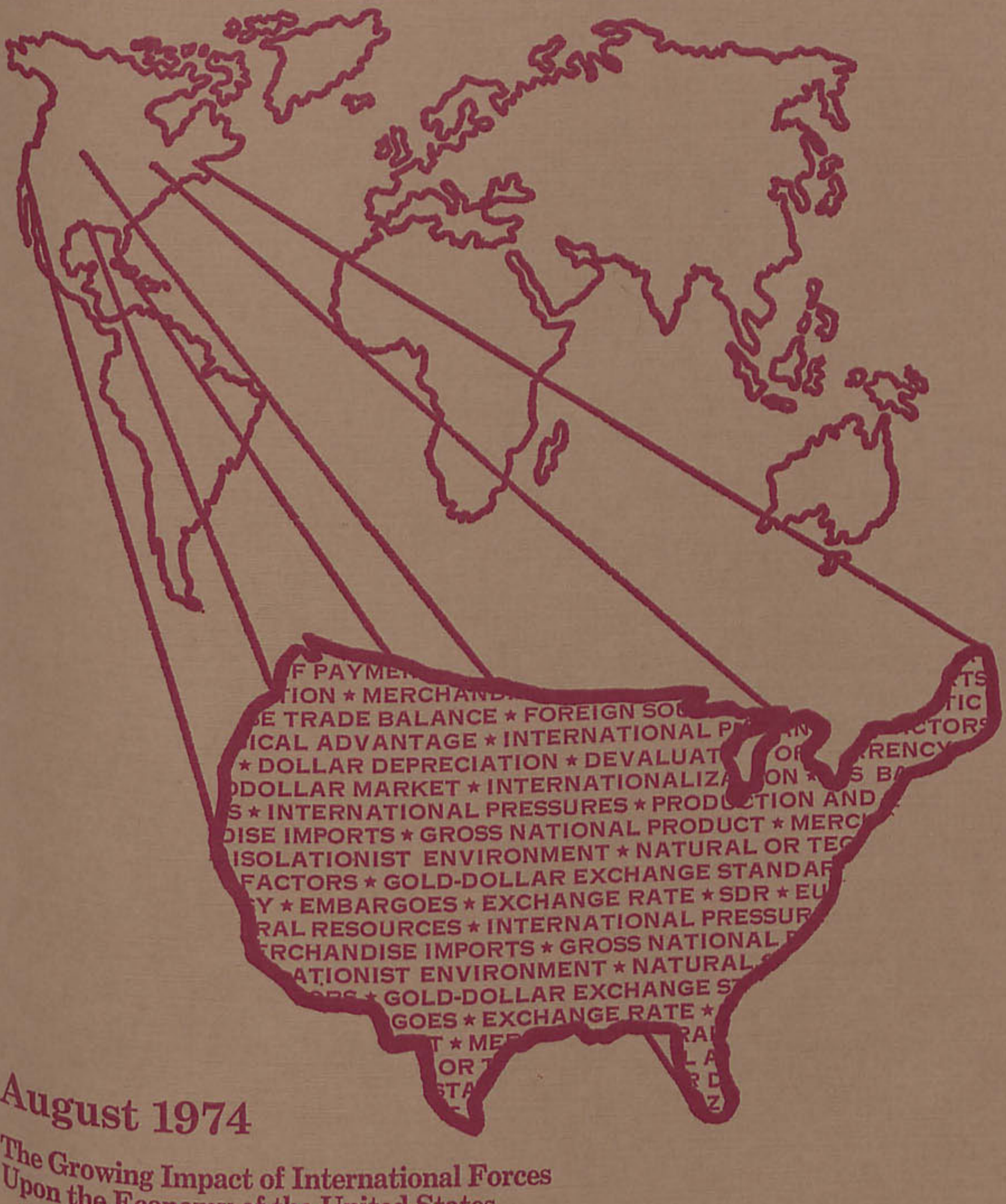
Federal Reserve Bank of Dallas

Business Review



August 1974

The Growing Impact of International Forces Upon the Economy of the United States
—An Address by Philip E. Coldwell

The Growing Impact of International Forces Upon the Economy of the United States

An Address by

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at the

Southwestern Graduate School of Banking
Southern Methodist University
Dallas, Texas

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Perhaps it was a result of our heritage, our abundance of natural resources, or our geographic isolation from other population centers of the world, but–whatever the reason–until recently, some Americans operated almost as if they were in an economic vacuum. People became accustomed to primarily domestic forces as the principal factors of change, and, to a great extent, international forces were treated with benign neglect. Other than the financial impact of our roles as policeman and benefactor, the nation's economic policies were set largely to meet the domestic situation. And yet, the international financial and economic changes in the postwar period have steadily exerted more and more influence on the underlying progress and long-run health of the American economy. Certain industries, unions, and limited segments of our population, mainly on the coastal areas, became acutely aware of the growing international competition in sales and jobs, but, by and large, the hinterland of the United States remained inwardly oriented in its attitudes and views on the U.S. economy.

In 1971, this isolationist attitude suffered a severe setback, and in 1973, the extent of United States dependence on world trade and international financial cooperation finally registered with most Americans. To many people, this was a sudden shift in economic forces, but to the knowledgeable observer, the buildup of competitive positions in Europe and Japan, the foreign accumulation of dollars from heavy U.S. balance-of-payments deficits, and the steady erosion of U.S. raw-material resources had forecast a United States shift in policies and practices to accommodate the international pressures.

There is, of course, a danger of overreaction to the now highly visible international influences. One might be tempted to blame all our recent problems on these forces, or, alternatively, one might view the recent upsets as purely transitory, with only a temporary impact. Both extremes seem to me to be unwarranted. Instead, a middle ground of proper concern balanced with recognition of some of the unusual aspects of the present situation is probably an appropriate policy position.

Let us first measure the impact of international trade on the production and consumption of the United States. In the broadest terms, both U.S. merchandise exports and imports are about 7 percent of the gross national product. In dollars, U.S. exports and imports in early 1974 were each at an annual rate of about $90 billion, or about $20 billion above the 1973 total and $30 billion above the first four months of the past year. Through April, the 1974 merchandise trade balance showed a minor surplus of $778 million, contrasted with a deficit in the first four months of 1973 and a surplus of $2.5 billion in the final four months of last year.

Among the principal items of export, the primary sales increases have been for agricultural products and machinery–especially computers, agricultural and construction machinery, and electric power and telecommunications equipment. Total nonagricultural exports rose 14 percent above the final third of 1973, and agricultural exports rose an identical percentage. On the import side, industrial supplies showed a 43-percent gain, led by petroleum, steel, copper, newsprint, and chemicals.

To a considerable extent, these export and import items reflect the changing U.S. position. With years of heavy production of some minerals and scarcity of domestic deposits of others, the United States is now at least 50 percent dependent on foreign sources for basic minerals such as bauxite, manganese, nickel, copper, and tin. In addition, there is a rising dependence for others, particularly petroleum, natural gas, chemicals, and sulfur.

It is just no longer possible for the United States to operate in an isolationist environment and maintain the current standards of living of its people. Our future thrust should be toward developing and refining our capacity as a processor, rather than a producer, of raw materials. To pay for these enlarged imports, the United States will need to expand exports in sectors where this nation has a natural or technological advantage. Again, the list of exports provides an excellent survey of the sophisticated machines and basic agricultural products that will need to be exported in ever greater volume to pay for our imports.

Thus, merchandise trade patterns that reflect the growing internationalization of our economy will have a profound impact on U.S. trade policies and practices. Only at our own peril could we neglect or ignore the world forces and their influence on the economic progress of our nation. But perhaps the strongest changes in policies and attitudes in the United States are likely to come from the realization that the international financial forces have, in some ways, become dominant to the domestic financial forces.

Part of the background for this important development is the postwar accumulation of dollars in foreign hands as dollars were being used as both the primary reserve and vehicle currency. The continued outflow of dollars from persistent balance-of-payments deficits caused a surplus of dollars in world financial markets and a concomitant reduction in value. By 1971, with U.S. trade surpluses declining sharply and the dollar under strong pressure in exchange markets, the United States suspended convertibility and then devalued the dollar. These actions by the United States brought a severe shock to the international financial community. But as pressures continued against the dollar, a further devaluation occurred in early 1973, and the dollar subsequently deteriorated in exchange markets to a low point in July last year.

With the suspension of convertibility, the Bretton Woods mechanism of a gold-dollar exchange standard ceased functioning and, by 1973, fixed exchange rates for the currencies of many countries had been replaced by floating arrangements. For nearly three years, then, the international payments mechanism has relied on market-oriented pressures to determine relative values of currencies, though central bank intervention has played an increasing role to prevent disorderliness in the markets.

Throughout this period of turmoil, the changing international value of the dollar has had significant effects on the domestic position of the American economy. The declining value of the dollar in terms of foreign currencies has meant that prices of American products sold abroad were effectively reduced and demand was thereby stimulated. As competition increased between foreign and domestic buyers of U.S. goods, domestic prices advanced sharply. Aggravating this demand pressure was the fact that all major industrialized nations shifted to a coincident cyclical position of expansion–a situation not evident at any other time in the postwar period. The effect of the dollar depreciation was also felt in the higher prices paid for imported goods. Foreign producers were faced with a need to cover the past devaluations of the dollar and protect against further exchange rate erosion.

As if these changes were not enough, the world faced a new crisis in late 1973, when politically inspired oil embargoes and price increases were imposed by the principal oil-producing nations in the Middle East. While the embargoes and reduced output phases of the policy have been suspended, the world was left with a new and sharply higher price structure for petroleum and its derivative products. Although in a more favored position than many other nations by virtue of our domestic oil production, which supplies nearly two-thirds of our demand, the United States is a primary user of petroleum and its demand has been accelerating.

Not only have basic prices of oil and gasoline advanced sharply, but these products form a large part of the ongoing costs of business in transporting its products to consumer outlets. In addition, the byproducts of petroleum refining are the source of feedstock for the production of plastics, fertilizers, chemicals, and a host of other business and consumer products. Thus, the initial petroleum price increase had a pervasive effect on many other goods and services marketed throughout the world and was especially significant in the United States because of our heavy dependence on oil and gas for energy supplies.

Moreover, the petroleum price increases triggered price advances for other basic raw materials, especially bauxite, iron ore, and copper. In modern industrialized nations geared to heavy use of such raw materials, the price increases served as a catalyst for a new and particularly virulent inflationary spiral. Consequently, all major nations are presently contending with inflationary pressures, and only a few have been able to contain their rates of inflation below a double-digit position.

While the United States may be less directly affected by oil imports because of its productive capacity, there are special factors in the U.S. position that reinforce the indirect effects of the oil price problem. Despite the breakdown of the Bretton Woods system, the dollar is still used as the primary vehicle, or transactions, currency of the Free World. Payments for oil are made primarily in dollars, and–given the weakened state of our currency–the oil-producing nations converted some into sterling and have sought purchasing power guarantees. Moreover, since a very large stock of dollars is held in foreign official reserves, other major industrialized nations are using these funds for oil payments, thus redirecting the dollar overhang to the principal oil-producing nations. As such dollar payments are made, either in a transactions sense or from foreign official reserves, there appear to be further exchange rate pressures against the dollar. Even oil payment dollars placed in the Eurodollar market can contribute some pressure as such dollars may be converted into other currencies.

It is much too early to assess all the implications of this feature of the oil price problem, but suffice it to say that the real test will come in the disposition of such dollar revenues, whether the dollars are reinvested in U.S. securities or purchases, sold in the open market for other currencies, or neutralized in international accounts of the Bank for International Settlements or International Monetary Fund. There is hope that some of the surplus will be used to help the underdeveloped nations.

However the oil producers use the funds, the oil-consuming nations have a long-run problem of payment. The alternatives are difficult at best and could be of major concern. First, if exports to the oil-producing nations could be sharply increased, payment for the oil imports would be partially achievable. But the payments for oil are so massive–variously estimated for the OPEC nations at a gross of $60 billion to $80 billion for 1974–that imports could scarcely meet half of this cost. Moreover, the principal oil-producing nations are relatively underdeveloped and have only small populations. Therefore, the amount of imports they would absorb is likely to be small.

Secondly, the oil-consuming nations could raise the prices of their principal exports to help pay for their oil imports. This would be helpful for some nations but would aggravate the inflationary impact for other nations, especially those without exports that are in widespread demand. Nevertheless, such a broad rise in prices of basic raw materials and other exports could have a strong impact on the price levels of all nations. In relation to payments for oil imports, the advance in prices of other world trade commodities is not likely to generate sufficient income to meet a sizable share of the oil import bill. For the United States, these patterns of price retaliation may be less difficult but still of major significance in terms of the inflationary potential from both internal impetus as workers seek to maintain standards of living through higher wages and external impetus as we pay for the increasing dependence on foreign sources of vital raw materials.

Two other approaches to payment involve quite unacceptable risks. First, currency devaluation could be used to pay part of the bill, but this runs the risk of future rejections or even higher prices and might create an atmosphere conducive to competitive devaluations. Another approach might be a resort to barter, but, even here, there would need to be an agreement on the relative values of the bartered goods. The primary problem with this approach, though, is its limited use. After all, how many jet airplanes, computers, or even tons of wheat can be absorbed by relatively small countries?

Finally, of course, the preferred plan embraces a reduction in oil prices, both as a contribution to world economic stability and as a means of avoiding heavy deficits in balances of payments for most oil-consuming nations.

In this overall context of a world in transition to a new and differential pattern of prices, official reserves, and financial power, the international exchanges become even more significant. And yet, there is no real stability at this time, nor any new agreed-on mechanism of international settlement. Preliminary plans for use of Special Drawing Rights, valued according to a market basket of 16 currencies, have been developed by the Committee of Twenty of the IMF and finance ministers over the past few months. But this is an untried element of settlement, and many problems of use and relationships need definition before this mechanism is accepted. Full faith and confidence in the mechanism will, of course, require years of successful operation and will entail difficult decisions on the rate and purpose of issuance of SDR's, on the underdeveloped country link, and on the internal balance between the currencies in the market basket.

At the same time, there continues to be a sizable body of world opinion that gold should remain the centerpiece of the international payments mechanism. If the new market basket approach completely denies a role to gold in the international mechanism, there is likely to be less support than if gold were included. One new dimension to this problem has been the recent decision to allow official gold holdings to be used as collateral at a market-related price. It is, obviously, sheer speculation to forecast future gold moves, but a broader spirit of accommodation may be developing that would certainly augur well for greater cooperation in creating a viable international financial structure.

Meanwhile, the pressures from international financial disruptions, exchange rate volatility, and massive capital flows have brought price increases in the United States and, in fact, throughout the world. The universality of the world's credit markets, with their almost instantaneous shifting of funds and competitive rates of interest, has permitted, if not encouraged, movements of funds across borders. The unpredictable nature of such flows introduces an element of instability into the supply and demand for dollars. Of course, one of the primary movers of funds is the relative interest rate levels in the principal markets of the world, and, to some extent, this fact operates as a constraining force on domestic policies.

Of more continuing influence for the United States is the flow of funds to and from foreign central banks, especially the movement into and out of Treasury securities. Such investments have had a sharp influence on the Treasury financing program and quite often have an impact on the Government securities market, particularly when large amounts are sold or purchased in a short time frame. Foreign official holdings of dollars have had a smaller impact on our markets and credit positions, however, than the very large Eurodollar holdings and the capital flows for investments, loans, and payments abroad.

The massive amount of dollars in the Eurodollar market has exerted a formidable force on currency exchange rates as holders have shifted from one currency to another. Confidence in U.S. currency values has waned over the past ten years and was seriously eroded in the 1970-74 period. As such confidence declined, more dollars were offered for sale and exchange rates shifted against the dollar. One measure of the Eurodollar market is the dollar liabilities of banks reporting to the BIS. These liabilities amounted to only $18 billion in 1967 but more than doubled to $58 billion in 1970 and had doubled again to $130 billion by the end of 1973.

American banks and American branches of foreign banks have become heavily involved in the movement of funds into and out of the Eurodollar market. At times, United States banks have borrowed Eurodollars as a temporary escape mechanism from the monetary restraint exercised domestically and have used such funds both to meet foreign commitments and to alleviate the pressure for domestic credit demands. In recent months, with strong Eurodollar market demands, some funds have flowed from the United States to feed that market. Naturally, any large volume of funds moving into or out of the United States credit market can have a strong effect on interest rates and even availability of credit in the United States.

In a somewhat longer time frame, capital investments of U.S. companies abroad have also had a marked impact on our international position. With American companies investing in new plant and equipment abroad and steadily shifting labor-intensive production to foreign countries where labor is less expensive, there have been profound effects on the types of jobs available in this country and a reinforcement of the high-technology output at which this country excels. This move has meant more high-paying professional positions and fewer low-paying factory jobs open in the United States. The shift of production to foreign subsidiaries has also had a significant impact on U.S.

imports and exports. However, in view of U.S. dependence on foreign sources of raw materials, we have little choice but to continue our efforts toward free trade among all nations.

One of the often unnoticed results of these capital investments abroad has been the volume of funds returned in the form of profits and dividends to U.S. corporations. Often, however, such investments also require payments out of the home office for salaries, fees, royalties, and purchases. In fact, recurring oil company payments are one of the routine factors influencing the demand for sterling.

Perhaps we have covered enough of the changing relationships to convince you that the U.S. economy is no longer–if, indeed, it ever was–an isolationist economy and, in fact, would suffer severely if a national policy of isolationism were to be established. Nevertheless, there is one other element of our world interdependence that should be mentioned. The credit markets of the Free World are still largely free, and, despite some exchange and finance controls, credit moves around the world with great facility. But if oil import payments become such a burden that the bulk of international liquidity is accumulated by only a handful of oil-producing nations, there could be moves to severely limit international financial flows. These actions would force nations into world trade by barter, would do untold harm to the ongoing development of the poorer nations, and would impact heavily on the U.S. position as a raw-material importer.

The positions and policies of the United States on international finance, trade, foreign aid, and corporate reciprocity will all need to be reconsidered with great care to assure us that the internationalization of our economy is reflected in those policies. More specifically, our policies need to recognize the essential U.S. interests in continuing free trade, unhampered credit flows, and a strengthened export position to pay for imports critical to our continuing economic progress.

The views expressed are those of the author and do not necessarily reflect the position of the Federal Reserve System or the opinions of any of his associates.

New member banks

The Plaza Commerce Bank National Association, Houston, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business June 19, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $800,000, surplus of $800,000, and undivided profits of $400,000. The officers are: James E. Savage, President; William J. Reed, Jr., Vice President; and Lee Firestone, Cashier.

The Churchill National Bank, San Antonio, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business June 24, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $300,000, surplus of $300,000, and undivided profits of $150,000. The officers are: Richard Calvert, Chairman of the Board; Francis N. Finch, President; Desmond M. Murphy, Vice President and Cashier; and Terry C. Tippen, Assistant Vice President and Loan Officer.

The Franklin National Bank, El Paso, Texas, a newly organized institution located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, opened for business July 1, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $400,000, surplus of $200,000, and undivided profits of $200,000. The officers are: Paul Arnold, President; Henry Ellis, Vice President; and Jerry Franklin, Cashier.

The Union National Bank, Austin, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business July 3, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $300,000, surplus of $300,000, and undivided profits of $300,000. The officers are: Victor W. Ravel, Chairman of the Board; W. D. Parker, President; Daniel B. Wimmer, Vice President; and Gilbert M. Martinez, Cashier.

The Lakeside National Bank, Rockwall, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business July 12, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $320,000, surplus of $320,000, and undivided profits of $160,000. The officers are: Ralph M. Hall, Chairman of the Board; J. Ross Hamm, President; Lyn McCreary, Vice President; and Louise Roberts, Cashier.

The First National Bank in Joshua, Joshua, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business July 15, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $200,000, surplus of $200,000, and undivided profits of $100,000. The officers are: Jack V. Standley, Chairman of the Board and Acting Cashier, and James W. Lord, President.

New par banks

The Texas Commerce Medical Bank, Houston, 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 its opening date, June 21, 1974. The officers are: Bob J. Bryant, President, and Jim Brogdon, Vice President and Cashier.

The Westwood Commerce Bank, Houston, 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 its opening date, June 24, 1974. The officers are: Lloyd Ellison, President; Benny F. Pitzer, Vice President; and Ronald L. Banks, Cashier.

The Medina Valley State Bank, Devine, Texas, an insured nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on July 1, 1974. The officers are: Frank L. Bain, President; Howard Wallace, Vice President; and William T. Bain, Cashier.

The Ashford State Bank, Houston, 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 its opening date, July 1, 1974. The officers are: Mason Webster, President, and Don Melton, Vice President and Cashier.

The Swiss Avenue State Bank, Dallas, Texas, 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 its opening date, July 3, 1974. The officers are: Chester Albritton, President; Doyle O. Winters, Executive Vice President; and Joe E. Hubbard, Vice President and Cashier

The Live Oak State Bank, Fulton, Texas, an insured nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, July 31, 1974. The officers are: George S. Cone, Jr., President; J. C. Goodman, Vice President and Cashier; and Judy Self, Assistant Cashier.

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Federal Reserve Bank of Dallas
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Statistical Supplement to the Business Review

Total loans and investments at weekly reporting banks in the Eleventh District rose considerably more than usual in the five weeks ended July 17. Total deposits also expanded sharply, but with loan demand especially heavy, the banks borrowed heavily in the Federal funds market to finance the large rise in demand for credit.

The substantial gain in total loans resulted mainly from borrowing by business concerns. Current high costs of marketing securities apparently have prompted many companies to borrow short-term funds from banks until market conditions become more favorable. Public utilities reportedly have had particular difficulty in selling securities in recent weeks. As a result, these companies accounted for a sizable portion of the total rise in business loans. Consumer borrowing at District banks rose more than usual—for the first time since early in the year.

Total investments at District banks increased contraseasonally in the five weeks. The gain mainly reflected sizable net purchases of attractively priced municipal issues.

The larger than usual rise in deposits resulted mainly from an increase in large CD's outstanding and expansion in time and savings deposits of states and political subdivisions. Apparently, some businesses are borrowing funds as a hedge against a further tightening in credit conditions and placing these funds in CD's until needed for operations. And states and political subdivisions continued to invest their excess funds in savings deposits. Demand deposits of individuals and businesses rose considerably, but some of this gain probably reflected the rather high compensating balance requirements associated with the increased business loan demand.

The seasonally adjusted Texas industrial production index rose over 1 percent in June. Industrial output in the state has now risen four consecutive months, with the latest gain the largest in a year. The strength in recent months has centered largely in nondurable goods production. In particular, petroleum refining and chemical production—the two most heavily weighted components of the index—have advanced since the lifting of the Arab oil embargo.

In durable goods production, nonelectrical machinery output has increased in excess of 3 percent in each of the past two months. Also, transportation equipment remains strong, partly due to the record year being reported by the state's producers of highway truck trailers.

Mining activity was up in June, as the largest gain in crude petroleum production in a year coincided with the fifth consecutive monthly increase in natural gas. The output of utilities, however, was essentially unchanged from a month before.

The labor market in the five southwestern states weakened in June, as the civilian labor force declined for the first time since November. Although the unemployment rate—at 5.2 percent—was unchanged from May, both total unemployment and employment fell sharply. In fact, the drop in employment was the largest in more than two years. The loss of jobs centered in construction, manufacturing, and transportation and public utilities—sectors where the demand for labor has been weak all year.

The slump in new car sales in Texas appears to have slowed in June. Seasonally adjusted new car registrations in the four largest metropolitan counties in the state were only 2 percent below May's level—one of the smallest monthly declines since the slowdown began last fall. Moreover, year-to-year comparisons show that new car dealers fared better in Texas than in the nation. New car registrations were down 15 percent in June—roughly two-thirds of the decline for the nation as a whole.

Department store sales in the Eleventh District have trended upward since late 1973. This growth continued from mid-June to mid-July as sales, seasonally adjusted, rose 3 percent. Retailers reported the higher level of sales has been fairly evenly distributed among major product lines, but they estimated roughly half the gains this year have been due to higher prices.

Hot, dry weather in July caused drouth conditions to worsen over a widespread area of the Eleventh District. Most severely affected were areas in eastern New Mexico and West Texas. Accordingly, both livestock and crop conditions in the Southwest were generally poor. Lack of forage prompted increased supplemental feeding of livestock. And in some areas, shortages of forage and water forced ranchers to begin culling herds earlier and more closely than usual.

The lack of moisture also affected crops over a large area of the District states. On the High Plains of Texas, prospects for dryland crops are poor. The July 1 estimate of the winter wheat harvest for the five

(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	July 17, 1974	June 12, 1974	July 18, 1973
Federal funds sold and securities purchased under agreements to resell	1,165,818	1,506,733	1,106,195
Other loans and discounts, gross	10,599,229	10,256,438	9,708,517
Commercial and industrial loans	4,789,024	4,579,648	4,421,585
Agricultural loans, excluding CCC certificates of interest	261,307	263,734	272,473
Loans to brokers and dealers for purchasing or carrying:			
U.S. Government securities	1,260	1,263	822
Other securities	38,803	48,915	45,726
Other loans for purchasing or carrying:			
U.S. Government securities	3,467	3,851	7,886
Other securities	443,580	447,382	493,322
Loans to nonbank financial institutions:			
Sales finance, personal finance, factors, and other business credit companies	166,580	145,976	171,605
Other	769,683	754,637	618,465
Real estate loans	1,547,532	1,529,214	1,362,750
Loans to domestic commercial banks	61,467	46,037	29,504
Loans to foreign banks	79,472	70,939	58,379
Consumer instalment loans	1,069,424	1,045,389	1,041,922
Loans to foreign governments, official institutions, central banks, and international institutions	17	127	515
Other loans	1,367,613	1,319,326	1,183,563
Total investments	4,226,819	4,212,632	3,824,187
Total U.S. Government securities	914,401	956,514	907,730
Treasury bills	80,860	114,035	124,774
Treasury certificates of indebtedness	0	0	0
Treasury notes and U.S. Government bonds maturing:			
Within 1 year	127,136	136,028	153,997
1 year to 5 years	532,605	529,747	466,986
After 5 years	173,800	176,704	161,973
Obligations of states and political subdivisions:			
Tax warrants and short-term notes and bills	221,597	177,564	103,087
All other	2,792,140	2,793,375	2,558,280
Other bonds, corporate stocks, and securities:			
Certificates representing participations in federal agency loans	9,430	9,920	9,209
All other (including corporate stocks)	289,251	276,259	245,881
Cash items in process of collection	1,538,242	1,500,440	1,469,804
Reserves with Federal Reserve Bank	1,168,994	804,057	663,937
Currency and coin	133,177	130,515	116,884
Balances with banks in the United States	453,982	446,925	370,008
Balances with banks in foreign countries	32,421	35,438	14,794
Other assets (including investments in subsidiaries not consolidated)	850,144	859,586	826,709
TOTAL ASSETS	20,168,826	19,752,764	18,101,035

LIABILITIES	July 17, 1974	June 12, 1974	July 18, 1973
Total deposits	14,801,799	14,601,928	13,456,207
Total demand deposits	7,159,269	7,048,206	6,859,415
Individuals, partnerships, and corporations	5,228,419	5,189,892	4,806,521
States and political subdivisions	502,435	438,208	483,168
U.S. Government	64,269	62,745	134,893
Banks in the United States	1,183,324	1,177,713	1,249,464
Foreign:			
Governments, official institutions, central banks, and international institutions	3,762	1,924	3,865
Commercial banks	71,609	65,631	56,596
Certified and officers' checks, etc.	105,451	112,093	124,908
Total time and savings deposits	7,642,530	7,553,722	6,596,792
Individuals, partnerships, and corporations:			
Savings deposits	1,150,763	1,157,709	1,164,478
Other time deposits	4,247,675	4,209,691	3,592,733
States and political subdivisions	2,118,799	2,066,475	1,712,322
U.S. Government (including postal savings)	10,534	7,177	31,301
Banks in the United States	89,411	86,087	83,238
Foreign:			
Governments, official institutions, central banks, and international institutions	12,861	13,261	12,600
Commercial banks	12,487	13,322	120
Federal funds purchased and securities sold under agreements to repurchase	3,100,418	2,871,264	2,477,206
Other liabilities for borrowed money	168,856	166,803	223,773
Other liabilities	548,560	573,267	554,505
Reserves on loans	181,987	179,607	163,778
Reserves on securities	20,399	19,437	13,819
Total capital accounts	1,346,807	1,340,458	1,211,747
TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	20,168,826	19,752,764	18,101,035

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	June 26, 1974	May 29, 1974	June 27, 1973
ASSETS			
Loans and discounts, gross	20,817	20,388	18,976
U.S. Government obligations	2,154	2,224	2,283
Other securities	6,813	6,687	5,932
Reserves with Federal Reserve Bank	1,613	1,948	1,239
Cash in vault	380	378	345
Balances with banks in the United States	1,254	1,431	1,289
Balances with banks in foreign countries[e]	46	35	18
Cash items in process of collection	1,767	2,110	1,605
Other assets[e]	1,576	1,569	1,519
TOTAL ASSETS[e]	36,420	36,770	33,206
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,655	1,749	1,613
Other demand deposits	11,948	12,115	11,519
Time deposits	15,384	15,290	13,394
Total deposits	28,987	29,154	26,526
Borrowings	3,329	3,638	3,126
Other liabilities[e]	1,541	1,431	1,258
Total capital accounts[e]	2,563	2,547	2,296
TOTAL LIABILITIES AND CAPITAL ACCOUNTS[e]	36,420	36,770	33,206

e—Estimated

DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

	DEMAND DEPOSITS			TIME DEPOSITS	
Date	Total	Adjusted[1]	U.S. Government	Total	Savings
1972: June	12,320	8,553	280	11,233	2,688
1973: June	13,218	9,551	279	13,374	2,884
July	13,259	9,567	261	13,396	2,868
August	12,941	9,492	172	13,507	2,857
September	13,039	9,442	208	13,618	2,854
October	13,289	9,461	239	13,795	2,863
November	13,455	9,816	167	13,953	2,871
December	14,008	10,086	244	14,154	2,883
1974: January	14,384	10,276	302	14,533	2,900
February	13,949	10,082	264	14,919	2,909
March	13,933	10,150	260	15,126	2,958
April	13,984	10,289	236	15,143	2,975
May	13,553	9,880	278	15,148	2,962
June	13,742	10,030	240	15,333	2,979

1. Other than those of U.S. Government and domestic commercial banks, less cash items in process of collection

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	4 weeks ended July 3, 1974	5 weeks ended June 5, 1974	4 weeks ended July 4, 1973
Total reserves held	1,999,042	1,944,878	1,758,533
With Federal Reserve Bank	1,669,427	1,624,941	1,461,612
Currency and coin	329,615	319,937	296,921
Required reserves	2,003,925	1,963,935	1,770,282
Excess reserves	−4,883	−19,057	−11,749
Borrowings	125,484	126,241	93,590
Free reserves	−130,367	−145,298	−105,339

BANK DEBITS, END-OF-MONTH DEPOSITS, AND DEPOSIT TURNOVER

SMSA's in Eleventh Federal Reserve District

(Dollar amounts in thousands, seasonally adjusted)

Standard metropolitan statistical area	DEBITS TO DEMAND DEPOSIT ACCOUNTS[1]				DEMAND DEPOSITS[1]			
	June 1974 (Annual-rate basis)	Percent change: June 1974 from May 1974	Percent change: June 1974 from June 1973	Percent change: 6 months, 1974 from 1973	June 30, 1974	Annual rate of turnover: June 1974	Annual rate of turnover: May 1974	Annual rate of turnover: June 1973
ARIZONA: Tucson	$15,212,214	−8%	21%	28%	$368,671	41.8	45.2	36.8
LOUISIANA: Monroe	5,453,261	5	15	13	122,473	43.4	40.5	40.0
Shreveport	22,332,103	4	33	25	387,073	60.3	57.1	52.9
NEW MEXICO: Roswell[2]	1,342,374	−12	5	23	52,913	25.7	28.7	25.8
TEXAS: Abilene	3,941,297	−6	23	33	161,628	24.7	26.8	22.6
Amarillo	10,167,121	−15	−8	20	253,486	40.5	47.6	48.1
Austin	18,710,202	0	32	36	492,993	39.5	45.4	27.7
Beaumont-Port Arthur-Orange	10,354,382	3	28	32	324,142	31.8	31.4	28.3
Brownsville-Harlingen-San Benito	4,375,393	5	28	26	129,568	34.0	31.7	27.6
Bryan-College Station	1,641,803	−5	9	20	61,707	26.3	27.5	25.9
Corpus Christi	10,890,296	−3	31	42	301,467	36.1	37.5	29.0
Corsicana[2]	781,104	2	17	16	41,610	18.6	17.9	16.0
Dallas	256,800,911	−7	24	41	3,170,357	81.4	87.5	68.2
El Paso	14,590,447	11	24	27	326,616	44.6	41.6	36.5
Fort Worth	37,354,469	−4	15	22	893,923	41.4	43.0	37.9
Galveston-Texas City	4,331,810	4	28	17	136,221	31.6	30.1	26.0
Houston	233,268,305	7	43	33	3,765,328	62.2	58.8	48.0
Killeen-Temple	2,452,783	−7	−4	10	124,088	20.1	21.6	20.9
Laredo	1,859,227	−6	24	33	66,432	27.8	29.7	24.6
Lubbock	9,198,766	−7	14	45	242,777	37.9	39.4	36.0
McAllen-Pharr-Edinburg	3,998,768	5	17	21	161,529	25.0	23.9	19.4
Midland	3,732,665	1	38	38	206,248	18.2	18.1	16.7
Odessa	2,693,712	0	5	20	118,002	23.0	23.1	25.4
San Angelo	2,694,038	1	11	29	106,672	27.0	28.3	26.5
San Antonio	29,803,832	−2	8	14	877,018	33.5	33.6	30.3
Sherman-Denison	1,483,247	−14	0	12	86,561	17.2	19.9	16.9
Texarkana (Texas-Arkansas)	2,185,252	4	4	8	95,443	23.4	22.6	23.3
Tyler	3,694,974	2	22	13	142,338	26.0	25.6	23.5
Waco	4,873,064	−13	10	15	164,592	30.1	34.9	28.1
Wichita Falls	4,846,084	0	35	41	172,047	27.3	27.6	23.7
Total—30 centers	$725,063,904	−1%	27%	33%	$13,553,923	53.7	54.8	44.8

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

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousand dollars)

Item	July 24, 1974	June 19, 1974	July 25, 1973
Total gold certificate reserves	345,463	432,745	256,671
Loans to member banks	214,173	100,831	112,240
Other loans	0	0	0
Federal agency obligations	162,217	112,626	71,114
U.S. Government securities	3,649,638	3,522,446	3,297,589
Total earning assets	4,026,028	3,735,903	3,480,943
Member bank reserve deposits	1,889,124	1,590,670	1,369,458
Federal reserve notes in actual circulation	2,543,224	2,511,357	2,346,443

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	June 1974	May 1974	Apr. 1974	January—June 1974	January—June 1973r
FIVE SOUTHWESTERN STATES[1]	1,061	1,212	982	5,850	5,911
Residential building	440	479	419	2,392	2,943
Nonresidential building	349	506	371	2,235	2,027
Nonbuilding construction	272	228	192	1,223	942
UNITED STATES	8,480	10,158	8,929	47,162	50,024
Residential building	3,546	3,862	3,924	19,584	24,830
Nonresidential building	2,989	3,120	2,842	16,161	15,416
Nonbuilding construction	1,945	3,176	2,163	11,417	9,777

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas
r—Revised
NOTE: Details may not add to totals because of rounding.
SOURCE: F. W. Dodge, McGraw-Hill, Inc.

BUILDING PERMITS

Area	NUMBER: June 1974	NUMBER: 6 mos. 1974	VALUATION (Dollar amounts in thousands): June 1974	VALUATION: 6 mos. 1974	Percent change: June 1974 from May 1974	Percent change: June 1974 from June 1973	Percent change: 6 months, 1974 from 1973
ARIZONA							
Tucson	501	3,104	$6,166	$47,099	−37%	−64%	−53%
LOUISIANA							
Monroe-West Monroe	76	380	976	8,592	−16	−55	−44
Shreveport	1,099	3,935	14,544	53,128	180	425	16
TEXAS							
Abilene	69	459	882	7,020	−44	−64	−59
Amarillo	507	1,979	5,779	30,624	40	−35	−4
Austin	458	2,780	47,664	143,558	240	207	15
Beaumont	164	1,191	1,264	25,721	−32	−74	45
Brownsville	131	670	4,105	16,350	386	291	7
Corpus Christi	231	1,490	2,160	33,925	−88	−2	11
Dallas	1,472	8,634	41,631	198,206	−6	60	16
Denison	32	134	289	1,121	77	5	−35
El Paso	549	3,157	10,199	101,176	−45	−44	10
Fort Worth	371	2,245	6,964	93,182	−1	−15	43
Galveston	45	332	622	34,903	−97	83	475
Houston	2,224	12,702	32,546	352,592	−62	−45	−10
Laredo	27	212	213	2,639	−85	−70	−78
Lubbock	146	971	8,520	71,593	13	76	63
Midland	77	448	3,846	20,634	230	129	124
Odessa	99	625	2,130	11,491	142	−19	25
Port Arthur	45	418	102	1,223	−57	−58	−69
San Angelo	54	401	4,585	9,219	465	746	73
San Antonio	1,481	9,381	19,865	117,683	51	−1	−3
Sherman	26	255	229	3,502	−84	−9	3
Texarkana	62	419	1,869	4,745	164	316	100
Waco	264	1,337	3,354	21,632	17	25	7
Wichita Falls	79	449	761	7,919	−58	−11	−30
Total—26 cities	10,289	58,108	$221,265	$1,419,477	−17%	9%	4%

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	June 1974	May 1974	June 1973r	Percent change from May 1974	Percent change from June 1973
FOUR SOUTHWESTERN STATES	6,362.7	6,420.9	6,611.8	−.9%	−3.7%
Louisiana	2,009.8	2,036.3	2,289.6	−1.3	−12.2
New Mexico	272.1	271.1	275.5	.4	−1.2
Oklahoma	490.5	516.3	524.9	−5.0	−6.6
Texas	3,590.3	3,597.2	3,521.8	−.2	2.0
Gulf Coast	699.1	706.7	692.0	−1.1	1.0
West Texas	1,888.3	1,885.8	1,802.9	.1	4.7
East Texas (proper)	236.5	237.7	208.3	−.5	13.5
Panhandle	61.1	58.0	61.6	5.4	−.8
Rest of state	705.3	709.0	757.0	−.5	−6.8
UNITED STATES	8,982.4	8,980.5	9,208.7	.0%	−2.5%

r—Revised
SOURCES: American Petroleum Institute
U.S. Bureau of Mines
Federal Reserve Bank of Dallas

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States[1]

(Seasonally adjusted)

Item	Thousands of persons: June 1974p	May 1974	June 1973r	Percent change June 1974 from: May 1974	June 1973
Civilian labor force	8,114.0	8,175.4	7,822.9	−0.8%	3.7%
Total employment	7,695.6	7,750.7	7,429.6	−.7	3.6
Total unemployment	418.4	424.7	393.4	−1.5	6.4
Unemployment rate	5.2%	5.2%	5.0%	[2].0	[2].2
Total nonagricultural wage and salary employment	7,435.5	7,441.1	7,182.1	−.1	3.5
Manufacturing	1,283.1	1,290.8	1,261.9	−.6	1.7
Durable	720.2	724.1	703.6	−.5	2.4
Nondurable	562.9	566.6	558.4	−.7	.8
Nonmanufacturing	6,152.4	6,150.3	5,920.1	.0	3.9
Mining	246.1	245.8	235.8	.1	4.4
Construction	496.6	503.0	482.5	−1.3	2.9
Transportation and public utilities	505.5	507.9	487.5	−.5	3.7
Trade	1,789.2	1,783.3	1,727.7	.3	3.6
Finance	410.6	410.5	391.3	.0	4.9
Service	1,233.1	1,234.7	1,183.5	−.1	4.2
Government	1,471.4	1,465.1	1,411.8	.4%	4.2%

1. Arizona, Louisiana, New Mexico, Oklahoma, and Texas
2. Actual change
p—Preliminary
r—Revised
NOTE: Details may not add to totals because of rounding.
SOURCES: State employment agencies
Federal Reserve Bank of Dallas (seasonal adjustment)

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	June 1974p	May 1974	Apr. 1974	June 1973
TEXAS				
Total industrial production	141.7	140.2	138.2r	137.3
Manufacturing	147.3	145.5	143.9r	142.5
Durable	162.2	160.4	158.7	157.1
Nondurable	136.5	134.7	133.2r	132.0
Mining	122.5	121.2	117.5r	119.3
Utilities	163.6	163.2	164.9r	157.9
UNITED STATES				
Total industrial production	125.5	125.5	124.9r	125.6
Manufacturing	125.5	125.6	124.8r	125.6r
Durable	122.0	121.9	120.6r	123.0r
Nondurable	130.8	131.1	130.8r	129.3
Mining	111.1	111.6	111.3r	109.5r
Utilities	148.5	148.7	148.7r	151.6r

p—Preliminary
r—Revised
SOURCES: Board of Governors of the Federal Reserve System
Federal Reserve Bank of Dallas

WINTER WHEAT

Area	ACREAGE (Thousand acres): For harvest, Crop of 1974	Harvested: Crop of 1973	Harvested: Crop of 1972	PRODUCTION (Thousand bushels): Crop of 1974[1]	Crop of 1973	Crop of 1972
Arizona	235	216	170	15,745	15,120	11,390
Louisiana	40	18	30	1,000	396	690
New Mexico	191	289	170	3,438	8,526	4,335
Oklahoma	6,200	5,260	3,900	130,200	157,800	89,700
Texas	3,300	3,400	2,000	59,400	98,600	44,000
Total	9,966	9,183	6,270	209,783	280,442	150,115

1. Indicated July 1
SOURCE: U.S. Department of Agriculture

District states was 25 percent below the 1973 crop. But along the coastal areas of Texas and Louisiana, the crop outlook appears good—especially for rice.

The cattle feeding industry has suffered heavy financial losses since last fall. Consequently, there were only 2.7 million head on feed in the District states on July 1—down 22 percent from a year earlier. For the April-June period, the number of cattle placed on feed was off a dramatic 43 percent from the same time a year earlier.

The outlook for cattle feeders, however, may be improving. A decline in feeder cattle prices and a rise in prices for slaughter cattle in July gave cattle feeders some encouragement that earnings might improve moderately in the last half of the year.

Because of an overall weakening in farm prices, growth in cash receipts from farm and ranch marketings in District states slowed considerably in the January-May period this year. Crop and livestock receipts totaled $4.1 billion in the five months but were still 15 percent higher than in the same period in 1973. Compared with a year before, crop receipts in 1974 advanced more than 50 percent, while livestock receipts were only slightly higher.