 1,000,000 units is expected in 1954.