

business review



november 1964

**FEDERAL RESERVE
BANK OF DALLAS**

Anniversary Issue

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Fifty Years of Public Service

The year 1964 marks the Fiftieth Anniversary of the establishment of the Federal Reserve System. Though known and understood in the financial community, the Federal Reserve is not as well known to the general public. This lack of familiarity is the result of the fact that, as the Nation's central banking system, the Federal Reserve deals primarily with commercial banks, foreign central banks, and the U. S. Treasury and has very little contact with individual citizens.

To some extent, the activities of the Federal Reserve System in carrying out its primary duties and responsibilities are so complex that they do not lend themselves to general understanding; moreover, such duties and responsibilities must be handled with great care to avoid premature disclosure which could interfere with effective implementation. Unfortunately, these characteristics of the System's work have led to public indifference, even though most of its endeavors are directed toward public service. Thus, the System's efforts to protect the value of the dollar at home and abroad, to provide an increasingly efficient check collection system, to distribute currency and coin to the commercial banks, to provide an elastic credit supply, and to furnish guidance through supervisory channels to the banks which are members of the System are not always fully recognized.

The anniversary of the Federal Reserve System offers an opportunity to encourage public understanding of the Nation's central banking system. An explanation of the System's functions, the way in which it has grown and changed over the 50 years of its existence, and the extent to which it has contributed to and progressed with the economy of the Nation are integral parts of the following presentation.

The Federal Reserve System

On December 23, 1913, President Woodrow Wilson signed the Federal Reserve Act creating for the United States a new central banking system. This system is peculiarly American in many of its characteristics but, yet, is patterned to some extent in its powers, authorities, and responsibilities after the older central banks of Europe. The avowed purposes of Congress in establishing the Federal Reserve System were to provide a flexible credit supply to meet seasonal requirements of industry, agriculture, and commerce; to obtain more effective bank supervision; to provide an elastic currency; to establish a more efficient check collection system; and, by implication, to provide an important influence upon the flow of currency and credit to counter inflationary or deflationary trends in the economy.

Viewed in relation to central banks throughout the world, the central banking system of the United States is structurally organized in a unique fashion. Visualizing the Federal Reserve structure as a pyramid — with the member commercial banks in the System at the base, then the regional Federal Reserve Banks, and, at the apex, a centralized Board of Governors — one might think that, as in the case of many other central banks, all power is vested at the head of the pyramid.

But, following the pattern of many other American institutions and in keeping with the broad framework of the Nation's Constitution, there are built into the Federal Reserve System a peculiarly American system of checks and balances and a unique private and public orientation. These are especially demonstrated in the structure of the Federal Reserve System by the governmental appointment of the Board of Governors as opposed to the member bank

election of a majority of the Reserve Bank directors. Moreover, elections of Reserve Bank presidents are subject to the approval of the Board of Governors.

Authority over the Nation's instruments of monetary and credit control is divided. Reserve requirements of the member banks are set by the Board of Governors, but joint responsibility is exercised by the Reserve Banks and the Board of Governors with regard to discount rates.¹ Likewise, the Federal Open Market Committee reflects the joint representation and authority of the Board and the Banks. Checks and balances also are built into other features of the System, including the long term of office for a member of the Board of Governors (14 years) and the shorter term of office (4 years) for the Chairman of the Board.

Over the 50 years of operation of the System, the Federal Reserve has changed in many significant ways. Changes have occurred by legislation, by interpretation, and by evolution. Of particular importance among the legislative and evolutionary changes in the System has been the shift toward the use of open market operations — i.e., the purchases and sales of U. S. Government securities — as the primary means of influencing the supply and cost of the Nation's money and credit.²

In the early part of the System's history and continuing until the midthirties, the discounting of commercial and agricultural paper and changes in the discount rates of the Reserve

¹ Reserve requirements specify that member banks will hold a certain percentage of their demand and time deposits in a reserve account at the district Federal Reserve Bank or in vault cash. A discount rate is the interest rate charged a member bank which borrows from the Federal Reserve Bank.

² When the Federal Reserve purchases Government securities from a securities dealer, it pays by check, which is deposited by the dealer in a commercial bank. In due course, the check clears through the Federal Reserve Bank and is credited to the reserve account of the bank. The new bank reserves thereby created can be used to expand bank credit.

Banks were the major instruments available to the System for purposes of effecting adjustments in the Nation's supply of money and credit. Under authorization granted by the Banking Act of 1935, another instrument was added; the Board of Governors of the Federal Reserve System was given discretionary power to increase reserve requirements within specified limits. The original Federal Reserve Act had set the legal percentages, but, by amendment in 1917, these were changed to 3 percent for time deposits and 7, 10, and 13 percent for demand deposits (according to the classification of the particular member bank as a country, reserve city, or central reserve city bank). The new authority contained in the Banking Act of 1935 permitted the Board of Governors to increase reserve requirements to a maximum of twice these amounts.

Although adjustments in the limits of this discretionary authority have been made on occasion and changes effected in the reserve classification of member banks, reserve requirements continue to be one of the major monetary tools which can be employed by the System when the need arises. Generally speaking, the System has used this instrument rather sparingly, principally to effect large and relatively permanent changes in the volume of reserves available to the commercial banking system.

The role of open market operations in System monetary and credit policy was greatly expanded in the 1930's. The Banking Act of 1933 legalized the informal, extralegal arrangements for the purchase and sale of Government securities in the open market — a technique which had been developed during the 1920's and early 1930's — and created "a Federal Open Market Committee" to oversee centralized purchasing and selling of Government securities for the System as a whole. The Banking Act of 1935 amended this earlier legislation and established the Federal Open Market Committee in its present form. Since that time, open market

operations have constituted, by far, the principal instrument actually employed by the System for adjusting the aggregate reserve position of the commercial banking system in response to needed levels of money and credit in the economy.

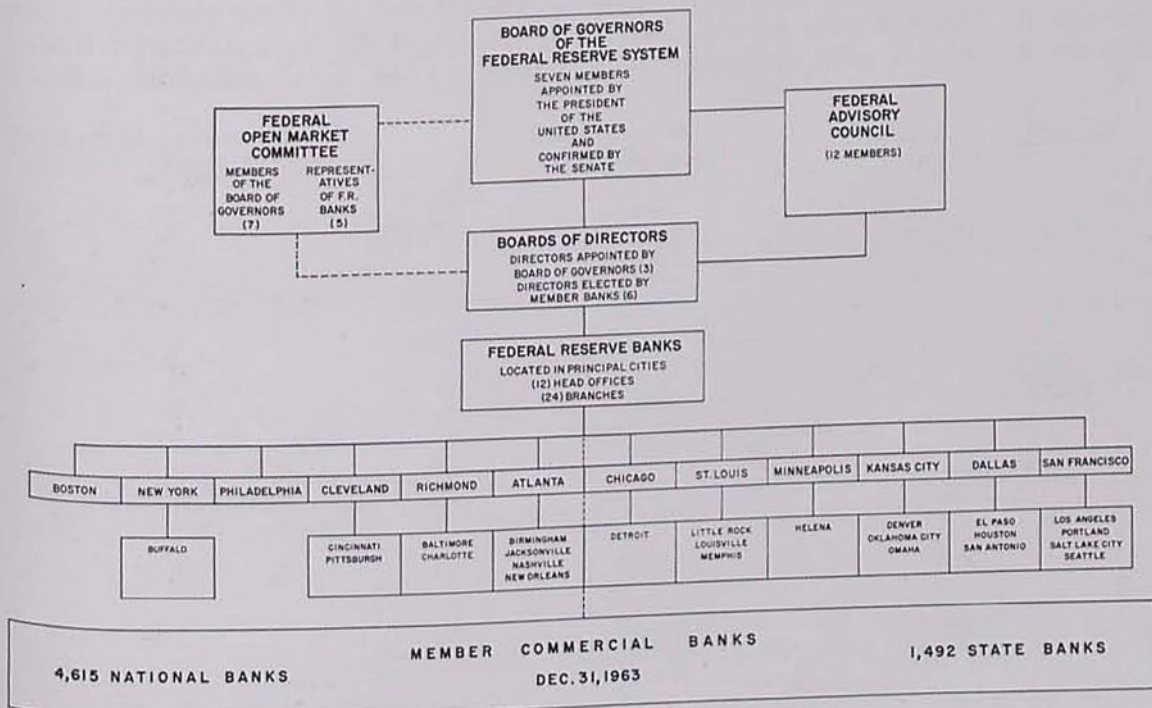
A number of factors have contributed to the increased importance of open market operations by the System. The development of a greatly expanded and highly sensitive market in U. S. Government securities since the mid-thirties is a major factor. The growth of the Federal debt associated with the financing of World War II is of particular significance in this regard, especially the sharp increases which have occurred in the volume of short-term, highly liquid Treasury issues in the hands of commercial banks, other financial institutions, and nonfinancial corporate businesses. The Government securities market provides a highly efficient mechanism whereby the System, upon

its own initiative, may supply additional reserves to the banking system or, conversely, may withdraw such reserves.

Moreover, in contrast to the discount function and changes in reserve requirements, open market operations give the System the needed flexibility in timing, and adjusting the volume of, its operations to affect the supply, cost, and availability of reserves in the commercial banking system. It should be kept in mind, however, that all three of the tools of monetary policy — discounting, changes in reserve requirements, and open market operations — are essential and that each contributes importantly to the effective implementation of monetary and credit policy.

The growth and development of the Federal Reserve System are too complex for a short presentation, but a particularly important aspect of the System is its regional orientation

FEDERAL RESERVE SYSTEM
ORGANIZATION CHART



and the strength and diversity that this regionality brings to the System. As a specific case study, this discussion has as its central theme a review of the development and growth of the Federal Reserve Bank of Dallas.

Federal Reserve Bank of Dallas

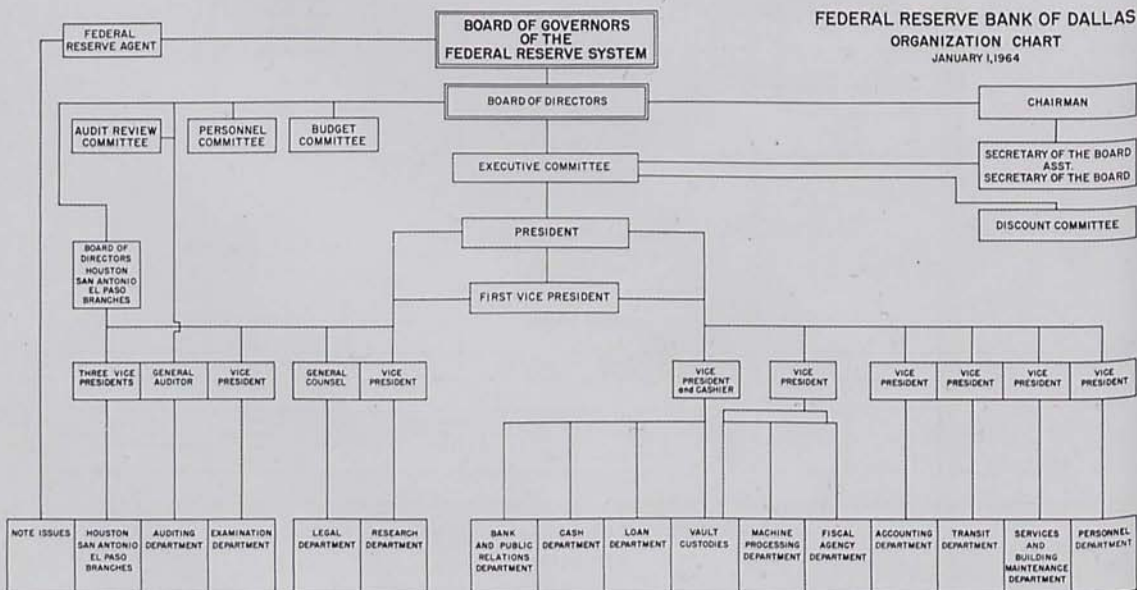
As the regional bank representing the Federal Reserve System in the Eleventh Federal Reserve District, the Federal Reserve Bank of Dallas was organized in the spring of 1914, with its organization certificate signed on May 18 of that year. A conference in Washington determined that all Reserve Banks should open on November 16, 1914; hence, this month and day in 1964 mark the Golden Anniversary of this Bank. The general rules under which the structure and organization of the Federal Reserve Banks were developed were identical, but the particular development of each Reserve Bank has been largely tied to the area which it serves.

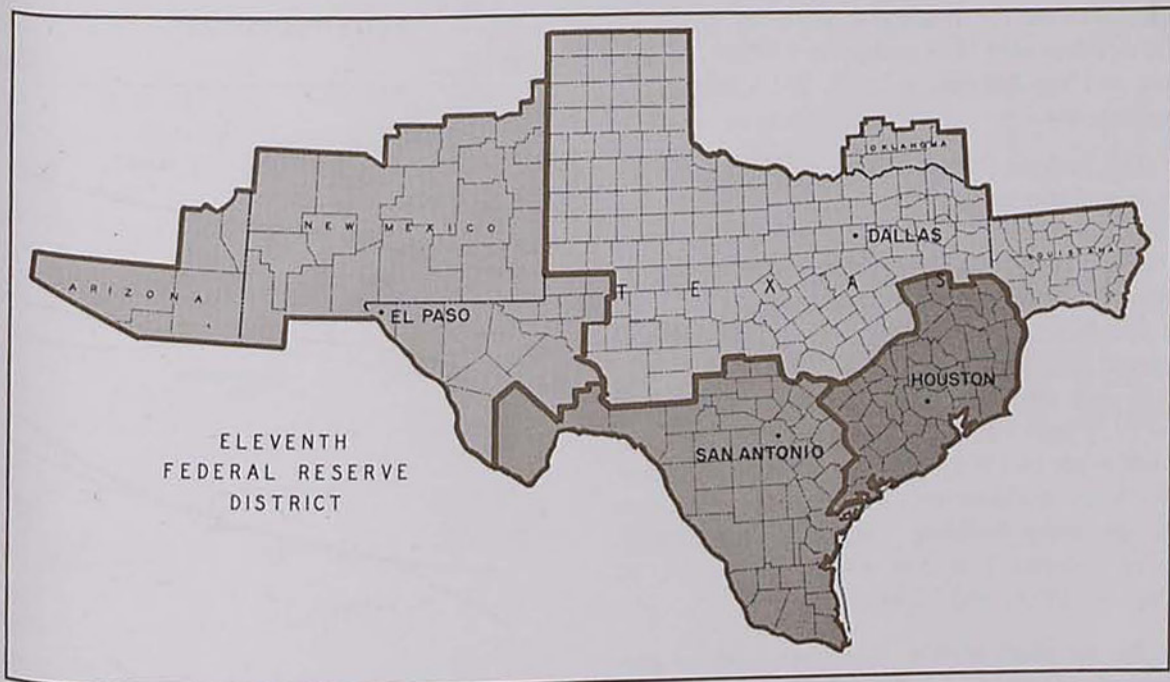
The structure of the Reserve Banks, as reflected in the accompanying organizational chart for the Dallas Federal Reserve Bank, illustrates the blend of public and private ele-

ments in this uniquely American institution. For example, of the nine directors of each Federal Reserve Bank, three are appointed by the Board of Governors, but six are elected by the member banks in the regional district.

Each member bank is required to subscribe for capital stock of its Reserve Bank in an amount equal to 6 percent of the member's capital and surplus and to pay in to the Reserve Bank one-half of its subscription. However, this stock ownership provides little in the way of the usual control exercised by stockholders of a corporation and, in reality, allows the member bank only two stockholder privileges — namely, the receipt of a 6-percent dividend per year, fixed by law, and the privilege of voting in the election of directors. The stockholder cannot receive more than a 6-percent dividend, whatever the level of profits, unless the Federal Reserve Act is amended. If a Reserve Bank should close, the stockholders would have no claim on the residual assets.

Further evidence of the public and private orientation of the Federal Reserve Bank is shown in its accounting procedures, control of





expenditures, and disposition of earnings. It was determined early that the Banks would follow business, rather than governmental, accounting procedures. Since no appropriations are voted by Congress to defray the expenses of the Federal Reserve and because of the established practices and principles followed in banking and financial institutions, the profit and loss-balance sheet approach seemed desirable. On the other hand, the Bank is primarily oriented toward public service and the efficient handling of its delegated public responsibilities.

Although its operation is not determined by the profit motive, the Bank has had net earnings prior to the payment of dividends, transfers to surplus, or payments to the Treasury in every year except 1933, a year in which special adjustments were necessary. However, it pays nearly 90 percent of all net profits to the Treasury of the United States as a substitute for a franchise tax. Since 1914, the Federal Reserve Bank of Dallas has paid \$280 million to the Treasury from net income after all expenses, in-

cluding additions to surplus accounts and dividends on outstanding stock.

In summary, the Reserve Bank's position is in a twilight zone between the Government and private sectors of the economy. Many of its operations are similar to those of private commercial banks, as are its accounting and internal structural arrangements. Nevertheless, the Reserve Banks are tied to Government through their creation by congressional legislation; their delegated governmental powers of credit creation, currency distribution, and bank supervision; and the residual distribution of their earnings.

The Federal Reserve Bank of Dallas was designated the Head Office of the Eleventh Federal Reserve District — a District which, as can be seen on the accompanying map, covers a great expanse of territory in the southwestern part of the United States. The size of the District and the diversified activities in the region are of considerable importance in the routine

operations of the Bank and were the cause of the development of branches at El Paso, Houston, and San Antonio in 1918, 1919, and 1927, respectively.

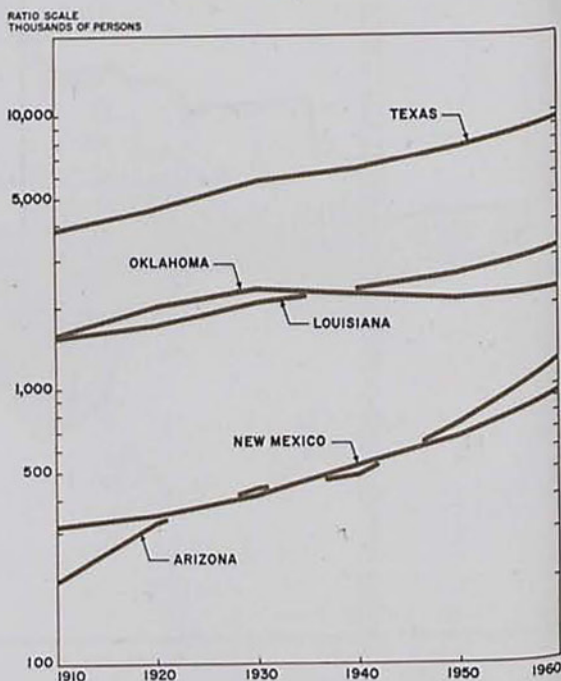
The Federal Reserve Bank of Dallas opened in rented quarters but moved into its own building on October 30, 1915, as the first Reserve Bank to own its quarters. Since that time, the Bank has changed location only once; in 1919, it purchased the site of its present building and moved into this building on March 12, 1921. Although the Bank's quarters were remodeled in 1937 and 1940, an extensive reconstruction took place in 1960, with the addition of a new five-story building and a complete renovation of the older building. New branch buildings were completed at San Antonio in 1956, El Paso in 1957, and Houston in 1958.

In this short review, it is impossible to present all of the economic and financial changes of the 50 years, but perhaps the accompanying charts will demonstrate a few of the major factors in the remarkable growth of the Southwest. At the time of the organization of the Dallas Federal Reserve Bank, there were only 8 million people living in the five southwestern states³ wholly or partially included in the Eleventh District. The economies of these states were fundamentally agricultural, and a vast majority of the people lived in rural communities. Cotton and cattle were the kingpins of the economy, although oil had recently been discovered at Spindletop. There were a few small manufacturing establishments, tied primarily to agricultural industries.

In the succeeding 50 years, the Southwest has changed remarkably, not only in its basic economic pursuits but in its way of life. The 18½ million people presently residing in the five states are the beneficiaries of the development of a tremendous oil production and re-

³ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

TOTAL POPULATION



SOURCE: U.S. Department of Commerce.

fining complex, which accounts for more than 40 percent of the Nation's oil resources. Moreover, there has been a mushrooming growth of manufacturing, associated initially with aircraft and war goods but in recent years with automobiles, electronics, chemicals, and the space effort of the Nation.

With the mechanization of farm jobs and the steady increase in average farm size, the demand for farm workers has diminished sharply, while industrialization, especially near the larger cities, has offered new employment possibilities. Thus, population has shifted steadily from rural to urban areas. One of the significant features of the region's economic progress has been the concentration of trade, financial, and service facilities in particular areas of the District.

Agricultural employment in the Southwest formerly accounted for more than 40 percent of all employment but amounts to only 8 percent now, while manufacturing jobs have multi-

plied with the growth of a wide range of new manufacturing industries. With the population explosion and shift has come a great change in the way of life, abetted by the conversion of the mode of transportation from horse and buggy and railroad to the automobile and airplane.

Through the 50 years, cattle and cotton have remained important features of the southwestern economic scene. Cotton production has moved steadily westward, however, and now dominates the agricultural sectors of some local economies in west Texas, New Mexico, and Arizona. Cattle production has moved eastward into the former cotton-producing counties of northern Louisiana and eastern Texas.

Equally dramatic have been the changes in banking. Although there are fewer banks today — about 1,100 in this District, compared with 2,500 when the Reserve Bank opened — the banking industry is much better organized and equipped to aid in the economic development of the area. Though the number of banking offices has declined, the volume of bank assets and liabilities has skyrocketed, particularly since 1940. At the end of 1963, commercial

banks in the Eleventh District states held loans and investments amounting to \$13 billion and \$8 billion, respectively. Year-end deposits of these banks totaled more than \$24 billion, or nearly nine times the 1940 total.

Banking in the limited local sense, as evidenced in the 1914 era, has changed significantly, and this change has tied the local and regional credit markets to the national and world markets with respect to both availability of funds and levels of interest rates. Bank competition with a wide variety of nonbank financial institutions has also been a feature of this changing financial scene. Alternative investment and savings outlets have brought an increasing efficiency in the use of available savings and, with it, a strong public awareness of interest income.

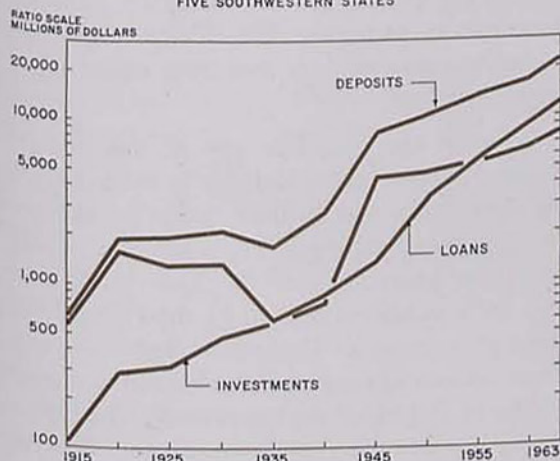
The Role of the Reserve Bank in Southwestern Development

The Federal Reserve Bank of Dallas plays a multifaceted role of participation and stimulation in the economic and financial development of the Southwest. The Bank's influence is evident in the facilitation of credit movements, its agency duties for the Treasury of the United States, its responsibilities of supervision and regulation in the banking community, its leadership in provision of economic and financial intelligence, and its participation in monetary policy actions.

In the economic growth of the Southwest, one of the prime roles of the Federal Reserve Bank of Dallas has been its facilitation of credit movements. The Southwest, because of its extremely rapid economic growth, has been a capital-importing section of the Nation, drawing funds from the older, more established areas of the eastern and central parts of the United States. The Federal Reserve Bank facilitates the movement of funds through its wire transfer division, through facilities for sales and purchases of Government securities, and through

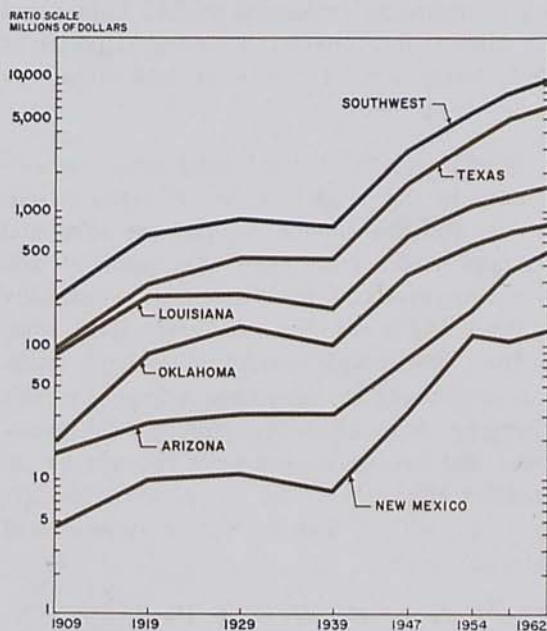
COMMERCIAL BANK DEPOSITS, LOANS, AND INVESTMENTS

FIVE SOUTHWESTERN STATES



SOURCE: Federal Deposit Insurance Corporation.

VALUE ADDED BY MANUFACTURES



SOURCE: U.S. Department of Commerce.

its leadership in providing more rapid and more efficient clearing of checks.

The interdistrict transfer of funds through the Federal Reserve Bank of Dallas is accomplished by a private wire system, over which 232,000 transfers were handled in 1963 in the amount of more than \$167 billion. A sizable part of the transfers stems from the intensive expansion of the Federal funds market.⁴ The entire transfer arrangements of the Federal Reserve have mushroomed since the end of the war but have been important throughout the history of the Federal Reserve System. Illustrative of this growth, in the Eleventh District there were 10,141 transfers amounting to \$471 million in 1920, and 65,000 transfers of \$3 billion were functioned in 1935. The increased use of transfers has been facilitated by the

⁴ Federal funds transactions consist of interbank purchases and sales of temporarily available excess reserves in the commercial banking system. This device has activated surplus reserve funds and brought them to banks needing funds for further credit expansion.

steady improvement in telecommunications devices to the point where, in only a few minutes, multimillion-dollar amounts can be transferred to any part of the United States.

The development of a broad market in the United States for the purchase and sale of Government securities has made it possible for savers to invest their funds in relatively risk-free securities and for banks to purchase and sell such securities as secondary reserves in order to have funds available to meet loan demands at various times of the year. The Federal Reserve Bank of Dallas handled more than 14,900 purchase and sale transactions, amounting to \$4.4 billion, during 1963, compared with \$82 million during 1940. This broad market for the purchase and sale of securities has come about not only because of the improved market mechanisms but also because of the flexibility with which such purchases and sales are handled through the Federal Reserve Banks.

Another facet of Reserve Bank operations which has greatly facilitated the economic growth of the regional and national economies has been the check clearing function. Of special significance in check clearing has been the public service rendered by the System. In fact, the basic reason for Reserve Bank participation in check clearings has been, and continues to be, serving the people of the Nation by handling their checks promptly and efficiently and reducing the possibility of loss from undue delay or mishandling.

Prior to the establishment of the Federal Reserve System, individual checks were delayed for days and weeks in their collection because of circuitous routing. The centralized check collection procedures of the Federal Reserve and the regulations applied by the Federal Reserve to its member banks have reduced maximum deferment times for check collection from 8 days in 1939 to 2 days at present. The Dallas Bank, in company with the other Reserve Banks in the System, has led in the develop-

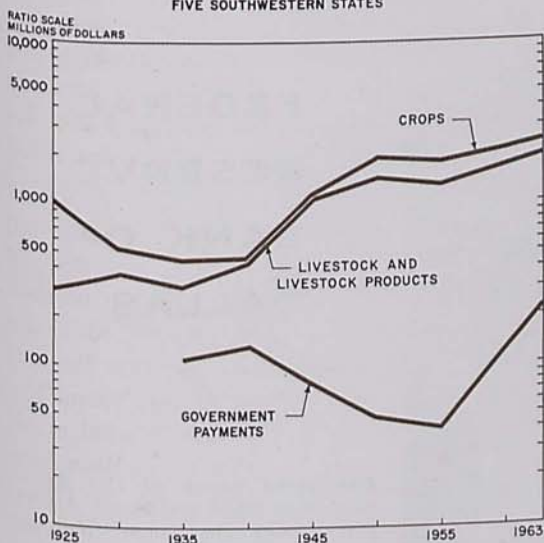
ment of better methods of check collection, including the utilization of magnetic ink symbols to enable check clearings to be done by high-speed electronic computers. This ability to collect checks more rapidly has reduced the volume of funds which businesses and banks must keep absorbed in nonworking balances.

Steady increases in the volume of check collections, averaging more than 6 percent per year in the postwar period, reflect the continuing economic growth of the area and the expanded role of the Reserve Bank in the facilitation of the primary means of financial settlement for transactions in this area. Check clearings through the Dallas Bank and its branches increased from 1,202 items per day in 1915 to 1 million items per day in 1963. Although the Transit Department has recently automated some of its operations on high-speed computers, this department, from the standpoint of personnel and budgets, still accounts for a major part of the Bank's operations.

In still another role influencing regional development, the Reserve Banks have acted as

CASH RECEIPTS FROM AGRICULTURE

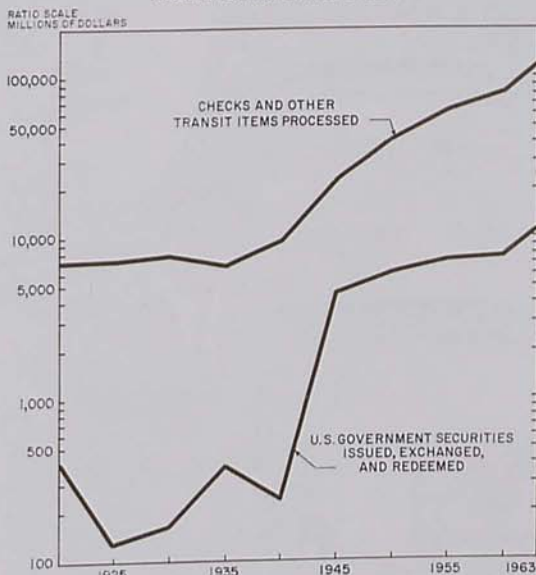
FIVE SOUTHWESTERN STATES



SOURCE: U.S. Department of Agriculture.

TRANSIT AND FISCAL AGENCY OPERATIONS

FEDERAL RESERVE BANK OF DALLAS



agents for the Treasury Department. Their agency functions, enlarged by the Sub-Treasury Act of 1920, have included the issuance and redemption of Government securities, the distribution of Treasury currency and coin, the handling of Treasury Tax and Loan Accounts, and the processing of the Treasurer's General Account.

As agent for the Treasury during 1963, the Fiscal Agency Department of the Dallas Bank issued, exchanged, and redeemed more than 7 million Government securities for an amount in excess of \$11 billion. The growth of the Nation's public debt from about \$60 billion in 1940 to \$315 billion in 1963 is, of course, a prime cause of the sharp rise in the volume of such securities handled by this Bank. The service rendered the Treasury in marketing its large volume of securities each year is complemented by the service to the public and the financial community in providing an inexpensive and efficient method of purchasing and selling security investments. The geographical distribution of the Reserve Banks and branches enables them



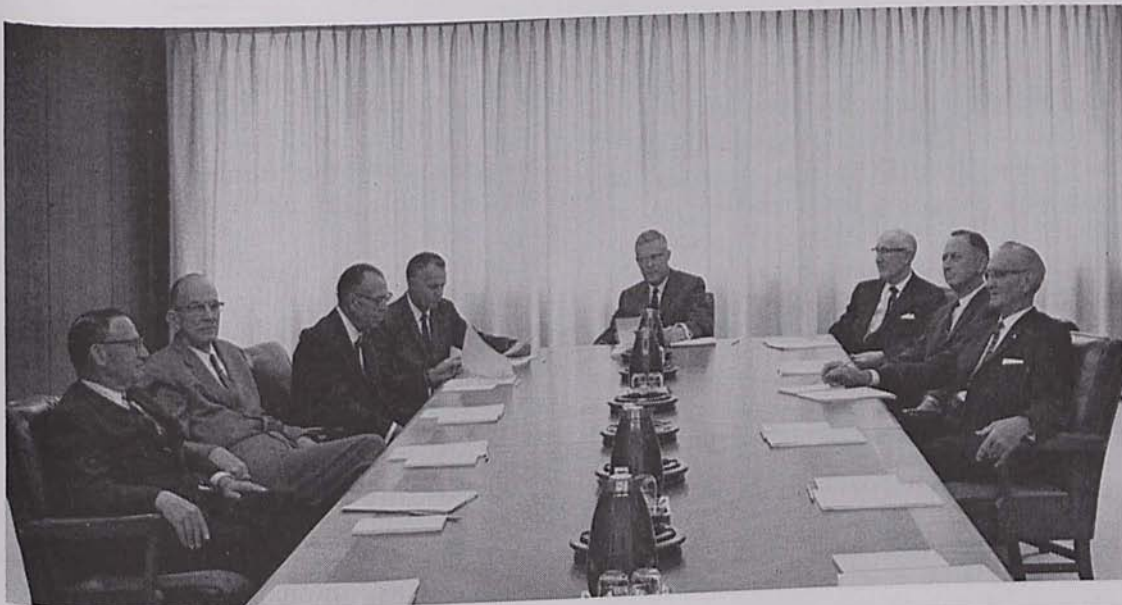
ORIGINAL BOARD OF DIRECTORS

(In first row, at right) Marion Sansom, Fort Worth; (at left) Frank Kell, Wichita Falls; (in second row, at right) Chairman E. O. Tenison, Dallas; (in middle) Felix Martinez, El Paso; (at left) Oscar Wells, Houston; (in third row, at right) J. J. Culbertson, Paris; (in middle) E. K. Smith, Shreveport; and (at left) B. A. McKinney, Durant. Deputy Chairman W. F. McCaleb, San Antonio, was not present when this photograph was taken.



**FEDERAL
RESERVE
BANK OF
DALLAS**

The third home of the Bank, located at Wood and Akard Streets, the present site. Cornerstone laid April 2, 1920. New quarters occupied March 12, 1921.



CURRENT BOARD OF DIRECTORS

(Seated left to right) Max Levine, Houston; H. B. Zachry, San Antonio; D. A. Hulcy, Dallas; J. B. Perry, Jr., Lufkin; Deputy Chairman Carl J. Thomsen, Dallas; Murray Kyger, Fort Worth; Ralph A. Porter, Denison; and J. Edd McLaughlin, Ralls.



Chairman Robert O. Anderson,
Roswell, New Mexico



Head Office Building of the Bank. View shows front of old building, after remodeling, and new addition at rear. Enlargement and remodeling completed in fall of 1960.

to act as an ideal vehicle for nationwide processing of Treasury issues.

As a convenience to the Treasury, the Federal Reserve Bank of Dallas maintains the Treasurer's General Account, accepting deposits and disbursing funds on that account. The servicing of the Treasurer's account is important to the general public in providing greater efficiency in the use of public funds. The Reserve Bank, as agent for the Treasury, also services more than 1,000 Tax and Loan Accounts of commercial banks, handling 181,980 deposit and collateral transactions in 1963.

It is also the responsibility of the Federal Reserve Bank to distribute currency and coin in order to meet needs for cash in financial transactions in its area. The currency and coin shipments from this Bank (including both Treasury and Federal Reserve currency) have

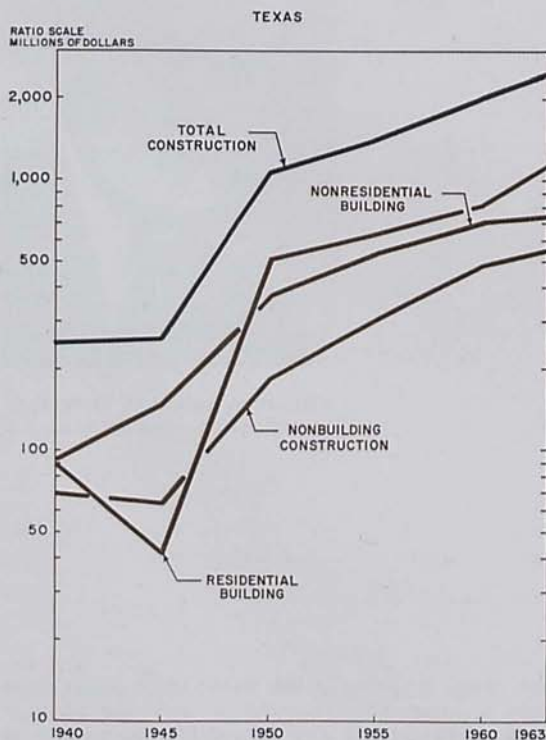
changed markedly, both in content and in volume, over the past 50 years. In the early days of the System, gold certificates, national bank notes, and Treasury silver certificates formed the primary supply of currency, and gold coins were a sizable addition to the Nation's monetary stock. By 1918, Federal Reserve notes were the dominant form of currency and now account for more than 90 percent of all currency outstanding. The basic coins of today are of the same type as when the System was founded. The primary change has been the elimination of gold coins in 1933.

Currency and coin shipments have expanded materially with the growth of the economy, but most of the gain has occurred in the post-World War II period. In fact, the dollar volume of such shipments from Federal Reserve offices in this District — at about \$220 million — was virtually unchanged between 1920 and 1940 but, by 1950, had more than tripled to \$705 million. During 1963, the Bank's Cash Department shipped more than \$984 million in currency and coin.

Indicative of the primary use of checks and, perhaps, the inflow of cash from other parts of the Nation, the notes in circulation of the Federal Reserve Bank of Dallas since 1920 have been consistently below the member bank deposits, whereas the reverse relationship has prevailed at many other Federal Reserve Banks. Not until 1963 did the note circulation of this Bank exceed the deposit liabilities, and total note circulation in 1964 topped \$1 billion for the first time in the history of the Bank.

The Reserve Banks endeavor to see that only fit money stays in circulation and, thus, retire worn currency and mutilated coins when they are returned from the commercial banks. During 1963, the Federal Reserve Bank of Dallas retired 27 million pieces of unfit Federal Reserve currency and shipped them to Washington for destruction. In addition, 54 million

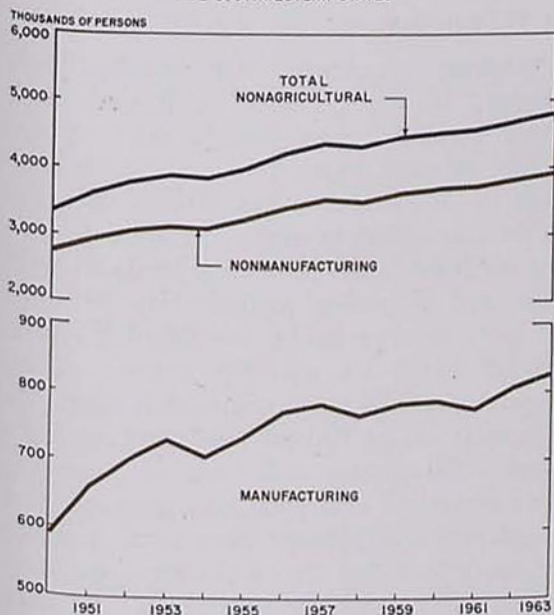
VALUE OF CONSTRUCTION CONTRACTS



SOURCE: F.W. Dodge Corporation.

WAGE AND SALARY EMPLOYMENT

FIVE SOUTHWESTERN STATES



SOURCE: State employment agencies.

pieces of U. S. currency were withdrawn from circulation and incinerated at this Bank.

Other functions of the Reserve Bank are designed to strengthen the region's commercial banks and smooth the handling of financial transactions, thereby contributing to the growth of the regional economy. One of these functions is the Federal Reserve Bank's supervisory responsibility, implemented through its Examination Department. The "Fed" examiners have provided guidance to the region's bankers in the safe conduct of their business, giving advice and counsel toward the end of improving the banks' services for their customers. Although the Reserve Bank examiners are charged with the examination of only state-chartered member banks, their influence and counsel are sought in the handling of supervisory responsibilities by other Government agencies, as well as the state banking departments. Moreover, because of its intimate knowledge of member bank operations, the Reserve Bank is in a position to

recommend new banking legislation and has done so throughout its 50-year history.

In a more direct sense, the Federal Reserve Bank of Dallas and the other Reserve Banks are participating in the stream of bank credit accommodation by standing ready to lend funds to member banks to meet unusual and difficult situations, such as unforeseen loan demands or deposit withdrawals. As the lender of "last resort," the Reserve Banks provide a flexible credit cushion behind the commercial bank activity and, yet, insist that, to the extent possible, the commercial banks provide credit within their own resources.

The loan activity of the Federal Reserve Bank of Dallas has reflected the varying economic position of the District, the status of monetary policy and its impact upon bank reserves, and the shifting nature of banking over the past 50 years. Early in the Bank's history, many rediscounts⁵ were made to accommodate the seasonal requirements of banks. Even today, the credit demands to finance a large cotton crop often exceed the reserve capacity of the local banks, and, until the crops are harvested, Reserve Bank loans to these commercial banks are substantial. Rediscounts are handled only on rare occasion now, since Government securities may be used for collateral.⁶

In 1915, there were 360 banks borrowing about \$26.8 million from the Dallas Reserve Bank, with all such borrowings representing rediscounts. By 1920, total loans exceeded \$2 billion for 702 banks, with almost 70 percent secured by Government obligations. The loan volume fluctuated from \$300 million to \$900 million through 1929 but fell sharply to almost zero by 1934. Many of the longtime bankers of this District remember the difficult periods of

⁵ Rediscounts are loans granted on eligible commercial or agricultural paper held by a commercial bank.

⁶ Such loans are referred to as advances and are made on a commercial bank's own note.

the 1920's and 1930's and the Reserve Bank loans which enabled many banks to remain open.

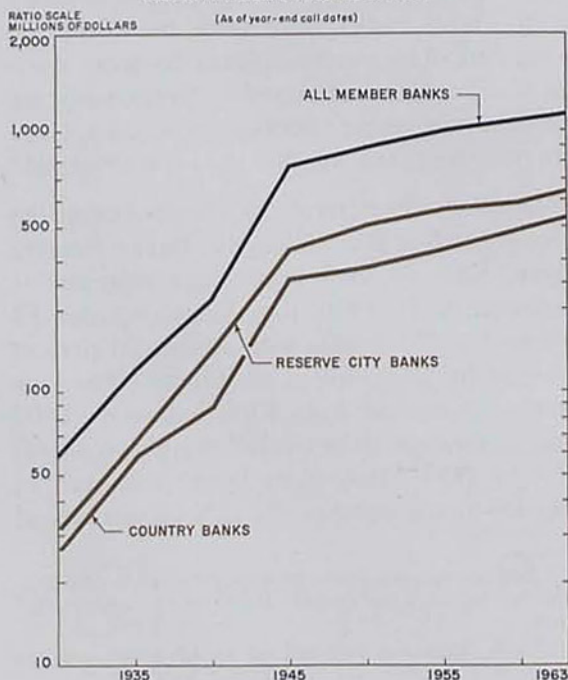
During the Second World War, the Reserve Banks aided the war effort by making loans to industrial concerns which were engaged in producing war materiel and by processing loans guaranteed by the U. S. Government. Regular bank borrowings were minimal until after World War II, as banks used the excessive reserves built up during the late thirties, a period of slack bank credit demand.

Borrowings have fluctuated in the postwar period according to the relative ease or tightening of bank reserve positions. At the peak of each business cycle in the 1950's, borrowings expanded, and since 1961 there has been a fairly steady rise. During 1963, the Federal Reserve Bank of Dallas accommodated 50 member banks, with daily average loans amounting to more than \$16 million and total advances during the year reaching \$2.2 billion.

MEMBER BANK RESERVES

ELEVENTH FEDERAL RESERVE DISTRICT

(As of year-end call dates)



A new record for daily loans was reached in early 1964, when a few banks borrowed a total of \$138 million.

Banking procedures and practices have changed so that demands for Reserve Bank loans normally come from a relatively few banks, although the borrowing privilege is available to all member banks. The development of the correspondent banking network, increasing interbank loans from large banks to small ones and increasing participations and sales of loans between banks, has afforded supplemental means for adjusting strained reserve positions. At the larger commercial banks, the increased use of Federal funds and, more recently, the greater utilization of negotiable time certificates of deposit have provided other supplemental adjustment procedures. It should be recognized that the supplemental means of adjustment are possible only if banks can make the shifts among themselves, an assumption which is based on no overall tightness in reserve positions in the banking system. These adjustment means are available under specified conditions and, thus, are limited in terms of complete reliability.

Reserve Bank credit, on the other hand, has no limitation as to source since it relies upon the credit creation powers of the central bank, rather than the use of existing reserves already in the banking system. The total quantity of Reserve Bank credit provided must, of course, be in keeping with the prevailing monetary policy.

The current pattern of borrowing from the Dallas Reserve Bank includes (1) a few large city banks which are unable to obtain sufficient funds for a short period of time or which have attempted to keep all assets working so intensively that a sudden deposit loss results in a deficient reserve position, (2) several country banks borrowing for seasonal needs, and (3) a small number of banks trying to meet unusual local situations.

Borrowings from the Federal Reserve Bank, in accordance with existing legislation, must be secured by Government securities or eligible paper, unless a Section 10b loan⁷ at a penalty rate is made. Generally, eligible paper must result from financing the production, distribution, or marketing of goods. Agricultural paper cannot mature in more than 9 months from the date of the Reserve Bank loan, and commercial paper must mature in less than 90 days. In recognition of the need to modify regulations set forth to meet conditions of an earlier era, the Federal Reserve has requested a change of legislation by Congress to eliminate eligibility requirements and permit the Federal Reserve to make loans on all notes acceptable to the Reserve Banks without imposing a penalty rate.

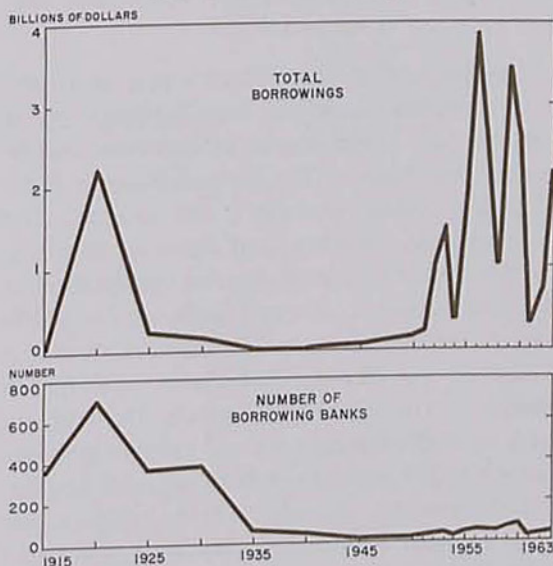
Over the 50 years, discount rates at the Federal Reserve Bank of Dallas have fluctuated sharply, with the basic rate ranging from as high as 7 percent to as low as 1 percent. In addition, there were times in the first 10 years when graduated rates were assessed upon excessive borrowers. When this Bank opened, its Board of Directors, with the consent of the Board of Governors, established a two-part discount rate ranging from 6 to 6½ percent. Generally speaking, rates were at a fairly high level through the 1930's; during the 1940's, however, first as a part of the war effort and then in line with a national policy to resist a postwar recession, discount rates were held at a relatively low level.

In 1951, an accord between the Federal Reserve and the Treasury freed the Federal Reserve System from its wartime commitment to support U. S. Government security prices at par and, thus, enabled the System to return to a flexible monetary policy as a means of counter-

⁷ A loan authorized under Section 10b of the Federal Reserve Act is one secured by any asset of the borrowing bank acceptable to the Reserve Bank but at a rate one-half of 1 percent above the basic discount rate.

MEMBER BANK DISCOUNTS AND ADVANCES

FEDERAL RESERVE BANK OF DALLAS



ing inflationary or deflationary trends in the economy. As of mid-October 1964, the Federal Reserve Bank of Dallas had a basic discount rate of 3½ percent, established on July 17, 1963.

Discount rates initially were established on a regional basis and frequently varied among the Reserve Banks. However, with money markets broadening and funds moving with greater ease to all parts of the Nation, discount rates have shown greater uniformity. Since World War II, differential discount rates among Reserve Banks have existed for only a month or two, largely reflecting differences of opinion concerning the rate change or mere differences in the meeting times of the Reserve Bank directors.

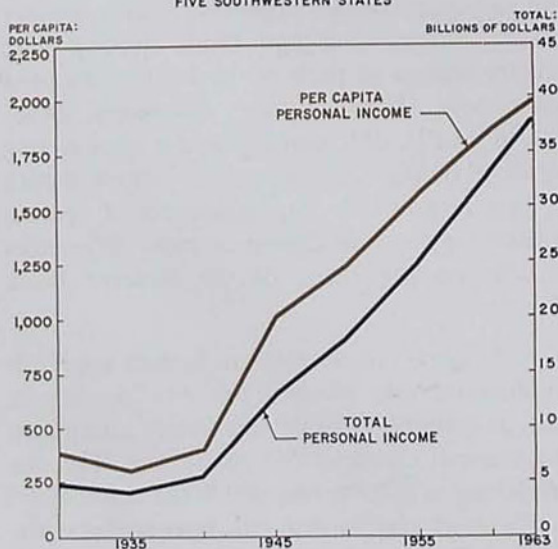
Although a largely uniform System approach to discount rate changes has now developed, this uniformity has not completely eliminated the regional characteristic of the rate. The discount rate is still the rate which the commercial banks must pay in order to borrow from the Federal Reserve Banks and, as a result, is an

important factor in the structure of rates to be charged by commercial banks to their borrowers or paid to depositors who place their savings with the commercial banks.

The Federal Reserve Bank's role in southwestern development has been furthered by its position as a major source of economic and financial intelligence. The Federal Reserve Bank of Dallas collects, compiles, and analyzes data on economic, banking, and financial trends in the Southwest and provides this information to the general public through such regular publications as the *Business Review*, *Agricultural News of the Week*, and *Farm and Ranch Bulletin*. The Bank's Research Department, with its staff of highly trained economists, prepares needed analyses of both regional and national economic trends. These analyses are used to help the Reserve Bank directors and officers discharge their responsibilities for maintaining close contact with the regional economic and financial situation.

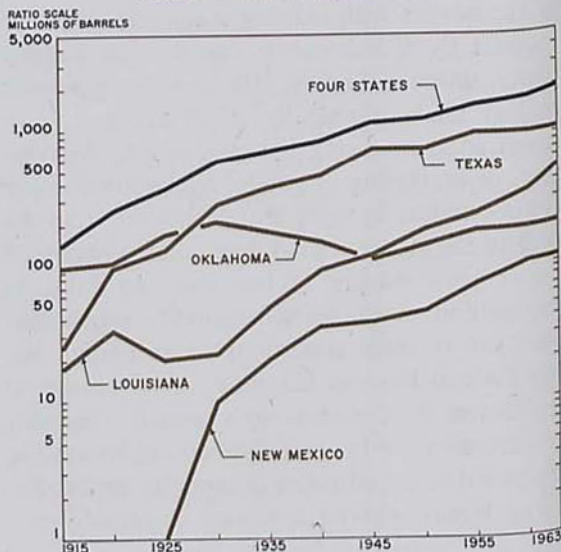
Thus, the role of the Federal Reserve Bank in southwestern development is oriented to-

PERSONAL INCOME FIVE SOUTHWESTERN STATES



SOURCE: U.S. Department of Commerce.

CRUDE OIL PRODUCTION



SOURCE: U.S. Bureau of Mines.

ward service to the general public. There is, however, a broader aspect of the Reserve Bank's responsibility, one which only partially reflects its regional orientation. The Federal Reserve Bank of Dallas is the representative of the Eleventh Federal Reserve District (1) in the presentation of economic and financial statistics on the Southwest for national monetary policy consideration and (2) in reporting the effects of such policies in the analysis of the impact of monetary and credit policy on the Nation as a whole. In this respect, then, the Federal Reserve Bank of Dallas participates with the other regional Reserve Banks and the Board of Governors in the development, execution, and assessment of monetary and credit policy for the Nation. It is in this role that the regional Bank provides part of the broad dispersion of judgment which is highly important in the decentralization concept of a central banking system.

Monetary Policy Participation

The participation of the Federal Reserve Bank of Dallas and other Reserve Banks in

monetary policy determination has changed markedly over the 50 years of the System's existence. In the original act, the participation of the directors and officers of the Banks was largely limited to the initiation of changes in the discount rates and the administration of discount policy. As has been pointed out, however, these were the two basic monetary policy measures in the early life of the System.

In the System's 50-year history, responsibilities for monetary policy determination have shifted significantly. First, an increasing centralization of authority has occurred by custom and by changes in personalities at the various Reserve Banks and at the Board of Governors. Second, legislation, particularly in the 1930's, brought formal participation by the Board of Governors in the newly formed Federal Open Market Committee. Although Federal Reserve purchases and sales of Government securities had been made sporadically in the 1915-30 period by individual Reserve Banks and had been partially systematized through a committee of Reserve Banks, this legislative action in the 1930's brought the Board of Governors and the Reserve Banks into a new interrelationship in the handling of open market transactions.

At present, the participation of the Federal Reserve Bank in monetary policy formulation and execution rests largely on, and is the prime responsibility of, the president of the Bank. He is a member, by rotation, of the Federal Open Market Committee, which meets every 3 weeks to determine major monetary policy decisions. Discussions at these meetings cover changes in virtually all Federal Reserve System monetary policy actions, including discount rates and reserve requirements; but such considerations are purely advisory, since formal action on these latter policies is handled in a different manner. It is the president's responsibility to be thoroughly informed on the economic and financial conditions within his District and to report to the Federal Open Market

Committee developments which he deems important to the policy determinations of the future. He must also be fully cognizant of national and international trends in order to make informed judgments on appropriate national monetary policies.

It is the responsibility of the president of the Bank to recommend to the Bank's Board of Directors the discount rate changes which might need consideration and, internally, to administer the "discount window." Sharing this responsibility with the president of the Bank are the directors and the other officers. It is the job of the directors of the Head Office to review economic developments at their meetings; to keep the management of the Bank apprised of developments which might be important in the consideration of monetary policy; and, subject to review and determination by the Board of Governors, to establish the discount rate of the Bank.

The director's job at the Federal Reserve Bank also encompasses many of the usual functions of a director of a private corporation, including the approval of budgets, supervision of expenditures, employment of senior personnel, and continuous advice and counsel on the operating and management problems of the Bank. While the directors of the branches of the Federal Reserve Bank participate in a less formal manner in monetary policy actions, the branch directors are responsible for a continuous flow of economic and financial reporting and appraisals and are charged with the responsibility of keeping the officials of the branches — and, through them, the management of the entire Bank — informed on developments in their respective territories.

This broad system of reporting is probably one of the greatest strengths of the Federal Reserve System. It provides a continuous flow of up-to-date, accurate economic appraisals at local, regional, and national levels.

Personnel of the Reserve Bank

The heart and core of any institution, particularly one dealing with as sensitive a subject as the monetary policy of the Nation, are its employees. Although it is impossible in this short presentation to give individual recognition to all of the faithful and dedicated workers who have participated in the building and development of the Federal Reserve Bank of Dallas, it is realized that there have been and are a large number of employees who have been devoted to their work at this Bank beyond the normal "call of duty."

The accompanying list shows the chairmen and presidents who have guided this institution since its organization. It may be noted that, over the 50-year period, the Federal Reserve Bank of Dallas has been led by only ten chairmen and six presidents (prior to 1935, the latter were known as governors).

Employment at the Federal Reserve Bank of Dallas and its branches rose steadily through the early years and then spurted sharply during World War II to a record level of 1,573 on

August 31, 1943. Since the war, employment has declined to a fairly stable total of just below 1,000. As of September 30, 1964, the Dallas Federal Reserve Bank and its branches employed 980 people, of which 538 were at the Head Office, 187 at Houston, 171 at San Antonio, and 84 at El Paso. Approximately 25 percent of the employees have been with the Federal Reserve Bank for more than 15 years.

Reflecting the changes in the institution, the demand for specific talents in jobs has increased greatly. Thus, employees of the Reserve Bank are engaged in a wide range of occupations, including clerks, guards, pressmen, computer programmers, economists, and lawyers. By far the greatest number of employees of the Reserve Bank — accounting for about 37 percent of the work force — is in the Transit Department, processing checks which flow into the Bank and its branches at a rate of more than a million items per day. The second largest number of employees, representing about 25 percent of the total, is in the Service Department, handling the security of the Bank, building maintenance, the print shop, stocks of supplies, and

CHAIRMEN AND PRESIDENTS OF THE FEDERAL RESERVE BANK OF DALLAS

Chairmen	Business Affiliations	Tenure of Office
E. O. Tenison	Banker (Dallas)	November 1914-January 1916
W. F. Ramsey	Attorney (Austin)	January 1916-October 1922
W. B. Newsome	Investments (Dallas)	November 1922-March 1923
Lynn P. Talley	Banker (Houston)	March 1923-June 1925
C. C. Walsh	Banker (San Angelo)	July 1925-December 1937
J. H. Merritt	Oil and Investments (McKinney)	January 1938-December 1941
Jay Taylor	Livestock (Amarillo)	January 1942-December 1945
J. R. Parten	Oil (Houston)	January 1946-December 1954
Robert J. Smith	Airlines (Dallas)	January 1955-December 1960
Robert O. Anderson	Oil and Cattle (Roswell, New Mexico)	January 1961 to date
Presidents*		
Oscar Wells		November 1914-February 1915
R. L. Van Zandt		February 1915-January 1922
B. A. McKinney		January 1922-May 1925, October 1931-April 1939
Lynn P. Talley		May 1925-October 1931
R. R. Gilbert		April 1939-August 1953
Watrous H. Irons		February 1954 to date

*Prior to 1935, known as Governors.

a host of other duties which are necessary to maintain the physical facilities of an institution of this size.

In addition to these two large groups, there are a number of smaller departments — including Accounting, Fiscal Agency, Examination, Research, Auditing, and Cash — in which employment ranges from 2 percent to 8 percent of the total work force. The other employees are engaged in the Personnel, Machine Processing, Bank and Public Relations, Loan, and Legal Departments of the Bank.

The Bank's Financial Structure

The Federal Reserve Bank of Dallas and all other Reserve Banks are self-supporting institutions by virtue of their unique ability to create credit. Each disbursement by a Reserve Bank injects new funds into the banking system. For example, the purchase of Government securities by the Federal Open Market Account is accomplished by the issuance of a check, which, when cleared by the Government securities dealer through a commercial bank, is credited to that bank's reserve account. (If a member bank wishes to receive cash instead of a reserve account credit, the Reserve Bank provides currency.) The Reserve Bank primarily obtains its operating revenues from its share of the securities in the Open Market Account and, to a much smaller degree, from interest charged for discounts and advances. Within the past few years, System operations in foreign currencies, designed to help protect the value of the dollar, have also provided some revenues.

At the Dallas Reserve Bank during 1963, current operating earnings of \$46.4 million represented interest received on holdings of Government securities (\$45.6 million), interest earnings on discounts and advances (\$585,957), earnings on foreign currency operations (\$116,460), and miscellaneous earnings (\$22,852). The relative importance of the various sources of revenue has shifted consider-

ably over the 50-year history of the Bank. Through 1920, about 80 percent of the \$10.6 million of cumulative earnings since organization came from income on discounts and advances. It was not until 1924 that income from securities exceeded the revenues from loans, and these two sources vied for first place for a number of years subsequently. However, 1929 was the most recent year in which earnings from discounts and advances exceeded income from securities. Since World War II, revenues from security holdings have averaged more than 95 percent of total revenues.

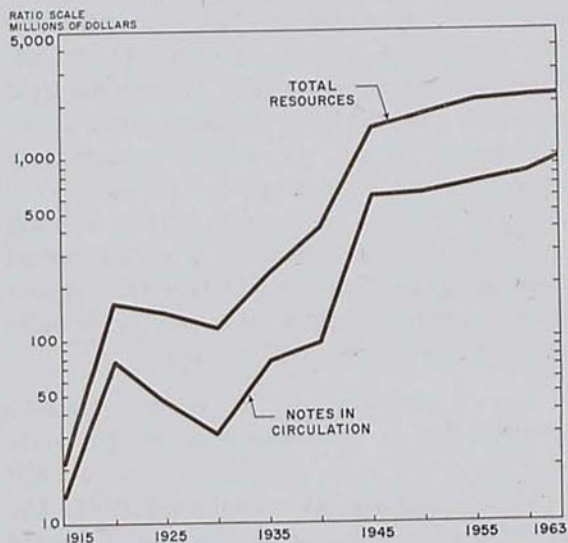
Annual expenses of the Federal Reserve Bank of Dallas grew slowly during the early years, reaching more than \$1 million in 1920 but not surpassing \$2 million until 1941. The pressure of wartime operations raised current operating expenses to over \$3 million in 1943. Postwar expansion has brought continued increases, and expenses exceeded \$4 million in 1949 and \$10 million in 1963.

The prime items of expense have shifted with the growth of the Bank, though salaries and related benefit costs have consistently absorbed about 50 percent of the total expenses. Thus, in 1920, salaries were about \$825,000 of a total expense of \$1,549,000; in 1963, salaries and related benefits cost \$5,453,000 of the total \$10,050,000 expense. Furniture and equipment rentals, reflecting greater use of electronic computers and other machine equipment, now account for 5 percent of all expenses; and postage and expressage costs absorb an additional 10 percent. The latter costs reflect the marked increases in postal rates, as well as sizable increases in the volume of mailings from the Bank.

The basic financial position of the Federal Reserve Bank of Dallas has grown with the southwestern economy, as shown in the accompanying illustration. On December 29, 1915 (at the end of the first year of operation), total resources amounted to \$21,799,205, and paid-

RESOURCES AND NOTES IN CIRCULATION

FEDERAL RESERVE BANK OF DALLAS



in capital reached \$2,752,816. By the end of 1920, resources had multiplied to more than \$173 million, and capital and surplus were in excess of \$8 million. There was little change through 1930 but a steady expansion thereafter, so that resources were \$413 million in 1940 and \$1,807 million in 1950. At the end of 1963, resources of the Bank reached \$2,216 million, and capital and surplus amounted to \$85 million.

Gold certificate reserves increased from \$13 million in 1915 to \$550 million in 1963. The Bank's gold reserves reached over \$648 million in 1950, but the outflow of gold during the 1950's and 1960's, stemming from the Nation's balance-of-payments deficits, has reduced gold holdings of the Reserve Banks.

Another balance sheet item of considerable significance is the Bank's holdings of U. S. Government securities. This total moved from \$12.2 million in 1920 to \$84.9 million in 1940 and then jumped sharply to \$940.0 million in 1950. A further rise to \$1,286 million occurred by 1963, as increased emphasis was placed upon open market purchases to supply new reserves to the banking system.

The Federal Reserve Bank of Dallas has performed its assigned functions for 50 years and has returned to the U. S. Government more than one-quarter of a billion dollars. The Bank's assets have multiplied as it created funds to serve the people of the Southwest.

The Federal Reserve in the Future

Looking to the future on the basis of the past record of the Federal Reserve System and the Federal Reserve Bank of Dallas, one might visualize the continued evolution of a public service institution which, while modifying its basic format and learning new ways of accomplishing its responsibilities, still concentrates on its prime objective of improved service to the American people. Its goals are: improving its contribution to a national monetary policy designed to protect the value of the dollar and stimulate economic growth; providing sound guidance to the commercial banks through examining and appraising their loans, investments, and general practices; assisting the Treasury in marketing the public debt and in handling Treasury transactions at the regional level; improving the efficiency of the check collection mechanism; and supplying the regional economy with currency and coin.

The accomplishments of the Federal Reserve System and its regional Banks in providing economic and financial leadership have been carried out within the framework of the American free enterprise system. These have been facilitated partly because of the position of the central bank between the public and private sectors of the economy and partly because of the regional strength built into the System through the Reserve Bank structure, including the broad participation of leading business and professional men on boards of directors. Perhaps of even greater importance, the System has been independent within Government to concentrate on its job of providing the monetary policy most appropriate to the basic economic and financial condition of the Nation.



STATISTICAL SUPPLEMENT

to the

BUSINESS REVIEW

November 1964



FEDERAL RESERVE BANK
OF DALLAS

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Oct. 28, 1964	Sept. 23, 1964 ^r	Oct. 30, 1963
ASSETS			
Commercial and industrial loans.....	1,993,318	2,056,572	1,890,790
Agricultural loans.....	60,555	57,204	45,073
Loans to brokers and dealers for purchasing or carrying:			
U. S. Government securities.....	274	6,274	274
Other securities.....	38,920	41,896	56,553
Other loans for purchasing or carrying:			
U. S. Government securities.....	2,383	1,980	1,582
Other securities.....	269,282	269,987	248,299
Loans to domestic commercial banks.....	112,782	68,073	114,378
Loans to foreign banks.....	4,674	4,560	2,326
Loans to other financial institutions:			
Sales finance, personal finance, etc.....	115,387	114,860	98,207
Savings banks, mtge. cos., ins. cos., etc.....	299,900	320,906	259,659
Real estate loans.....	379,975	387,033	348,642
All other loans.....	1,160,898	1,164,200	945,701
Gross loans.....	4,438,348	4,493,545	4,011,484
Less reserves and unallocated charge-offs..	75,832	75,166	68,833
Net loans.....	4,362,516	4,418,379	3,942,651
Treasury bills.....	215,749	96,756	113,965
Treasury certificates of indebtedness.....	0	0	68,757
Treasury notes and U. S. Government bonds, including guaranteed obligations, maturing:			
Within 1 year.....	140,849	131,652	136,267
After 1 but within 5 years.....	706,334	642,596	731,007
After 5 years.....	401,508	474,736	437,967
Other securities.....	756,990	740,204	650,367
Total investments.....	2,221,430	2,085,944	2,138,330
Cash items in process of collection.....	637,826	696,168	552,799
Balances with banks in the United States.....	461,132	470,614	454,999
Balances with banks in foreign countries.....	3,415	3,425	3,201
Currency and coin.....	66,321	66,620	64,437
Reserves with Federal Reserve Bank.....	569,837	532,865	505,951
Other assets.....	284,553	277,261	262,112
TOTAL ASSETS.....	8,607,030	8,551,276	7,924,480
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits			
Individuals, partnerships, and corporations....	3,247,017	3,234,192	3,176,464
Foreign governments and official institutions, central banks, and international institutions..	2,906	4,065	2,697
U. S. Government.....	157,644	218,488	68,545
States and political subdivisions.....	243,245	217,438	213,852
Banks in the United States, including mutual savings banks.....	1,048,466	1,089,538	1,055,652
Banks in foreign countries.....	16,228	16,073	13,124
Certified and officers' checks, etc.....	100,166	52,064	55,550
Total demand deposits.....	4,815,672	4,831,858	4,585,884
Time and savings deposits			
Individuals, partnerships, and corporations			
Savings deposits.....	1,192,976	1,180,497	1,097,058
Other time deposits.....	1,135,559	1,125,466	930,927
Foreign governments and official institutions, central banks, and international institutions..	500	500	505
U. S. Government, including postal savings....	3,944	3,949	5,052
States and political subdivisions.....	340,226	327,682	311,250
Banks in the United States, including mutual savings banks.....	7,556	7,114	12,059
Banks in foreign countries.....	2,300	2,300	2,400
Total time and savings deposits.....	2,683,061	2,647,508	2,359,251
Total deposits.....	7,498,733	7,479,366	6,945,135
Bills payable, rediscounts, etc.....	210,000	190,151	163,075
All other liabilities.....	174,329	164,221	124,801
Capital accounts.....	723,968	717,538	691,469
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	8,607,030	8,551,276	7,924,480

r — Revised.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Oct. 28, 1964	Sept. 23, 1964	Oct. 30, 1963
Total gold certificate reserves.....	536,766	522,821	531,536
Discounts for member banks.....	51,316	54,233	22,645
Other discounts and advances.....	114	57	1,710
U. S. Government securities.....	1,410,726	1,368,283	1,285,776
Total earning assets.....	1,462,156	1,422,573	1,310,131
Member bank reserve deposits.....	925,743	897,355	861,144
Federal Reserve notes in actual circulation....	1,044,675	1,034,758	947,860

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	5 weeks ended Oct. 7, 1964	4 weeks ended Sept. 2, 1964	4 weeks ended Oct. 2, 1963
RESERVE CITY BANKS			
Total reserves held.....	611,757	594,299	599,480
With Federal Reserve Bank.....	570,240	552,793	557,582
Currency and coin.....	41,517	41,506	41,898
Required reserves.....	606,869	588,963	596,015
Excess reserves.....	4,888	5,336	3,465
Borrowings.....	30,506	24,286	9,991
Free reserves.....	-25,618	-18,950	-6,526
COUNTRY BANKS			
Total reserves held.....	566,132	558,304	535,324
With Federal Reserve Bank.....	433,474	426,687	412,661
Currency and coin.....	132,658	131,617	122,663
Required reserves.....	526,318	518,660	492,118
Excess reserves.....	39,814	39,644	43,206
Borrowings.....	9,657	10,526	3,520
Free reserves.....	30,157	29,118	39,686
ALL MEMBER BANKS			
Total reserves held.....	1,177,889	1,152,603	1,134,804
With Federal Reserve Bank.....	1,003,714	979,480	970,243
Currency and coin.....	174,175	173,123	164,561
Required reserves.....	1,133,187	1,107,623	1,088,133
Excess reserves.....	44,702	44,980	46,671
Borrowings.....	40,163	34,812	13,511
Free reserves.....	4,539	10,168	33,160

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In millions of dollars)

Date	GROSS DEMAND DEPOSITS			TIME DEPOSITS		
	Total	Reserve city banks	Country banks	Total	Reserve city banks	Country banks
1962: September.....	8,194	4,096	4,098	3,357	1,666	1,691
1963: September.....	8,407	4,150	4,257	4,044	2,014	2,030
1964: April.....	8,422	3,975	4,447	4,483	2,214	2,269
May.....	8,249	3,938	4,311	4,524	2,235	2,289
June.....	8,282	3,934	4,348	4,563	2,250	2,313
July.....	8,314	3,941	4,373	4,573	2,249	2,324
August.....	8,313	3,957	4,356	4,585	2,262	2,323
September.....	8,530	4,090	4,440	4,689	2,354	2,335

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Sept. 30, 1964	Aug. 26, 1964	Sept. 25, 1963
ASSETS			
Loans and discounts.....	7,361	7,302	6,501
U. S. Government obligations.....	2,519	2,519	2,806
Other securities.....	1,521	1,512	1,355
Reserves with Federal Reserve Bank.....	898	862	887
Cash in vault.....	196	191	184
Balances with banks in the United States.....	1,124	1,050	1,176
Balances with banks in foreign countries.....	6	5	4
Cash items in process of collection.....	784	679	712
Other assets.....	533	352	381
TOTAL ASSETS.....	14,942	14,472	14,006
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks.....	1,328	1,225	1,359
Other demand deposits.....	7,366	7,053	7,108
Time deposits.....	4,609	4,584	4,047
Total deposits.....	13,303	12,862	12,514
Borrowings.....	180	147	146
Other liabilities.....	204	210	176
Total capital accounts.....	1,255	1,253	1,170
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	14,942	14,472	14,006

e — Estimated.

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹		
	September 1964	Percent change from		Sept. 30, 1964	Annual rate of turnover	
		Aug. 1964	Sept. 1963		Sept. 1964	Aug. 1964
ARIZONA						
Tucson.....	\$ 292,762	4	8	\$ 158,568	22.2	21.2
LOUISIANA						
Monroe.....	110,137	3	19	63,265	22.3	23.4
Shreveport.....	346,558	1	5	171,650	23.9	23.6
NEW MEXICO						
Roswell.....	47,758	5	-12	32,853	17.5	16.7
TEXAS						
Abilene.....	115,385	0	12	68,155	20.3	20.4
Amarillo.....	292,818	3	24	123,472	29.0	27.6
Austin.....	290,605	-6	9	173,390	20.3	22.0
Beaumont.....	201,540	-2	1	108,273	23.0	24.4
Corpus Christi.....	235,108	4	16	120,577	23.4	22.8
Corsicana.....	20,409	7	-2	21,522	11.4	11.0
Dallas.....	3,760,014	-2	14	1,384,557	32.9	34.1
El Paso.....	341,290	-1	1	183,190	22.7	23.2
Fort Worth.....	845,592	1	5	422,424	24.1	23.9
Galveston.....	99,000	-14	2	61,508	19.3	22.4
Houston.....	3,680,428	2	13	1,635,180	28.1	28.7
Laredo.....	36,749	3	12	25,877	16.9	16.6
Lubbock.....	227,922	5	14	130,322	21.1	20.2
Port Arthur.....	63,659	-1	6	42,142	17.8	18.1
San Angelo.....	61,998	2	7	49,407	14.9	14.4
San Antonio.....	793,030	6	12	440,061	21.5	20.3
Texarkana ²	28,409	-7	-3	19,666	17.4	19.0
Tyler.....	107,690	2	9	71,484	18.1	18.0
Waco.....	129,828	1	7	85,414	18.4	18.5
Wichita Falls.....	131,844	3	9	101,705	15.6	15.1
Total—24 cities.....	\$12,260,533	0	12	\$5,694,662	26.2	26.6

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.

² These figures include only two banks in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including one bank located in the Eighth District, amounted to \$56,595,000 for the month of September 1964.

INDEXES OF DEPARTMENT STORE SALES

Eleventh Federal Reserve District

(Daily average sales, 1957-59 = 100)

Date	Seasonally adjusted	Unadjusted
1963: September.....	111	107
1964: April.....	120	113
May.....	126	121
June.....	126	113
July.....	128	116
August.....	124	125
September.....	123	118

DEPARTMENT STORE SALES

(Percentage change in retail value)

Area	September 1964 from		9 months, 1964 from 1963
	August 1964	September 1963	
Total Eleventh District.....	-9	15	11
Corpus Christi.....	-19	13	5
Dallas.....	-6	14	10
El Paso.....	-6	9	9
Houston.....	-12	16	15
San Antonio.....	-8	18	11
Shreveport, La.....	-12	16	4
Waco.....	-13	2	11
Wichita Falls.....	-11	13	10
Other cities.....	-10	18	

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1957-59 = 100)

Area and type of index	September 1964p	August 1964	July 1964	September 1963
TEXAS				
Total industrial production.....	131	127	129	123
Manufacturing.....	148	143	145	137
Durable.....	144	138	141	130
Nondurable.....	151	146	148	141
Mining.....	108	106	107	106
UNITED STATES				
Total industrial production.....	134	134	133	126
Manufacturing.....	135	135	134	126
Durable.....	136	136	135	126
Nondurable.....	134	133	133r	127
Mining.....	113	113	111r	110
Utilities.....	152	152	151r	142

p — Preliminary.

r — Revised.

SOURCES: Board of Governors of the Federal Reserve System.
Federal Reserve Bank of Dallas.

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Sept. 1964 from	
	Sept. 1964p	Aug. 1964	Sept. 1963r	Aug. 1964	Sept. 1963
Total nonagricultural wage and salary workers..	4,895,900	4,861,200	4,783,100	0.7	2.4
Manufacturing.....	858,600	853,700	836,300	.6	2.7
Nonmanufacturing.....	4,037,300	4,007,500	3,946,800	.7	2.3
Mining.....	236,600	239,400	230,900	-1.2	2.5
Construction.....	333,700	336,000	330,200	-7	1.1
Transportation and public utilities.....	388,400	390,100	386,100	-4	.6
Trade.....	1,167,000	1,164,400	1,142,300	.2	2.2
Finance.....	248,700	250,800	240,500	-8	3.4
Service.....	702,800	707,200	682,500	-6	3.0
Government.....	960,100	919,600	934,300	4.4	2.8

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

p — Preliminary.

r — Revised.

SOURCE: State employment agencies.

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percent change		
	Sept. 1964	9 mos. 1964	Sept. 1964	9 mos. 1964	Sept. 1964 from		9 months, 1964 from 1963
					Aug. 1964	Sept. 1963	
ARIZONA							
Tucson.....	657	6,764	\$ 1,650	\$ 27,890	5	-26	12
LOUISIANA							
Shreveport....	387	3,064	1,552	18,613	0	-42	-17
TEXAS							
Abilene.....	77	824	581	9,802	-66	-52	-20
Amarillo.....	235	2,233	4,110	35,466	22	54	5
Austin.....	362	3,117	9,286	59,204	-13	4	-10
Beaumont.....	247	2,276	2,477	13,841	139	253	29
Corpus Christi.....	336	3,094	2,340	23,188	-57	110	16
Dallas.....	1,850	18,974	12,753	161,184	-9	9	-12
El Paso.....	389	3,871	2,936	33,905	-15	24	-3
Fort Worth.....	754	6,460	4,160	42,707	32	6	9
Galveston.....	116	1,234	1,946	9,109	-15	-10	-4
Houston.....	1,827	17,844	23,062	250,023	297	636	48
Lubbock.....	187	1,715	13,038	47,775	-2	44	-4
Midland.....	88	870	904	9,531	-2	-31	-27
Odessa.....	130	940	524	4,688	21	-41	-27
Port Arthur.....	155	1,407	252	5,464	-54	-42	44
San Antonio.....	1,193	10,772	7,931	50,440	124	43	11
Waco.....	336	2,175	1,552	12,735	-2	92	-5
Wichita Falls..	107	1,166	905	10,462	-53	-58	-8
Total—19 cities..	9,433	88,800	\$91,959	\$826,027	7	21	-2

VALUE OF CONSTRUCTION CONTRACTS

(In millions of dollars)

Area and type	January-September				
	September 1964p	August 1964	September 1963	1964p	1963
FIVE SOUTHWESTERN STATES¹					
Residential building.....	359	372	390	3,760	3,643
Nonresidential building....	163	171	185	1,690	1,675
Nonbuilding construction...	102	116	92	1,061	1,023
	94	85	112	1,008	944
UNITED STATES	3,762	3,760	3,707	36,136	34,181
Residential building.....	1,717	1,679	1,789	16,144	15,662
Nonresidential building....	1,228	1,275	1,154	11,607	10,929
Nonbuilding construction...	817	807	764	8,386	7,590

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

p — Preliminary.

NOTE: — Details may not add to totals because of rounding.

SOURCE: F. W. Dodge Corporation.

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(In thousands of barrels)

Area	Percent change from				
	Sept. 1964p	Aug. 1964p	Sept. 1963	Aug. 1964	Sept. 1963
ELEVENTH DISTRICT	3,175.4	3,128.6	3,111.5	1.5	2.1
Texas.....	2,713.0	2,665.4	2,684.3	1.8	1.1
Gulf Coast.....	522.3	509.4	515.4	2.5	1.3
West Texas.....	1,182.8	1,165.6	1,205.2	1.5	-1.9
East Texas (proper).....	108.8	104.4	120.8	4.2	-9.9
Panhandle.....	102.4	100.3	104.7	2.1	-2.2
Rest of State.....	796.7	785.8	738.2	1.4	7.9
Southeastern New Mexico..	280.6	284.4	277.6	-1.3	1.1
Northern Louisiana.....	181.7	178.8	149.6	1.6	21.5
OUTSIDE ELEVENTH DISTRICT	4,554.2	4,531.6	4,395.4	.5	3.6
UNITED STATES	7,729.6	7,660.2	7,506.9	.9	3.0

p — Preliminary.

SOURCES: American Petroleum Institute.

U. S. Bureau of Mines.

Federal Reserve Bank of Dallas.

COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales — 500 pounds gross weight)

Area	1964			1964 as percent of 1963
	1964, indicated Oct. 1	1963	1962	
1-N — Northern High Plains.....	580	505	584	115
1-S — Southern High Plains.....	1,420	1,590	1,730	89
2-N — Red Bed Plains.....	265	292	287	91
2-S — Red Bed Plains.....	245	330	320	74
3 — Western Cross Timbers.....	15	19	17	79
4 — Black and Grand Prairies.....	410	510	444	80
5-N — East Texas Timbered Plains....	25	39	29	64
5-S — East Texas Timbered Plains....	65	71	63	92
6 — Trans-Pecos.....	255	257	251	99
7 — Edwards Plateau.....	20	37	35	54
8-N — Southern Texas Prairies.....	140	124	123	113
8-S — Southern Texas Prairies.....	165	100	157	165
9 — Coastal Prairies.....	240	225	212	107
10-N — South Texas Plains.....	50	49	61	102
10-S — Lower Rio Grande Valley.....	330	269	413	123
State.....	4,225	4,417	4,726	96

SOURCE: U. S. Department of Agriculture.

MARKETED PRODUCTION OF NATURAL GAS

Area	In millions of cubic feet			Seasonally adjusted index (1957-59=100)		
	Second quarter 1964	First quarter 1964	Second quarter 1963	Second quarter 1964	First quarter 1964	Second quarter 1963
Louisiana.....	976,700	1,122,900	898,000	194	181	179
New Mexico.....	211,100	248,700	186,800	123	126	109
Oklahoma.....	306,000	313,000	222,900	179	170	130
Texas.....	1,559,363	1,671,100	1,490,300	120	117	114
Total.....	3,053,163	3,355,700	2,798,000	142	138	130

SOURCES: U. S. Bureau of Mines.
Federal Reserve Bank of Dallas.

NATIONAL PETROLEUM ACTIVITY INDICATORS

(Seasonally adjusted indexes, 1957-59 = 100)

Indicator	Sept. 1964p	Aug. 1964p	Sept. 1963
CRUDE OIL RUNS TO REFINERY			
STILLS (Daily average).....	116	113	112
DEMAND (Daily average)			
Gasoline.....	116	115	110
Kerosene.....	173	165	185
Distillate fuel oil.....	118	118	130
Residual fuel oil.....	95	93	97
Four refined products.....	114	113	115
STOCKS (End of month)			
Gasoline.....	111	111	109
Kerosene.....	115	115	112
Distillate fuel oil.....	111	110	108
Residual fuel oil.....	73	79	85
Four refined products.....	106	107	106

p — Preliminary.

SOURCES: American Petroleum Institute.

U. S. Bureau of Mines.

Federal Reserve Bank of Dallas.

CROP PRODUCTION

(In thousands of bushels)

Crop	TEXAS		Average 1958-62	FIVE SOUTHWESTERN STATES ¹		Average 1958-62
	1964, estimated Oct. 1	1963		1964, estimated Oct. 1	1963	
Cotton ²	4,225	4,417	4,516	6,230	6,544	6,456
Corn.....	22,912	24,164	34,543	33,258	35,898	51,482
Winter wheat....	61,848	40,618	66,334	160,844	122,501	176,035
Oats.....	24,000	13,674	27,387	33,088	19,918	43,368
Barley.....	3,780	3,780	8,161	27,656	22,229	33,827
Rye.....	525	338	321	1,500	1,097	1,140
Rice ³	18,737	18,394	13,194	35,501	35,285	26,327
Sorghum grain... ⁴	218,160	245,310	239,690	249,868	287,749	274,693
Flaxseed.....	1,276	635	742	1,276	635	742
Hay ⁵	2,492	2,198	2,217	7,294	6,693	6,666
Peanuts ⁶	194,700	195,640	219,128	398,650	383,650	378,241
Irish potatoes ⁷ ..	2,574	2,657	2,543	5,286	5,816	5,489
Sweet potatoes ⁸ ..	1,012	980	1,232	4,696	4,939	5,350
Pecans ⁹	25,000	56,000	24,600	76,500	127,000	65,340

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

² In thousands of bales.

³ In thousands of bags containing 100 pounds each.

⁴ In thousands of tons.

⁵ In thousands of pounds.

⁶ In thousands of hundredweight.

SOURCE: U. S. Department of Agriculture.