

Federal Reserve Bank of Dallas

Business Review



September 1974

Social Security-
Future of Program
Threatened by Inflation

Future of Program Threatened by Inflation

Inflation of recent years has badly wrenched many programs set up in earlier periods when prices were far more stable. Social Security provides a case in point.

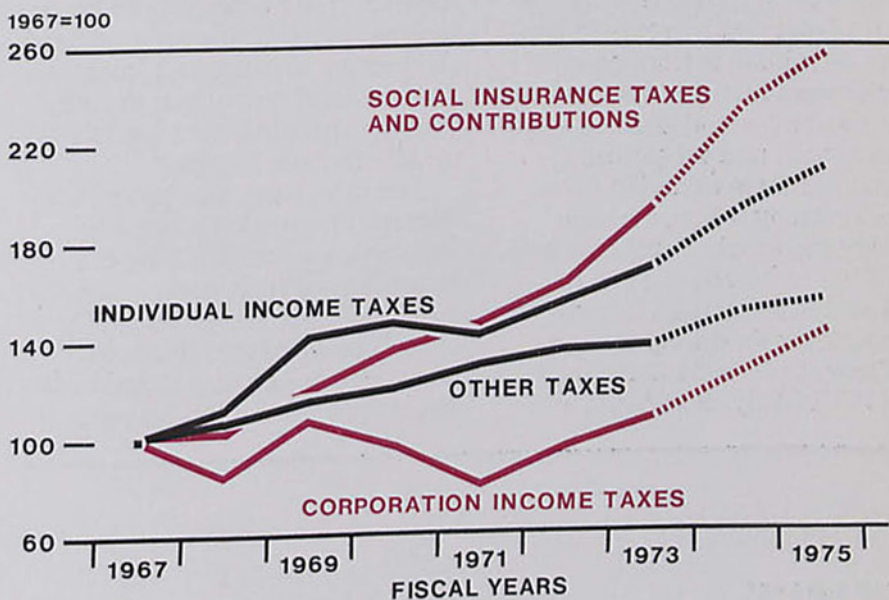
Under pressure of accelerating cost-of-living increases, the program has expanded rapidly over the past few years, taking an ever larger part of the tax dollar. Much of the increase has been due, of course, to the liberalization of benefits. But inflation has required even further increases in an effort to maintain the gains in real benefits the changes were designed to achieve.

With these changes, Social Security has become one of the biggest items in the federal budget, approaching the outlays going for national defense only a few years ago. Of the \$100 billion slated for social welfare and income security in fiscal 1975, \$64 billion is for disbursement under Social Security programs. By contrast, national defense, which long dominated the budget, accounts for less than \$88 billion.

The program has expanded rapidly over the past few years, taking an ever larger part of the tax dollar.

Social Security is also one of the fastest growing items in the budget. Where it accounted for only about 14 percent of the budget in 1969, it now accounts for roughly a fifth. Defense spending then accounted for some 44 percent of the budget, compared with 29 percent today.

**Social Security contributions
fastest growing source of federal tax revenue**



SOURCES: Budget of the United States Government, 1975
U.S. Department of Commerce
Federal Reserve Bank of Dallas

Much of this increase in Social Security has come in just the past few years. With both the liberalization of benefits and rapid inflation, amendments to the Social Security Act have been made with increasing frequency, adding continuously to the tax burden of wage earners and the costs to their employers.

To maintain the purchasing power of Social Security payments eroded by rising consumer prices, the act has been changed three times in the past two years. Every time, benefits and contributions have had to be raised well beyond the scheduled increases signed into law less than a year before.

Now, beginning next year, benefits are to be tied directly to the cost of living. And if consumer prices continue their steep climb, the increase in revenue requirements will rise with them.

Further in the future, there is apt to be another sharp increase in the cost of the nation's primary retirement program—regardless of what prices are doing. The large number of workers born in the post-World War II baby boom reach retirement age soon after the turn of the century. Consequently, the number of beneficiaries will increase rapidly—far more rapidly, in fact, than population trends would show the labor

force increasing. Not only will revenue requirements rise rapidly, but the financing burden will be distributed over a relatively smaller supporting base.

Amendments this year . . .

The latest change in the Social Security Act was signed into law early this year. Under this change was an 11-percent increase in benefits to 30 million retired people. Benefits were raised in two steps—a 7-percent hike that became effective in March and a 4-percent increase that was added in June.

Under the new law, average monthly payments to retirees rose from \$167 in March to \$178 in April and \$186 in July. The average check for an elderly widow went from \$158 to \$169 in April and \$177 in July. A widow's min-

imum benefits, which equal those of a 65-year-old retired worker, were boosted from \$84.50 under the old schedule to \$90.50 in April and \$93.80 in July.

To pay for these increases, contributions had to be raised. And rather than raise the tax rate, which would have again increased the burden on taxpayers at lower income levels, Congress increased the portion of wage and salary income subject to the tax, thereby shifting the additional load to middle-income groups.

The rate, then, was left at 5.85 percent of a worker's *wage base*. With employers matching the contributions of their employees, the combined rate stayed at 11.7 percent. The rate for self-employed workers was actually shaved a little, from 8 percent to 7.9 percent.

But the wage base was boosted to \$13,200. Last year, the base was \$10,800. Anyone earning that much in 1973 contributed \$631.80 to the Social Security program. Those earning less contributed 5.85 percent of their gross pay.

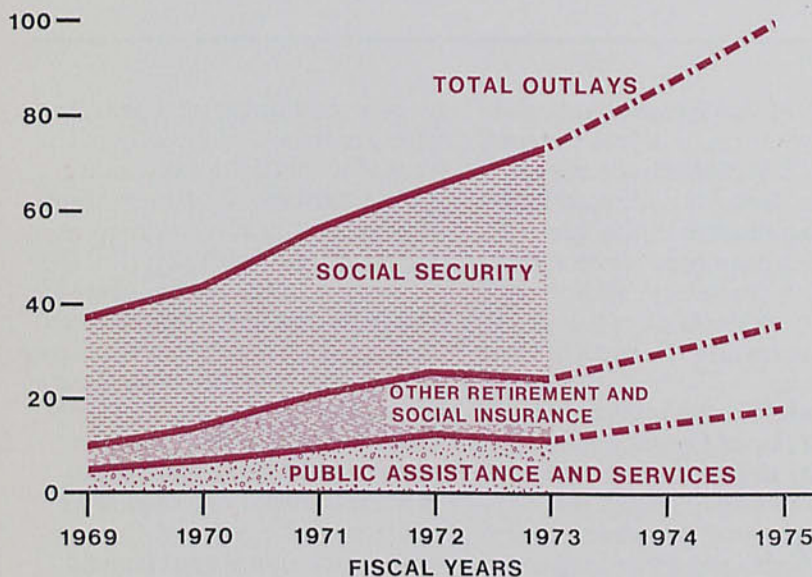
Thus, with no change in the tax rate, workers earning up to \$10,800 a year still pay the same Social Security tax. But workers earning as much as \$13,200 now pay \$140.40 more than in 1973, contributing a total of \$772.20.

. . . reflect rising costs

Some of the higher cost of the Social Security program has been due to extended coverage. With more occupations eligible for participation in the program and some lowering of age requirements, the number of beneficiaries has been rising for several years. The number, in fact, has doubled since 1968.

Outlays for Social Security account for most of the federal welfare costs

BILLION DOLLARS
120



SOURCE: Budget of the United States Government, 1971 through 1975

Inflation has contributed to larger increases coming more frequently than in the earlier years of the Social Security program.

Much of the rise, however, has been due to the escalation of consumer prices. The cost of living has increased a third since 1968. And review of selected prices suggests that living costs may have risen even faster for low-income families and the elderly than for average consumers. Costs of many items purchased by these families are up sharply over just a year ago, and some staple foods have almost doubled in price.

To be sure, increases in benefits and revenue requirements occurred before the inflation of recent years. In fact, the increases in benefits that began taking effect this spring were just the latest in a long series of boosts. But inflation has con-

SOCIAL SECURITY TAXES

Period	Wage base	Tax rate			Maximum annual tax	
		Employer-employee		Self-employed	Employer, employee	Self-employed
		Each	Combined			
1937-49	\$3,000	1.0%	2.0%	—	\$30.00	—
1950	3,000	1.5	3.0	—	45.00	—
1951-53	3,600	1.5	3.0	2.25	54.00	81.00
1954	3,600	2.0	4.0	3.0	72.00	108.00
1955-56	4,200	2.0	4.0	3.0	84.00	126.00
1957-58	4,200	2.25	4.5	3.375	94.50	141.75
1959	4,800	2.5	5.0	3.75	120.00	180.00
1960-61	4,800	3.0	6.0	4.5	144.00	216.00
1962	4,800	3.125	6.25	4.7	150.00	225.60
1963-65	4,800	3.625	7.25	5.4	174.00	259.20
1966 ¹	6,600	4.2	8.4	6.15	277.20	405.90
1967	6,600	4.4	8.8	6.4	290.40	422.40
1968	7,800	4.4	8.8	6.4	343.20	499.20
1969-70	7,800	4.8	9.6	6.9	374.40	538.20
1971	7,800	5.2	10.4	7.5	405.60	585.00
1972	9,000	5.2	10.4	7.5	468.00	675.00
1973	10,800	5.85	11.7	8.0	631.80	864.00
1974	13,200	5.85	11.7	7.9	772.20	1,042.80

1. Beginning of Medicare
 SOURCES: Social Security Administration
 Federal Reserve Bank of Dallas

EXAMPLES OF HIGHER SOCIAL SECURITY TAXES IN 1974

Annual earnings	Tax to be paid			
	By employer, employee	Change from 1973	By self-employed	Change from 1973
\$10,800	\$631.80	\$0.00	\$853.20	-\$10.80
\$11,000	643.50	11.70	869.00	5.00
\$11,300	661.05	29.25	892.70	28.70
\$11,600	678.60	46.80	916.40	52.40
\$12,000	702.00	70.20	948.00	84.00
\$12,500	731.25	99.45	987.50	123.50
\$13,000	760.50	128.70	1,027.00	163.00
\$13,200 and over	772.20	140.40	1,042.80	178.80

tributed to larger increases coming more frequently than in the earlier years of the Social Security program. Of the 12 times that basic benefits have been raised in the 34 years since Social Security payments were first made in 1940, six have been in the last six years. The 11-percent increase in benefits this year, in fact, replaced a previously scheduled 5.9-percent increase that was not to have become effective until midyear.

Altogether, benefits have increased 69 percent since 1968. And to pay for the increases, Social Security taxes have soared. Since these taxes were first collected in 1937, annual contributions have been increased 17 times. Five of these increases have come in the last six years. Maximum contributions, in fact, have more than doubled since 1968.

When the Social Security program was initiated in 1937, participating employees paid \$30 a year—1 percent of the first \$3,000 of earnings—an amount that was matched by employers. By 1954, the cost of living had more than doubled, requiring a significant expansion of Social Security benefits, but the maximum tax payment was still only \$72 a year.

In the future, boosts in benefits will be tied directly to increases in the consumer price index.

By contrast, the latest tax increase came largely in response to consumer prices rising higher than projections only two years ago. In 1972, the wage base was scheduled to advance to \$12,000 in 1974. But by 1973, the base for use in 1974 was pushed up to \$12,600—a level that, according to projections made in 1972, would not have been required until 1975. The current

\$13,200 base was not expected to have been needed until 1977.

Even with these increases, however, beneficiaries have suffered some losses in purchasing power while waiting for cost-of-living adjustments to be legislated by Congress. To reduce losses in the future, a provision for automatic adjustments was included in the 1972 amendments. In the future, boosts in benefits will be tied directly to increases in the consumer price index.

Adjustments automatic

The first automatic increase in Social Security benefits, originally slated to go into effect in January 1975, will become effective in June 1975. Cost-of-living adjustments will thereafter be made once a

year. If the consumer price index climbs as much as 3 percent in a calendar year, benefits will be routinely adjusted upward to make up the difference. Should the consumer price index rise less than 3 percent in a year, no automatic adjustment will be made.

Even with automatic adjustments, beneficiaries could still suffer if prices continue advancing at high rates. With adjustments in benefits lagging the rise in prices, beneficiaries can only catch up at the rate that prices increased the previous year.

According to the current law, the first increase in benefits—due June 1975—will be based on the increase in the average level of the consumer price index from the second quarter of 1974 to the second

quarter of 1975. If the cost of living rose, say, 10 percent between the second quarter of 1974 and the second quarter of 1975, the benefits would have to be increased 10 percent in June 1975.

Beginning in 1976, changes in the cost of living will be measured from first quarter to first quarter. Adjustments in benefits based on that movement will take effect in June. Automatic adjustments in the wage base will become effective at the first of the year following an automatic increase in benefits.

The idea of automatic adjustments in Social Security benefits seemed a fairly solid response to rising costs of living when it was enacted into law in 1972. On the basis of assumptions that seemed sound then, wages subject to the Social Security tax were expected to rise about 5 percent a year. At that rate, increases in the tax would keep benefits advancing with the consumer price index, which was expected to rise an average of about 2.75 percent a year.

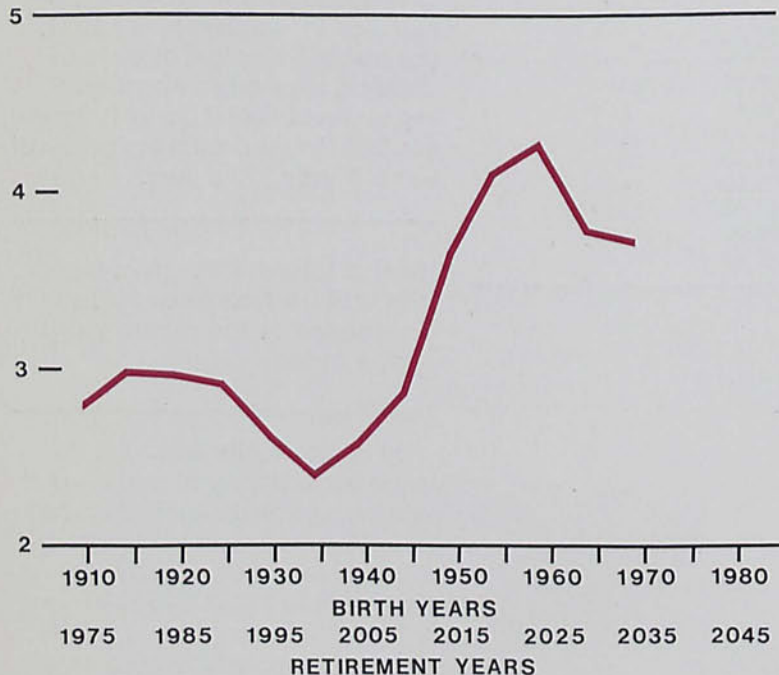
Based on conditions at the time, such assumptions seemed appropriate. Wage and price controls were then in effect, giving promise that inflation would soon be brought under control.

But instead of subsiding, inflationary pressures that were still comparatively weak in 1972 have been building rapidly. In 1972, the consumer price index rose 3.3 percent. In 1973, it rose 6.2 percent. And in the first half of 1974, it was rising at an annual rate of 12.6 percent. This acceleration in the rise in consumer prices helped speed legislation that increased Social Security benefits and taxes in 1973 and 1974.

Since these last amendments, consumer purchasing power has been eroded further, especially by the sharp rise in prices of food and fuel. Now, the economy faces the possibility of demand for wage

Postwar babies to boost retirement rolls after turn of the century

MILLION LIVE BIRTHS



SOURCE: U.S. Department of Commerce

hikes, which could add cost-push pressures to the demand-pull pressures of the past couple of years.

It seems, then, that there is little likelihood that the advance in consumer prices will fall back to less than 3 percent a year anytime soon. As a result, sizable increases in revenue are apt to be needed for several years.

Another problem looms

Even assuming recent high rates of inflation can be eased in the next few years and the economy returned to more normal long-run growth, the future cost of the Social Security program will be increased by the shifting composition of population. More than 90 percent of Social Security payments go to retired workers—which is to say, people age 62 or older. And the number of people in this age group will expand rapidly in the years ahead—certainly more rapidly than the work force that will have to pay taxes to cover the benefits.

The number of retired workers will expand rapidly in the years ahead—certainly more rapidly than the work force that will have to pay taxes to cover the benefits.

Although the outlook is for continued growth in population, birth rates have fallen to record lows. In contrast to the high birth rates of the 1950's and 1960's, fewer babies have been born every year for the past three years. Only 3.1 million were born in 1973—3.5 percent fewer than in 1972.

The reduction in births so far in the 1970's creates the outlook for a population that, while still growing, is nevertheless rapidly aging. Where the median age was only a little over 28 in 1972, projections show the median age beginning to

turn sharply upward during the next few years, reaching about 34 years by 2000.

This means that where 21.3 million people were 62 years old or older and receiving Social Security benefits in 1972, the number will expand rapidly over the next 25 years, approaching 30 million. And if age requirements for Social Security are lowered—as there is some sentiment for doing—the steep rise in the number of retirees will come even sooner.

In the long run, then, costs of the Social Security program will be boosted not only by inflation but by changes in the makeup of the population itself. A sharp rise in the number of people becoming eligible for retirement benefits is likely to occur at the very time

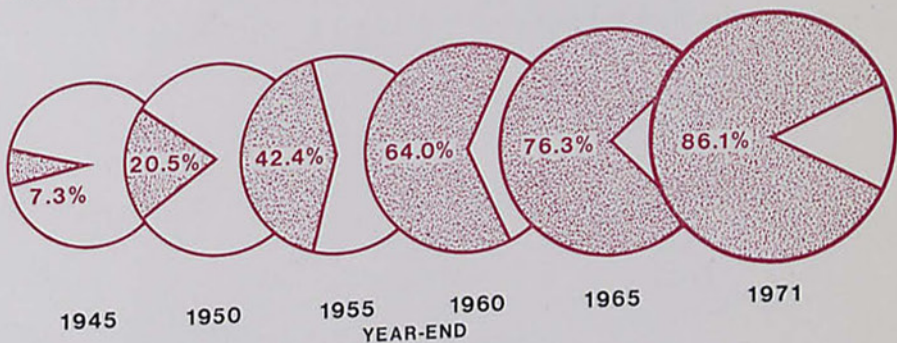
when growth in the labor force may begin to slow.

The critical point in the change-over in the age distribution of the population—given current eligibility rules—will come about the year 2010. That is about the time workers born during the post-World War II baby boom will be reaching retirement age. At the current rate of near-zero population growth, only a fourth as many workers will be entering the labor force as will be turning eligible for retirement benefits.

Future uncertain

Social Security, then—as it is—may be seriously threatened. Although the program has been comparatively inexpensive, efforts to keep benefits in line with rising costs of

More of the population age 65 or older receives Social Security benefits



SOURCE: Budget of the United States Government, 1975

living could boost revenue requirements for the next few years far beyond what Congress had in mind just two years ago.

In the long run, then, costs of the Social Security program will be boosted not only by inflation but by changes in the makeup of the population.

With benefits now tied to the rapidly rising consumer price index, another major jump in revenue requirements is bound to come again next year. And if price increases do not drop back to slower rates soon, a whole new look at the program may be needed.

But even basic changes in the program—or substitution of a totally new program, such as the negative income tax, which has been discussed as a possibility for coping with the nation's welfare and income security problems—will not come to grips with the basic

problem. The major problem right now is inflation.

Continued viability of the Social Security program—however much it is changed or whatever is substituted for it—depends essentially on inflation being cooled enough to brake the erosion in consumer purchasing power and ease the burden on taxpayers. Dangers of a breakaway need for revenue are already apparent. Neither beneficiary nor taxpayer can benefit from more changes in the direction of the past few years.

In the longer run, the ability of taxpayers to support Social Security will be even more strained by shifts in population. If the high rates of inflation that now burden beneficiaries and taxpayers alike are allowed to persist far into the future, with rising prices coinciding with rising numbers of workers reaching retirement age, the program will have truly been undermined.

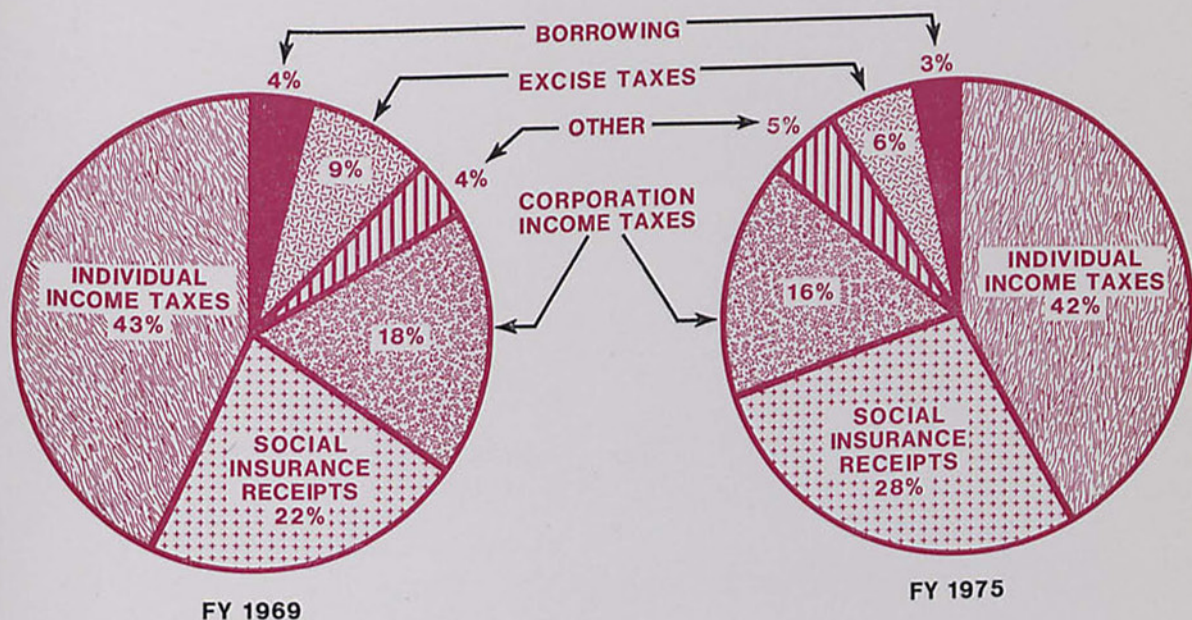
—Edward L. McClelland

New member bank

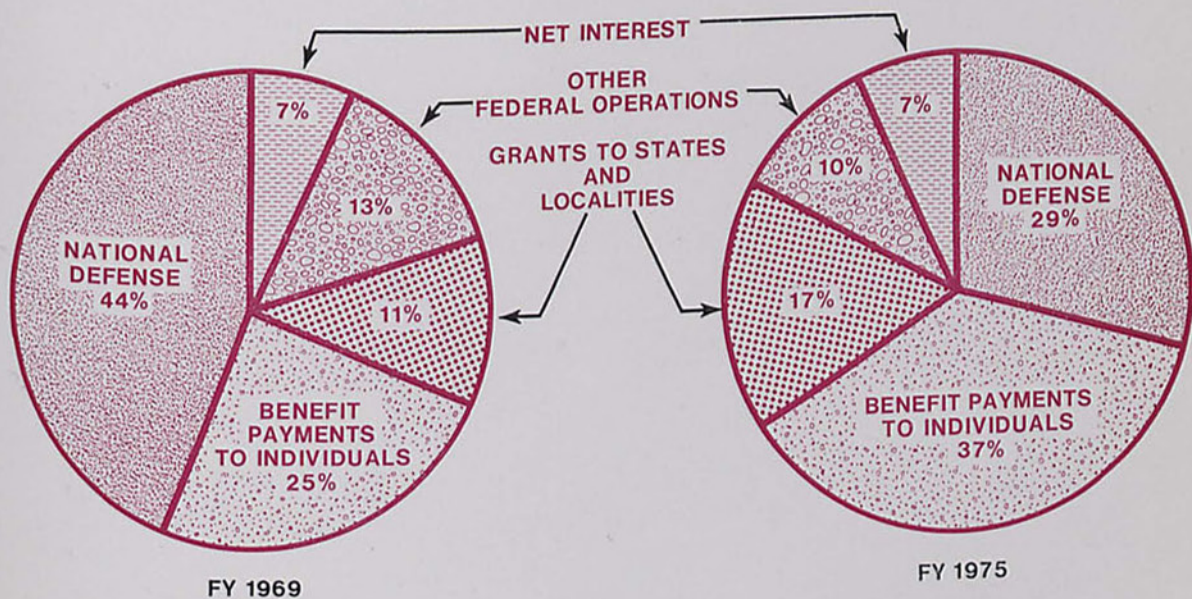
The Montwood National Bank, El Paso, Texas, a newly organized institution located in the territory served by the El Paso Branch of the Federal Reserve Bank of Dallas, opened for business August 5, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of \$400,000, surplus of \$400,000, and undivided profits of \$200,000. The officers are: Harry W. Buckley, Chairman of the Board; Tom G. Hussmann, President and Chief Executive Officer; and Bob J. Danley, Cashier.

THE FEDERAL BUDGET DOLLAR

Where it comes from . . .



Where it goes . . .



1975 estimated
 SOURCES: Budget of the United States Government, 1975
 Federal Reserve Bank of Dallas



Research Department
Federal Reserve Bank of Dallas
Station K, Dallas, Texas 75222



Federal Reserve Bank of Dallas

September 1974

Statistical Supplement to the Business Review

Total credit at weekly reporting banks in the Eleventh District declined contraseasonally in the four weeks ended August 14. Loan demand was slightly weaker than usual, and banks made sizable net reductions in their investment portfolios. Reversing the uptrend of recent weeks, total deposits declined.

The sluggishness in loan demand was broadbased, covering all types of borrowers except consumers. After showing considerable weakness throughout most of the first half of the year, consumer loans continued to rise more than usual. Concern over future price increases was apparently matched by some easing in concern over the energy situation, leading consumers to increase their spending on automobiles and some other durables.

Even with a continued increase in large CD's outstanding, total deposits contracted moderately. Depositors made sizable net withdrawals from both demand and savings accounts. Some businesses had, reportedly, been borrowing as a hedge against possible future tightening of credit conditions, placing these borrowed funds in large CD's and in savings accounts. But recently they may have been drawing down these savings for use in their operations. States and political subdivisions had also been putting excess funds into interest-bearing savings accounts, but they, too, made large net withdrawals.

Banks reduced their security holdings. This reduction probably came as a result of the moderate contraction in total deposits.

Labor statistics in the five southwestern states were mixed in July. The number of jobholders rose 0.4 percent, the largest monthly gain

this year. Manufacturing and construction, both of which had lost workers during recent months, accounted for the strongest gains in employment. However, the number of unemployed workers jumped 2.3 percent. Consequently, the unemployment rate edged up to 4.8 percent from the downward-revised rate of 4.7 percent in June. Total unemployment has now increased in four of the last five months.

Industrial production in Texas rose slightly in July for the fifth consecutive monthly gain. The strength centered mainly in the production of nondurable goods—especially petrochemicals.

Petroleum refining, which has grown steadily since March, continued to rise, with the flow of foreign oil to the state's refineries considerably higher than before the Arab oil embargo. Chemical production also increased as manufacturers, heavily dependent on petroleum as a feedstock, tried to keep pace with soaring demand.

In addition, the output of textiles was up sharply as raw material shortages eased, allowing producers to replace badly depleted inventories of finished goods. Paper producers, on the other hand, reported the availability of materials remained tight. But they were still able to increase output for the second consecutive month.

Production of crude oil dropped below the output in June. Despite increased drilling in the past year, output has changed little. Natural gas output, however, has trended up moderately.

Seasonally adjusted department store sales in the Eleventh District fell 3 percent from mid-July to

mid-August, after trending upward since late last year. Retailers in the District reported sharp drops in the purchases of durable goods, particularly such big ticket items as furniture and appliances.

New car sales in Texas' four largest metropolitan counties turned up in July, the first monthly gain since last October. Seasonally adjusted sales were 13 percent greater than in June. Despite the gain, however, sales remained below last year's pace, lagging July 1973 by 4 percent. Dealers attributed the turnaround primarily to buyers seeking to avoid the higher prices expected for 1975 model cars.

Drilling activity has remained strong in Texas, where nearly a third of the wells in the nation are drilled. In the first half of this year, drilling in Texas increased more than 25 percent from a year earlier. In response to higher oil and gas prices, drilling is probably at peak capacity and increases in the rest of 1974 can only result from new rigs put into operation.

Rain and cooler temperatures in August greatly benefited livestock conditions in the Eleventh District, but the moisture came too late for most drouth-stricken crops. Based on August 1 conditions, crop production in District states was expected to be a fifth less than last year. Of the major crops grown in the District, only rice production is expected to increase this year, as dryland wheat, grain sorghum, and cotton crops have all been reduced sharply by limited soil moisture.

The fairly heavy precipitation in August did much to relieve drouth
(Continued on back page)

CONDITION STATISTICS OF WEEKLY REPORTING COMMERCIAL BANKS

Eleventh Federal Reserve District

(Thousand dollars)

ASSETS	Aug. 14,	July 17,	Aug. 15,	LIABILITIES	Aug. 14,	July 17,	Aug. 15,
	1974	1974	1973		1974	1974	1973
Federal funds sold and securities purchased under agreements to resell	1,400,740	1,165,818	1,050,627	Total deposits	14,758,541	14,801,799	13,401,596
Other loans and discounts, gross	10,563,631	10,599,229	9,699,430	Total demand deposits	7,000,489	7,159,269	6,792,905
Commercial and industrial loans	4,764,616	4,789,024	4,396,840	Individuals, partnerships, and corporations	5,106,551	5,228,419	4,897,451
Agricultural loans, excluding CCC certificates of interest	258,712	261,307	277,331	States and political subdivisions	506,311	502,435	439,395
Loans to brokers and dealers for purchasing or carrying:				U.S. Government	52,583	64,269	70,668
U.S. Government securities	1,259	1,260	821	Banks in the United States	1,159,046	1,183,324	1,235,146
Other securities	41,039	38,803	47,683	Foreign:			
Other loans for purchasing or carrying:				Governments, official institutions, central banks, and international institutions	2,464	3,762	2,918
U.S. Government securities	3,452	3,467	7,244	Commercial banks	70,711	71,609	49,198
Other securities	440,634	443,580	496,200	Certified and officers' checks, etc.	102,823	105,451	98,129
Loans to nonbank financial institutions:				Total time and savings deposits	7,758,052	7,642,530	6,608,691
Sales finance, personal finance, factors, and other business credit companies	161,748	166,580	171,692	Individuals, partnerships, and corporations:			
Other	734,941	769,683	635,722	Savings deposits	1,140,778	1,150,763	1,150,306
Real estate loans	1,553,513	1,547,532	1,368,639	Other time deposits	4,369,978	4,247,675	3,562,395
Loans to domestic commercial banks	57,078	61,467	28,054	States and political subdivisions	2,106,261	2,118,799	1,770,943
Loans to foreign banks	84,477	79,472	57,848	U.S. Government (including postal savings)	8,279	10,534	23,267
Consumer instalment loans	1,088,673	1,069,424	1,055,531	Banks in the United States	110,770	89,411	77,060
Loans to foreign governments, official institutions, central banks, and international institutions	76	17	520	Foreign:			
Other loans	1,373,413	1,367,613	1,155,305	Governments, official institutions, central banks, and international institutions	8,099	12,861	24,500
Total investments	4,207,384	4,226,819	3,951,499	Commercial banks	13,887	12,487	220
Total U.S. Government securities	907,427	914,401	969,289	Federal funds purchased and securities sold under agreements to repurchase	2,949,032	3,100,418	2,742,709
Treasury bills	71,519	80,860	192,445	Other liabilities for borrowed money	223,999	168,856	306,720
Treasury certificates of indebtedness	0	0	0	Other liabilities	559,637	548,560	544,074
Treasury notes and U.S. Government bonds maturing:				Reserves on loans	183,131	181,987	165,604
Within 1 year	129,883	127,136	129,912	Reserves on securities	20,413	20,399	13,875
1 year to 5 years	528,181	532,605	456,617	Total capital accounts	1,358,283	1,346,807	1,230,152
After 5 years	177,844	173,800	190,315				
Obligations of states and political subdivisions:				TOTAL LIABILITIES, RESERVES, AND CAPITAL ACCOUNTS	20,053,036	20,168,826	18,404,730
Tax warrants and short-term notes and bills	172,057	221,597	160,733				
All other	2,828,849	2,792,140	2,560,827				
Other bonds, corporate stocks, and securities:							
Certificates representing participations in federal agency loans	9,484	9,430	8,530				
All other (including corporate stocks)	289,567	289,251	252,120				
Cash items in process of collection	1,469,271	1,538,242	1,541,219				
Reserves with Federal Reserve Bank	943,369	1,168,994	821,130				
Currency and coin	130,765	133,177	117,155				
Balances with banks in the United States	425,571	453,982	406,736				
Balances with banks in foreign countries	30,105	32,421	18,193				
Other assets (including investments in subsidiaries not consolidated)	882,200	850,144	798,741				
TOTAL ASSETS	20,053,036	20,168,826	18,404,730				

DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Million dollars)

Date	DEMAND DEPOSITS			TIME DEPOSITS	
	Total	Adjusted ¹	U.S. Government	Total	Savings
1972: July	12,529	8,694	289	11,304	2,714
1973: 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	2,863
October	13,289	9,461	239	13,795	2,871
November	13,455	9,816	167	13,953	2,883
December	14,008	10,086	244	14,154	2,900
1974: January	14,384	10,276	302	14,533	2,909
February	13,949	10,082	264	14,919	2,958
March	13,933	10,150	260	15,126	2,975
April	13,984	10,289	236	15,143	2,962
May	13,553	9,880	278	15,148	2,979
June	13,742	10,030	240	15,333	2,983
July	13,809	10,056	212	15,442	2,983

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

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(Million dollars)

Item	July 31, 1974	June 26, 1974	July 25, 1973
ASSETS			
Loans and discounts, gross	21,058	20,817	18,691
U.S. Government obligations	2,109	2,154	2,266
Other securities	6,785	6,813	5,906
Reserves with Federal Reserve Bank	1,477	1,613	1,369
Cash in vault	363	380	342
Balances with banks in the United States	1,342	1,254	1,221
Balances with banks in foreign countries ^e	40	46	15
Cash items in process of collection	1,888	1,767	1,558
Other assets ^e	1,656	1,576	1,481
TOTAL ASSETS ^e	36,718	36,420	32,849
LIABILITIES AND CAPITAL ACCOUNTS			
Demand deposits of banks	1,702	1,655	1,586
Other demand deposits	12,234	11,948	11,248
Time deposits	15,485	15,384	13,413
Total deposits	29,421	28,987	26,247
Borrowings	3,244	3,329	3,041
Other liabilities ^e	1,475	1,541	1,243
Total capital accounts ^e	2,578	2,563	2,318
TOTAL LIABILITIES AND CAPITAL ACCOUNTS ^e	36,718	36,420	32,849

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. Thousand dollars)

Item	5 weeks ended Aug. 7, 1974	4 weeks ended July 3, 1974	4 weeks ended Aug. 1, 1973
Total reserves held	2,008,762	1,999,042	1,818,526
With Federal Reserve Bank	1,677,397	1,669,427	1,513,543
Currency and coin	331,365	329,615	304,883
Required reserves	2,001,836	2,003,925	13,810
Excess reserves	6,926	-4,883	131,982
Borrowings	125,297	125,484	-118,172
Free reserves	-118,371	-130,367	

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			
	July 1974 (Annual-rate basis)	Percent change			July 31, 1974	Annual rate of turnover		
		June 1974	July 1973	7 months, 1974 from 1973		July 1974	June 1974	July 1973
ARIZONA: Tucson	\$15,721,955	3%	18%	26%	\$371,290	42.5	41.8	38.5
LOUISIANA: Monroe	5,417,464	-1	15	14	125,693	43.7	43.4	40.6
Shreveport	21,451,240	-4	32	26	362,739	57.2	60.3	50.2
NEW MEXICO: Roswell ²	1,415,834	5	23	23	52,935	26.8	25.7	22.7
TEXAS: Abilene	4,469,233	13	40	34	149,509	28.7	24.7	22.0
Amarillo	10,552,787	4	9	18	233,972	43.3	40.5	43.4
Austin	22,400,932	20	44	38	454,078	47.3	39.5	31.8
Beaumont-Port Arthur-Orange	10,592,461	2	24	31	315,319	33.1	31.8	30.2
Brownsville-Harlingen-San Benito	4,359,264	0	46	29	124,551	34.3	34.0	25.0
Bryan-College Station	1,801,283	2	24	20	61,346	29.3	26.3	24.9
Corpus Christi	11,741,867	10	32	40	299,218	39.1	36.1	31.0
Corsicana ²	787,406	8	26	17	42,530	18.7	18.6	15.0
Dallas	258,956,776	1	24	38	3,140,900	82.1	81.4	70.8
El Paso	14,510,143	-1	24	27	356,736	42.5	44.6	36.1
Fort Worth	38,410,864	3	25	23	905,333	42.7	41.4	36.3
Galveston-Texas City	4,777,370	10	31	19	142,496	34.3	31.6	28.2
Houston	222,118,385	-5	32	32	3,805,032	58.7	62.2	50.4
Killeen-Temple	2,864,711	17	13	10	121,427	23.3	20.1	21.1
Laredo	1,933,810	4	31	33	64,589	29.5	27.8	25.2
Lubbock	9,546,138	4	21	41	242,688	39.3	37.9	34.6
McAllen-Pharr-Edinburg	4,042,744	1	17	39	156,124	25.5	25.0	19.7
Midland	3,858,156	3	44	22	203,081	18.9	18.2	16.8
Odessa	3,021,474	12	38	22	121,654	25.2	23.0	21.4
San Angelo	2,929,913	9	50	32	97,238	28.7	27.0	22.2
San Antonio	30,614,694	3	16	14	902,976	34.4	33.5	29.3
Sherman-Denison	1,789,046	21	16	12	84,433	20.9	17.2	17.7
Texarkana (Texas-Arkansas)	2,123,760	-3	9	8	94,304	22.4	23.4	21.2
Tyler	3,606,178	-2	17	13	151,010	24.6	26.0	23.1
Waco	4,964,562	2	7	14	165,777	30.1	30.1	29.7
Wichita Falls	4,936,748	2	39	40	168,379	29.0	27.3	23.1
Total—30 centers	725,717,198	0%	26%	32%	\$13,517,357	53.6	53.7	45.7

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	Aug. 21, 1974	July 24, 1974	Aug. 22, 1973
Total gold certificate reserves	626,103	345,463	196,193
Loans to member banks	110,434	214,173	72,375
Other loans	0	0	0
Federal agency obligations	154,205	162,217	71,676
U.S. Government securities	3,507,199	3,649,638	3,303,148
Total earning assets	3,771,838	4,026,028	3,447,199
Member bank reserve deposits	1,799,455	1,889,124	1,274,045
Federal reserve notes in actual circulation	2,559,090	2,543,224	2,357,258

VALUE OF CONSTRUCTION CONTRACTS

(Million dollars)

Area and type	July 1974	June 1974	May 1974	January—July	
				1974	1973r
FIVE SOUTHWESTERN STATES¹					
Residential building	1,538	1,061	1,212	7,386	6,944
Nonresidential building	369	440	479	2,762	3,387
Nonbuilding construction	665	349	506	2,898	2,392
UNITED STATES	504	272	228	1,726	1,165
Residential building	9,295	8,480	10,158	56,361	59,034
Nonresidential building	3,350	3,546	3,862	22,920	28,961
Nonbuilding construction	3,698	2,989	3,120	19,821	18,298
Total	2,247	1,945	3,176	13,620	11,775

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

VALUATION (Dollar amounts in thousands)

Area	PERCENT CHANGE							
	NUMBER				PERCENT CHANGE			
	July 1974	7 mos. 1974	July 1974	7 mos. 1974	June 1974	July 1973	7 months, 1974 from 1973	
ARIZONA								
Tucson	623	3,727	\$10,307	\$57,406	67%	10%	-48%	
LOUISIANA								
Monroe								
West Monroe	77	457	2,153	10,745	121	-43	-44	
Shreveport	1,033	4,968	17,894	71,022	23	165	36	
TEXAS								
Abilene	88	547	3,399	10,419	285	184	-43	
Amarillo	749	2,728	6,195	36,819	7	187	8	
Austin	553	3,333	13,771	157,329	-71	-49	4	
Beaumont	182	1,373	6,516	32,237	416	257	64	
Brownsville	96	766	1,034	17,384	-75	-41	2	
Corpus Christi	281	1,771	7,192	41,117	233	53	16	
Dallas	1,448	10,082	25,986	224,192	-38	-7	13	
Denison	23	157	65	1,186	-78	-48	-36	
El Paso	595	3,752	16,699	117,875	64	51	14	
Fort Worth	384	2,629	6,202	99,384	-11	-21	36	
Galveston	48	380	511	28,414	-18	63	345	
Houston	1,860	14,562	46,968	399,560	44	13	-8	
Laredo	52	264	4,514	7,153	2,019	193	-47	
Lubbock	154	1,125	22,766	94,359	167	1,146	106	
Midland	73	521	3,524	24,158	-8	384	143	
Odessa	118	743	1,771	13,262	-17	164	35	
Port Arthur	53	471	255	1,478	150	47	-64	
San Angelo	94	495	474	9,693	-90	-56	51	
San Antonio	1,548	10,929	16,950	134,633	-15	-27	-7	
Sherman	37	212	301	3,803	31	39	87	
Texarkana	63	482	921	5,666	-51	-30	2	
Waco	216	1,553	2,201	23,833	34	31	-27	
Wichita Falls	92	541	1,448	9,367	90	1	1	
Total—26 cities	10,540	68,568	\$220,017	\$1,632,494	-1%	21%	5%	

DAILY AVERAGE PRODUCTION OF CRUDE OIL

(Thousand barrels)

Area	July 1974	June 1974	July 1973r	Percent change from	
				June 1974	July 1973
FOUR SOUTHWESTERN STATES	6,288.6	6,362.7	6,617.8	-1.2%	-5.0%
Louisiana	1,943.1	2,009.8	2,285.5	-3.3	-15.0
New Mexico	272.1	272.1	268.1	.0	1.1
Oklahoma	483.2	490.5	523.1	-1.5	-7.6
Texas	3,590.0	3,590.3	3,541.1	.0	1.4
Gulf Coast	705.0	699.1	693.6	.8	1.6
West Texas	1,885.3	1,888.3	1,836.6	-2	2.7
East Texas (proper)	236.1	236.5	240.9	-2	-2.0
Panhandle	61.8	61.1	60.1	1.2	2.8
Rest of state	701.8	705.3	709.9	-5	-1.1
UNITED STATES	8,880.9	8,982.4	9,195.0	-1.1%	-3.4%

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

INDUSTRIAL PRODUCTION

(Seasonally adjusted indexes, 1967 = 100)

Area and type of index	July 1974p	June 1974	May 1974	July 1973
TEXAS				
Total industrial production	143.0	142.8	137.5r	137.0
Manufacturing	147.9	147.3	141.2r	141.9
Durable	161.8	162.2	160.4	157.0
Nondurable	137.9	136.5	127.4r	131.1
Mining	121.8	122.4	117.8r	119.4
Utilities	177.9	179.3	178.9r	157.5
UNITED STATES				
Total industrial production	125.7	125.6	125.7r	126.7
Manufacturing	125.5	125.3	125.6	126.5r
Durable	122.1	121.8	122.2r	123.8r
Nondurable	130.5	130.4	130.7r	130.6r
Mining	111.7	110.8	111.6	111.0r
Utilities	149.9	149.5	149.2r	154.8r

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

conditions in pastures and ranges in western areas of the District and to bolster water supplies for livestock. Additional moisture is still needed to boost livestock conditions back to normal.

Unlike the lagging output of crops, livestock production is moderately ahead of last year—even though grain feeding of cattle has slowed. Increased slaughter of cows and grass-fed cattle has more than offset the decline in fed beef.

Prices for feeder calves continued to drop in July, however, and placements were considerably larger than in June. But despite the gain,

cattle on feed in Texas and Arizona on August 1 were about a fifth less than at that time a year earlier.

In addition to beef cattle, the production of lamb, broilers, and turkeys in the first eight months of the year was slightly greater than in the same period last year. In contrast, the output of pork, eggs, wool, mohair, and milk was well below levels a year earlier.

After declining for five consecutive months, the index of prices received by farmers and ranchers in Texas advanced in the month ended July 15. The index was up 6 percent from a month before and was frac-

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Five Southwestern States¹

(Seasonally adjusted)

Item	Thousands of persons			Percent change July 1974 from	
	July 1974p	June 1974	July 1973r	June 1974	July 1973
Civilian labor force	8,982.6	8,935.9	8,709.8	0.5%	3.1%
Total employment	8,555.5	8,518.3	8,311.9	.4	7.3
Total unemployment	427.1	417.6	397.9	2.3	1.2
Unemployment rate	4.8%	4.7%	4.6%	.1	
Total nonagricultural wage and salary employment	7,449.4	7,435.9	7,216.8	.2	3.2
Manufacturing	1,287.8	1,285.2	1,266.0	.2	2.2
Durable	723.6	721.8	707.7	.2	1.1
Nondurable	564.2	563.4	558.2	.1	3.5
Nonmanufacturing	6,161.6	6,150.7	5,950.8	.2	4.1
Mining	246.8	246.1	237.0	.3	1.4
Construction	497.3	496.2	490.3	.2	
Transportation and public utilities	503.0	507.1	487.4	-.8	3.3
Trade	1,793.5	1,788.2	1,736.0	.3	5.0
Finance	412.5	411.8	392.9	.2	4.3
Service	1,238.2	1,234.1	1,187.6	.3	3.6%
Government	1,470.4	1,467.3	1,419.6	.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)

TOTAL OIL WELLS DRILLED

Area	Second quarter 1974	First quarter 1974	Percent change	1974 cumulative	Percent change from 1973 cumulative
FOUR SOUTHWESTERN STATES	1,687	1,498	12.6%	3,185	12.6%
Louisiana	206	185	11.4	391	-9.3
Offshore	74	58	27.6	132	-8.3
Onshore	132	127	3.9	259	-9.8
New Mexico	98	64	53.1	162	26.1
Oklahoma	315	211	49.3	526	15.2
Texas	1,068	1,038	2.9	2,106	-75.0
Offshore	0	1	-	1	15.4
Onshore	1,068	1,037	3.0	2,105	22.4%
UNITED STATES	3,152	2,590	21.7%	5,742	

SOURCE: American Petroleum Institute

tionally higher than a year earlier. Both crop and livestock prices increased substantially during the month, but compared with a year earlier, higher crop prices were offset by lower prices for livestock.

Cash receipts from farm and ranch marketings in District states in the first half of this year totaled \$5.1 billion—10 percent more than in the first half of 1973. Compared with a year before, sales of crops in 1974 advanced 40 percent, but livestock receipts declined slightly.