

ANNUAL REPORT

FEDERAL RESERVE BANK
OF DALLAS

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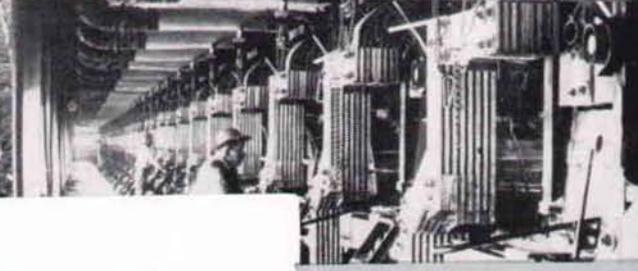
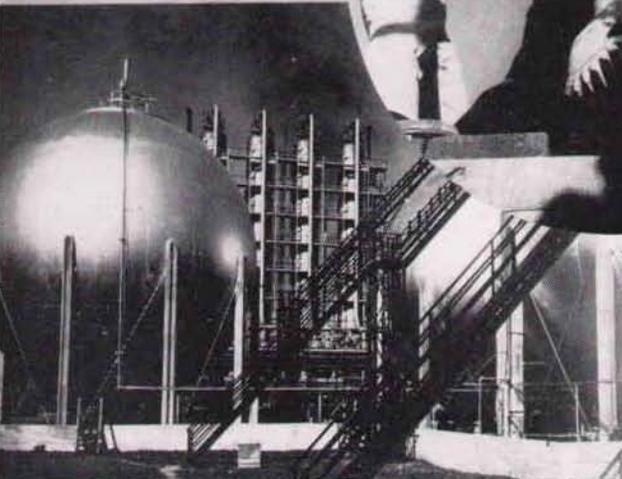
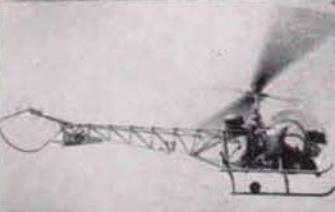
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**Appointment effective in 1953*

FEDERAL ADVISORY COUNCIL MEMBER

- DEWITT T. RAY, *President*, National City Bank of Dallas, Dallas, Texas



The Southwest

To the Stockholders



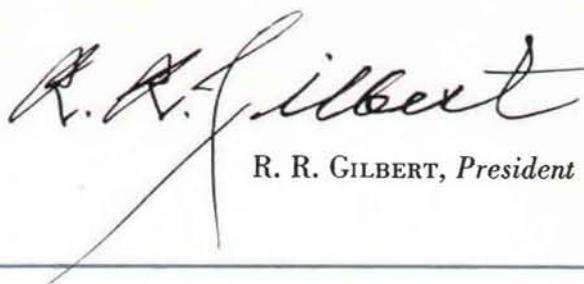
IT IS A PLEASURE to submit to the stockholders of the Federal Reserve Bank of Dallas this Annual Report for 1952. This Report presents a picture of further growth of this bank and of the economy of the Eleventh Federal Reserve District, which it serves.

Total resources of the Federal Reserve Bank of Dallas rose above the \$2,000,000,000 mark in 1952 for the first time; its deposits were in excess of \$1,000,000,000 throughout the year; and its capital funds amounted to more than \$44,000,000 at the year-end. These figures are impressive by their size, but their real significance lies in the fact that they have been increasing rapidly because the bank serves one of the most dynamic growth regions of the United States.

The Eleventh Federal Reserve District has experienced an unusual rate of economic growth for many years. The region is rich in petroleum and other natural resources. Its industrial development has been rapid. Its agriculture is prosperous and steadily becoming more efficient. Its population gain has been substantial and solid. Its banking and financial institutions have kept pace with the requirements of the expanding economic activity. Factors such as these promise a very favorable long-run outlook for the area.

It will continue to be the first objective of this bank to serve banking, business, agriculture, industry, and the people of the District, with a view toward contributing as much as possible to the region's achievement of its full economic potentialities. I know that the directors and officers of this bank will be supported fully in this objective by the District's member banks, because I am sure it is also their objective.

Respectfully submitted,



R. R. GILBERT, *President*

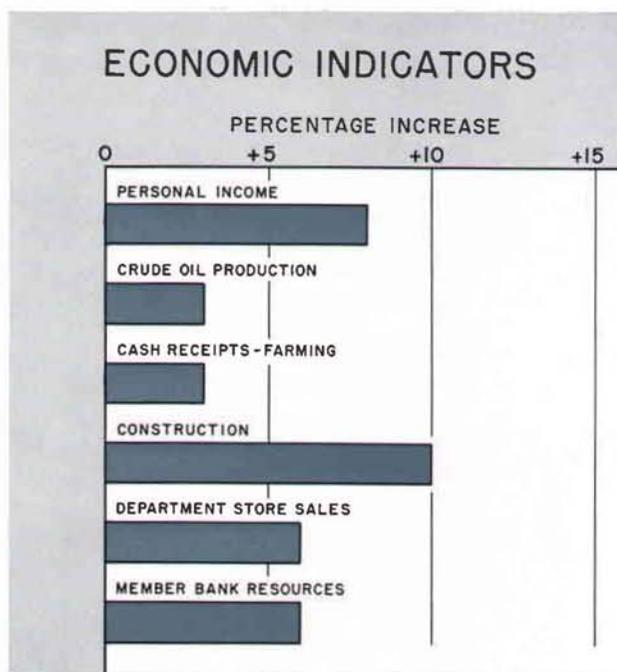
ECONOMIC ACTIVITY

INCREASES IN ECONOMIC INDEXES were the general rule during 1952 in the Eleventh Federal Reserve District and in the five states lying wholly or partly in the District. Personal income payments; employment; retail trade; industrial output; petroleum production and refining; new construction; cash receipts from farm marketings; member bank resources, deposits, and loans; and government payments rose during the year — in most cases, to record levels.

Relative stability also was characteristic of economic activity in the District during 1952. Sharp fluctuations were held to a minimum. There were neither strong inflationary nor deflationary movements. Year-to-year gains were generally smaller than those reported in 1951. Growth and expansion in the District during the year was sound, rather than spectacular.

The year 1952, however, was not without its problems. The prolonged and severe drought held crop production below earlier expectations and was damaging to ranges, pastures, and livestock. Although the over-all effect upon cash farm income in the District was moderate, many localities were seriously affected. Moreover, the consequences of the drought extended beyond agriculture to industry and community life. The importance of better utilization and conservation of the District's water supply was re-emphasized by the events of 1952.

National strikes and labor-management dissensions in the oil and steel industries extended their disturbing effects into the District's economic activity. Crude oil production and refining were reduced sharply during the second quarter of the



year, while the impact of the steel strike was reflected in the third quarter. Recovery from the consequences of these strikes, however, was quick and substantial.

Comprehensive wholesale and retail price indexes were relatively stable during 1952, with the former showing a moderate downward trend and the latter, a very small increase. Average prices of farm commodities declined, although prices received for most crops did not compare unfavorably with 1951 prices during the comparable harvesting periods. Livestock prices declined substantially.

Although full employment and higher average wage and salary rates prevailed, an adequate supply of goods and services tended to increase competition among businesses. In addition, businesses were confronted with the necessity of operating more efficiently to protect profit margins, since it was not easy in 1952 to pass on rising labor costs merely by raising prices.

The combination of growth and expansion under conditions of relative stability led to a

further increase in personal income payments in the five states lying wholly or partly in the District. Personal income probably rose about 8 percent above the \$19,157,000,000 reported in 1951 to reach a total in excess of \$20,500,000,000.

CRUDE OIL PRODUCTION was at record volume during 1952. The increase of 3 percent, however, is one of the smallest in recent years. Several factors tended to limit the increase. The rate of expansion in civilian demand and in requirements for the military slackened. Exports of crude declined, while imports increased. The oil strike in late spring temporarily reduced production. Finally, mild weather during the winter months reduced demand for fuel oils and had a restrictive influence upon output at the wells.

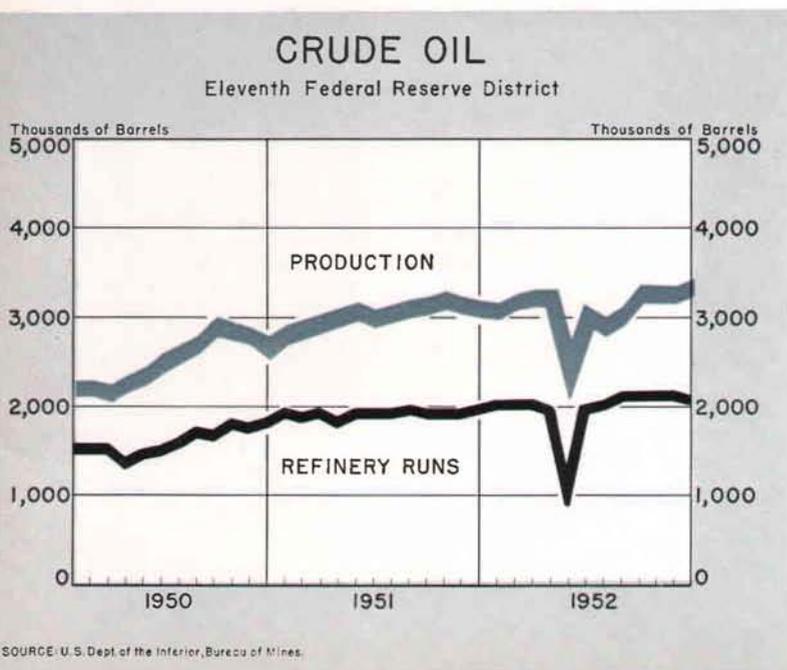
Total production of crude in the District was 1,131,000,000 barrels in 1952 and accounted for approximately 45 percent of the Nation's total output. Production opened the year strong, running well above comparable months of 1951. In May, output slumped sharply as a result of the strike but recovered quickly. In December 1952, production was at record volume, with daily average output in the District estimated at 3,292,000 barrels.

Petroleum refining followed the trend of crude production; runs to stills totaled about 715,000,000 barrels, or 3 percent above 1951. At the year-end, stocks of crude oil were higher, but stocks of the major refined products were somewhat lower than a year earlier.

The search for oil in the District continued unabated. Wildcat completions were up about 10 percent over 1951, as compared with an increase of 3 percent for the Nation. Moreover, the success ratio in wildcatting in the District, estimated at about 20 percent, continued well above the national average. Well completions, including wells drilled in producing fields, totaled 19,200, or 3 percent higher than in 1951.

INDUSTRIAL ACTIVITY in the Southwest continued to make notable gains during 1952. Announced programs for plant and equipment expenditures were very large and included many multimillion-dollar projects, as well as small operations distributed widely over the area. Such indicators of the trend of industrial output as freight carloadings of certain manufactured goods, wage and salary workers engaged in manufacturing, and electric-generating capacity show increases over the high levels of 1951. The year 1952 marked another milestone in the steady progress of the Southwest toward a better-balanced, more diversified economy, with industry representing an expanding source of income.

Plants for the production of a great variety of chemicals, the lighter metals (especially aluminum), petroleum products, transportation equipment (including aircraft), iron and steel products, and industrial power account for most of the industrial development announced in 1952 and estimated to amount to well over \$1,000,000,000. The Houston Branch territory, including the rich

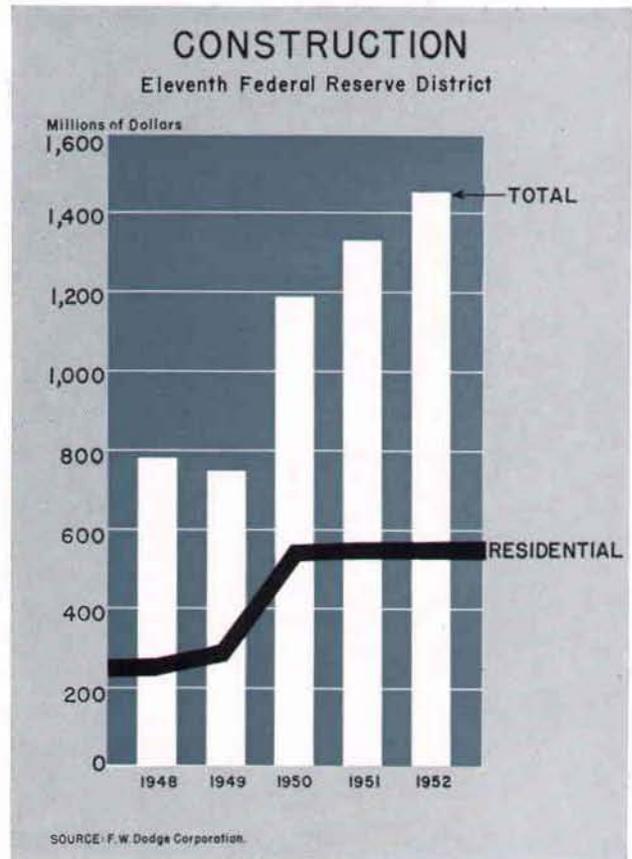


industrial Texas Gulf Coast Crescent, is the region in which expenditures were greatest.

In addition, many small units involving expenditures ranging from a few thousand dollars to a few hundred thousand dollars were built or projected in 1952. These smaller plants, generally employing less than 100 workers, produce a variety of goods, such as meat products, dairy products, textiles and apparel, soap, bottled drinks, miscellaneous foods, and small fabricated parts of one type or another. This small-scale industrial development, although much less sensational than its multimillion-dollar counterpart, has contributed to the basic economic strength and diversity of the District.

The number of wage and salary workers in manufacturing in the five southwestern states rose to approximately 732,600 during 1952, an increase of about 6 percent. Electric-generating capacity in the area increased more than 7 percent, with additional capacity under construction or on order. Freight carloadings of such manufactured goods as chemicals, petroleum and petroleum products, and cement showed increases of from 4 percent to 8 percent during the year.

CONSTRUCTION CONTRACT AWARDS in the District rose to a record level of \$1,455,000,000, or about 10 percent above the 1951 total. Residential construction showed less than 1 percent increase, but nonresidential awards were almost 16 percent higher. This trend has been characteristic since 1950, as residential awards have remained relatively stable in amount at about \$560,000,000 annually, while nonresidential construction has risen sharply and has accounted for virtually all of the year-to-year gains. The stimulation of the defense program and the marked industrial ex-

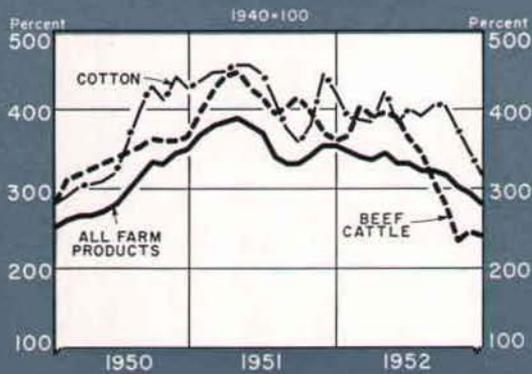


pansion in the District have been important factors contributing to this trend. In addition, contracts for commercial building and for public construction projects have shown increases.

The increase in awards in 1952 was the result of a very sharp rise in activity in the last quarter. Total awards for the first 9 months of the year were about 4 percent under comparable totals for 1951, but awards for the fourth quarter were up 84 percent. Among factors believed to have stimulated this year-end upsurge in awards are the relaxation of controls over materials, the suspension of Regulation X, improved prospects with regard to the availability of steel and other essential basic materials, favorable weather conditions, and growing confidence in the business and construction outlook for 1953.

FARM PRICES

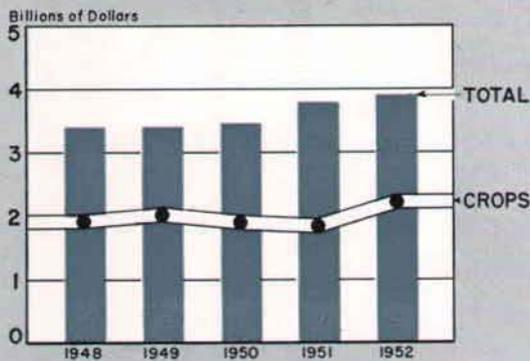
The Southwest



SOURCE: U.S. Dept. of Agriculture

CASH RECEIPTS-FARMING

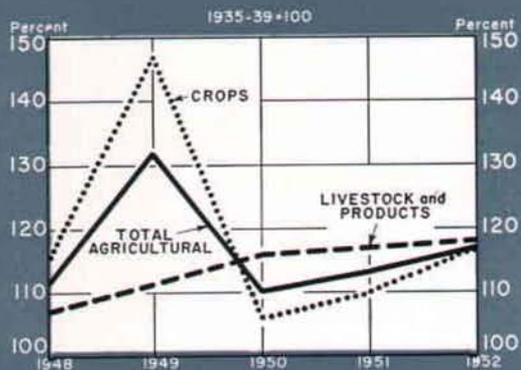
The Southwest



SOURCE: U.S. Dept. of Agriculture

PRODUCTION

The Southwest



SOURCE: U.S. Dept. of Agriculture

AGRICULTURAL TRENDS in the District in 1952 were more mixed than usual, largely as a result of the severe drought and substantial farm commodity price changes.

The outlook for high-volume agricultural production was bright at the beginning of the year. Drought conditions developed rapidly, however, notably in west and south Texas, and reduced production of total farm commodities below expectations. Final estimates of production, however, show the total volume in Texas less than 1 percent below that of 1951, while production in the five states lying wholly or partly in the District is estimated about 4 percent above 1951 output.

Sales of livestock were especially heavy in the drought-stricken areas and exceeded production. For instance, in Texas, slaughter of cattle rose 19 percent; calves, 18 percent; and sheep and lambs, 14 percent.

Although farm commodity prices averaged about 10 percent below 1951 levels, prices of most crops during the heavy marketing seasons were either above or only slightly below prices in comparable marketing periods a year earlier. A large carry-over of 1951 crops for sale in 1952, plus relatively favorable prices at harvest time, more than offset the decline in crop production in Texas. Total cash receipts from the sale of crops in the State rose 8 percent above 1951 to \$1,150,808,000. The five states of the area report total cash receipts from the sale of crops of \$2,192,272,000, an increase of 19 percent.

Prices received by livestock raisers, however, averaged sharply below 1951 record levels. Larger marketings of livestock only partly offset the decline in prices. Consequently, cash receipts from the sale of livestock and livestock products declined 13 percent in Texas to \$970,365,000 and 12 percent in the five-state area to \$1,711,913,000.

As a result of these developments, total cash farm income in the five states lying wholly or partly in the District reached an all-time high of \$3,904,185,000, or 3 percent more than the record established in 1951. In Texas, total cash receipts from farm marketings were about \$2,121,173,000, or about 3 percent under the total reported in 1951.

The damage resulting from the drought cannot be generalized for this southwest area as a whole or, in fact, for Texas. In so far as cash farm receipts are concerned, the consequences were moderate. On the other hand, in some areas damage was severe, foundation livestock were liquidated, and many farmers are in difficult financial positions.

RETAIL TRADE in the District during 1952 reflects high levels of employment and income and compares favorably with 1951. Preliminary estimates indicate a gain of 3 percent in total retail trade.

Sales at department stores in the District ran ahead of 1951 during most months of the year. This segment of retail trade showed a cumulative

gain for 1952 of about 6 percent. Since prices of consumer goods were relatively stable during the year, the increase in sales at department stores reflects a moderate increase in the physical volume of goods handled. Stocks of merchandise were maintained in better balance in relation to sales than in 1951. Department stores followed conservative buying practices, ordering largely on the basis of replacement need. At the end of December 1952, stocks were about 5 percent larger than a year earlier.

The elimination of Regulation W on May 7 was reflected in an increase in instalment accounts outstanding and a lengthening of the instalment collection period. During 1952, instalment sales at department stores represented 12.4 percent of total sales, as compared with 9.9 percent in 1951. Most of this increase in the relative importance of instalment sales was offset by a decrease in the relative importance of charge account sales. There was little change in the proportion of cash transactions, which accounted for 33.7 percent of total sales in 1952 versus 34.4 percent in 1951.

Debits to deposit accounts at banks in 24 cities in the District, indicating the trend of expendi-

DEPARTMENT STORE SALES

Eleventh Federal Reserve District



Adjusted for seasonal variation.

DEPARTMENT STORE STOCKS

Eleventh Federal Reserve District



Adjusted for seasonal variation.

tures, were about 9 percent higher in 1952. In most months of the year, debits were well above comparable 1951 figures, thus providing further evidence of the high levels of economic activity, incomes, and expenditures that were characteristic in the District during 1952.

BANKING resources, deposits, and capital accounts of the 633 member banks in the District rose to record levels during 1952. Total resources of \$8,777,563,000 on December 31, 1952, were \$510,126,000 larger than a year earlier. Loans and investments increased \$390,757,000 and totaled \$5,729,866,000. Cash, reserves, and balances due from banks increased \$101,717,000. Total deposits rose \$448,699,000 to \$8,191,497,000, while capital accounts of \$516,378,000 on December 31 were \$52,351,000 larger than a year earlier.

Banks in the reserve cities of the District showed larger increases in principal accounts than did country banks. The resources and total deposits of the reserve city banks each increased approximately 8 percent, as compared with increases of about 4 percent for the country banks. Loans of the larger banks rose more than 12 percent, against a 10-percent increase at country banks.

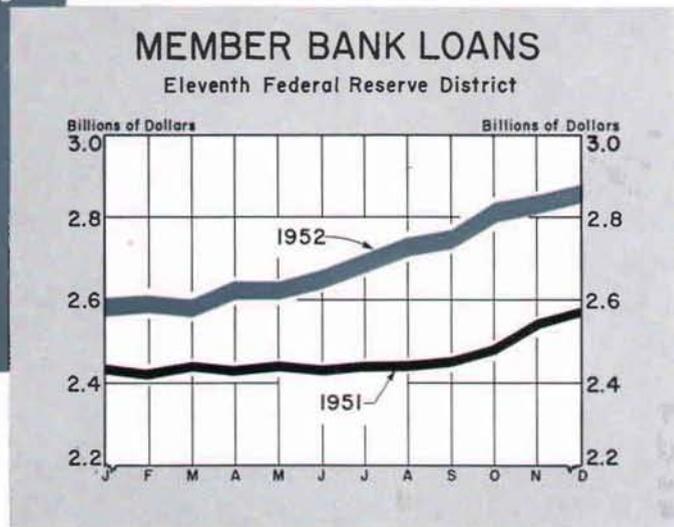
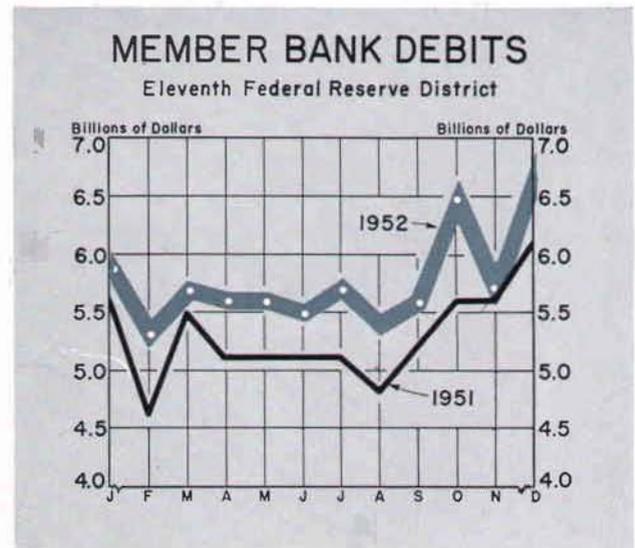
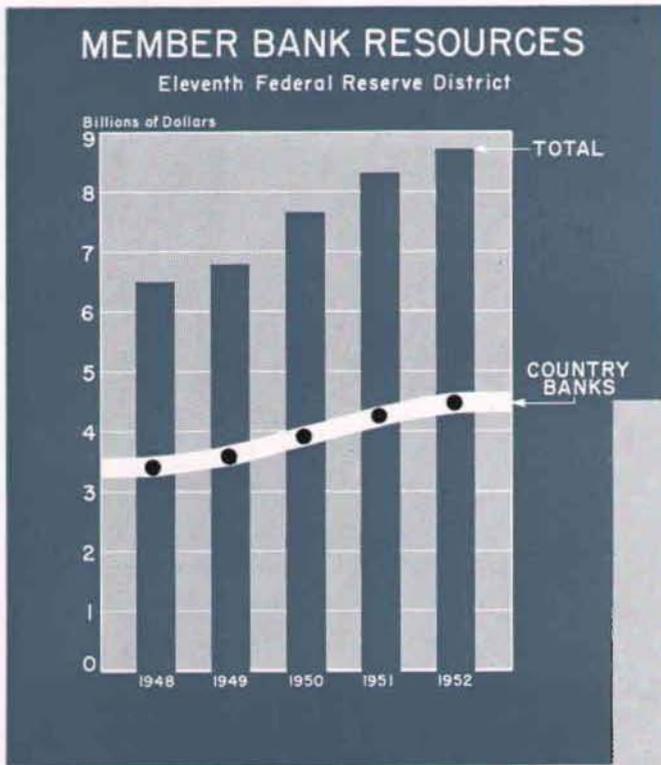
Loan demand was strong during the year, reflecting the high levels of economic activity and consumer spending. While all classes of loans increased, largest gains were reported in commercial and industrial loans, which rose \$87,774,000, or more than 6 percent, and in consumer-type loans (including instalment credits and single-payment loans to individuals), which advanced \$134,283,000, or almost 25 percent. Real estate loans showed an increase of \$17,049,000, or almost 7 percent, and loans to farmers were \$23,835,000 higher, or up about 9 percent.

The trend of loans followed expected seasonal patterns. Loans of reserve city banks declined slightly during the early months of the year, leveled out, and then rose sharply during the last 5 months. Country bank loans rose gradually through the first three quarters of the year and then declined moderately, although at the end of the year they were substantially above the year-earlier total.

All major classes of deposits increased during 1952. The growth in time deposits, which amounted to \$84,080,000, an increase of more than 14 percent, was especially notable and reflects the response to higher interest rates paid on such accounts. Demand deposits of individuals, partnerships, and corporations increased \$228,084,000, while interbank deposits showed an increase of \$56,443,000. Approximately 70 percent of the total increase in deposits was accounted for by larger demand and time deposits of individuals, partnerships, and corporations.

Reserve positions of member banks in the District were somewhat tighter during most of 1952 than in the preceding year. Required reserves declined during the first 5 months of 1952 but rose steadily to more than \$1,000,000,000 during the last half of December, or an increase during the year of about 7 percent. As banks tended to maintain more fully loaned and invested positions, especially during the last half of the year, excess reserves represented a considerably smaller percentage of required reserves than in 1951. Rising deposit volume and a more consistently restrictive central banking policy also contributed to the tighter reserve positions. To relieve their reserve positions, member banks borrowed more frequently and in larger amount from the Reserve bank than for many years.

The rate of increase in capital accounts, about 11.3 percent, exceeded the rate of growth of de-



posits, resources, and risk assets. Consequently, the major capital ratios showed a slight improvement during the year. Capital represented 6.3 percent of deposits in 1952, as compared with 6 percent in 1951; 5.9 percent of resources, against 5.6 percent in 1951; and 15.1 percent of risk assets versus 14.9 percent a year earlier.

Net profits after taxes of member banks in the District were \$40,988,000 in 1952, representing an increase of \$1,595,000, or 4 percent, over 1951. Earnings from current operations were substantially higher than in the preceding year, but rising operating expenses and larger federal tax payments absorbed most of the increase. Cash dividends of \$19,742,000 represented 48 percent of net profits after taxes.

CREDIT POLICY of the Federal Reserve System during 1952 was a policy of moderate restraint. The System undertook to minimize its intervention in the money market and to avoid making reserves available to member banks in excess of those needed to meet essential seasonal and growth requirements of the economy.

The active demand for bank loans and an increasing currency circulation placed reserve positions of member banks under considerable pressure, especially during the last half of the year. Also, Treasury borrowing tended to tighten reserves, since some of the funds were

supplied by the banking system. Unwillingness of the System to take the initiative in relieving this condition induced banks to become more selective in their credit decisions and to make such reserve adjustments as they considered necessary by borrowing from the Reserve banks. Responding to these market developments, interest rates increased moderately.

During the first several months of the year the System reduced its holdings of Government securities by \$1,528,000,000, with all of the reduction occurring in short-term issues. System holdings of Governments declined from \$23,801,000,000 on December 31, 1951, to \$22,273,000,000 on May 28, 1952. As a consequence, reserves gained by the banking system from the seasonal return flow of currency and from other sources were absorbed.

Substantial net purchases of Governments by the System during June and again in September in support of financing operations of the Treasury placed \$1,282,000,000 of central bank funds in the market. Later, from mid-November till the end of the year, the System placed \$1,133,000,000 of funds in the market, largely through the acquisition of Treasury bills under repurchase agreements with dealers. As a result of these and other scattered transactions in Government securities during the year, net purchases by the System in 1952 amounted to \$896,000,000, and on December 31 the System's holdings of Governments totaled \$24,697,000,000.

Except for short intervals, member bank borrowing from the Reserve banks was on a large scale during the last 7 months of the year and reached a peak of \$2,364,000,000 on December 27. During most of this 7-month period, member bank indebtedness was substantially more than the amount of excess reserves. The pressure on bank reserves, resulting from the very large increase in currency in circulation and the strong

credit demand, more than counterbalanced the reserves made available through open market operations, with the consequence that the banking system made up the difference by borrowing.

The administration of the System's credit policy during the year placed reliance primarily upon the use of such general measures as open market operations and discounts and advances, but, nevertheless, selective credit controls also were used.

Regulation W, which established minimum down payments and maximum maturities for consumer instalment credits on listed articles and for consumer instalment loans, was in effect until May 7, when it was suspended by the Board of Governors of the System. On June 30 the System's authority to regulate consumer instalment credit lapsed when Congress failed to enact legislation extending such authority. It is significant that although consumer instalment credit outstanding showed virtually no change during the several months preceding suspension of the Regulation, the amount outstanding increased more than \$3,000,000,000 between May 1 and December 31.

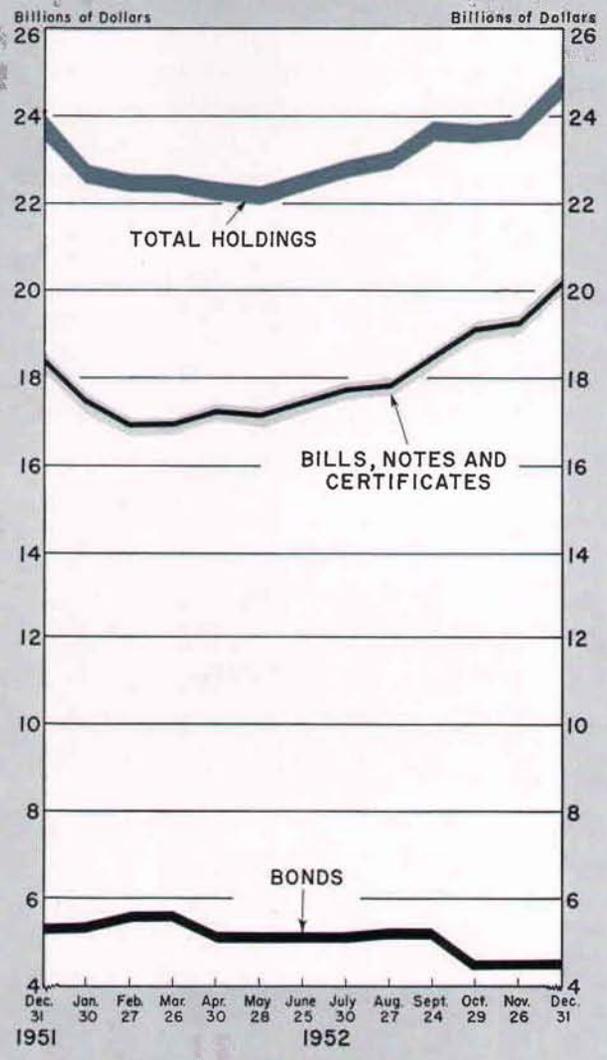
Regulation X, applicable to real estate credit, also was suspended during 1952. In June, July, and August the seasonally adjusted rate of new housing starts was less than 1,200,000 annually; consequently, in accordance with the provisions of the Defense Production Act of 1950, as amended, the Regulation was suspended.

The Voluntary Credit Restraint Program, which had been initiated in March 1951, was suspended by the Board of Governors of the System on May 12, 1952, following an announcement by the President on April 17 that the program should not be used to restrict state or municipal government financing. On June 30 the System's authority for the program lapsed, and it was not renewed by the Congress.

There were no changes during 1952 in the rates of discount of the Reserve banks, in margin requirements on listed securities under Regula-

HOLDINGS OF GOVERNMENT SECURITIES

Federal Reserve System



tions T and U, or in reserve requirements of member banks.

TREASURY BORROWING through the sale of marketable securities in 1952 amounted to \$10,345,000,000. Between April 10 and June 5, approximately \$1,600,000,000 was obtained through Treasury bill offerings in excess of maturities. At midyear, about \$4,245,000,000 was borrowed through the sale of 2³/₈-percent bonds

due June 15, 1958. Offerings of Tax Anticipation bills for cash in October and November yielded about \$4,500,000,000 to the Treasury. In addition; the Treasury obtained \$318,000,000 in connection with the offering on an exchange and cash basis of 2³/₄-percent bonds, Investment Series B, 1975-80, for the four longer term restricted 2¹/₂-percent bonds.

Marketable issues of Government securities maturing or called in 1952, exclusive of Treasury bills, totaled \$30,105,000,000. The Treasury refunded through exchange offerings \$28,182,000,000 of these securities and redeemed the remainder, \$1,923,000,000, by cash. The largest refunding operations occurred on March 1 and October 1, with transactions involving over \$10,500,000,000 on each date. Investors also exchanged \$1,306,000,000 of the longer term restricted bonds for 2³/₄-percent Investment Series B securities.

On May 1, several changes became effective with respect to United States savings bonds. Series F and Series G savings bonds were discontinued and were replaced by Series J and Series K bonds. A new current income bond, Series H, became available on June 1. An upward revision of interest rate schedules on all savings bonds provides investors with a higher return, especially during the intermediate years of the bonds. Annual purchase limits were raised. These changes contributed to greater interest in the savings bonds program and were reflected in an improvement in sales and redemptions.

Sales of savings bonds in the Nation in 1952 totaled \$4,163,000,000, while redemptions were \$5,076,000,000, representing a 5-percent increase in sales and a 10-percent decrease in redemptions.

On December 31, 1952, the total interest-bearing debt of the Government was \$265,293,000,000, or \$8,223,000,000 larger than a year earlier. The average annual interest rate on the debt rose from 2.308 percent in 1951 to 2.353 percent in 1952.

Financial Statements

F E D E R A L

Statement of Condition

	Dec. 31, 1952	Dec. 31, 1951
ASSETS		
Gold certificates	\$ 715,296,184.15	\$ 553,765,136.95
Redemption fund for Federal Reserve notes	29,381,945.47	28,151,827.64
Total gold certificate reserves	744,678,129.62	581,916,964.59
Other cash	12,310,625.60	19,218,307.62
Discounts and advances	1,151,000.00	0
Industrial loans	0	38,647.36
U. S. Government securities		
Bills	34,008,000.00	22,388,000.00
Certificates	228,984,000.00	608,897,000.00
Notes	631,330,000.00	242,518,000.00
Bonds	207,269,000.00	255,727,000.00
Total U. S. Government securities	1,101,591,000.00	1,129,530,000.00
Total loans and securities	1,102,742,000.00	1,129,568,647.36
Due from foreign banks	862.13	1,043.21
Federal Reserve notes of other banks	11,219,800.00	12,527,750.00
Uncollected items	179,733,435.55	168,648,435.72
Bank premises	629,373.89	650,519.15
Other assets	7,873,713.88	6,259,703.44
TOTAL ASSETS	<u>2,059,187,940.67</u>	<u>1,918,791,371.09</u>
LIABILITIES		
Federal Reserve notes in actual circulation	759,281,810.00	702,161,810.00
Deposits		
Member bank — reserve account	1,051,211,720.79	1,011,045,268.68
U. S. Treasurer — general account	25,726,477.28	548,487.15
Foreign	19,893,000.00	19,258,500.00
Other deposits	1,374,041.56	4,559,164.80
Total deposits	1,098,205,239.63	1,035,411,420.63
Deferred availability items	156,977,035.37	145,137,970.09
Other liabilities	395,544.63	474,603.03
TOTAL LIABILITIES	<u>2,014,859,629.63</u>	<u>1,883,185,803.75</u>
CAPITAL ACCOUNTS		
Capital paid in	12,237,750.00	10,711,550.00
Surplus (Section 7)	25,380,755.49	18,210,140.46
Surplus (Section 13b)	1,307,124.72	1,307,124.72
Other capital accounts	5,402,680.83	5,376,752.16
TOTAL CAPITAL ACCOUNTS	<u>44,328,311.04</u>	<u>35,605,567.34</u>
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	<u>\$2,059,187,940.67</u>	<u>\$1,918,791,371.09</u>

RESERVE BANK OF DALLAS

Earnings and Expenses

	1952	1951
EARNINGS		
Discounts and advances	\$ 373,097.56	\$ 47,396.60
Industrial loans	277.75	1,265.16
Interest on foreign loans	13,983.23	274.97
U. S. Government securities	20,379,969.21	18,583,474.46
All other	6,768.79	9,548.49
TOTAL CURRENT EARNINGS	<u>20,774,096.54</u>	<u>18,641,959.68</u>
EXPENSES		
Current operating expenses	5,142,569.25	4,638,398.71
Less reimbursement for certain fiscal agency and other expenses	908,237.00	809,009.00
Net operating expenses	4,234,332.25	3,829,389.71
Assessment for expenses of Board of Governors	157,400.00	150,700.00
Federal Reserve currency		
Original cost, including shipping charges	365,023.00	326,408.00
Cost of redemption, including shipping charges	52,957.00	41,523.00
TOTAL NET EXPENSES	<u>4,809,712.25</u>	<u>4,348,020.71</u>
NET CURRENT EARNINGS	<u>15,964,384.29</u>	<u>14,293,938.97</u>
ADDITIONS TO NET CURRENT EARNINGS		
Profit on U. S. Government securities	92,041.81	0
All other	67.50	336.99
TOTAL ADDITIONS	<u>92,109.31</u>	<u>336.99</u>
DEDUCTIONS FROM NET CURRENT EARNINGS		
Loss on U. S. Government securities	0	70,894.04
All other	4,190.35	330.96
TOTAL DEDUCTIONS	<u>4,190.35</u>	<u>71,225.00</u>
NET ADDITIONS OR DEDUCTIONS	<u>87,918.96</u>	<u>-70,888.01</u>
NET EARNINGS	<u>16,052,303.25</u>	<u>14,223,050.96</u>
DISTRIBUTION OF NET EARNINGS		
Transferred to reserve for contingencies	25,530.83	24,159.94
Paid U. S. Treasury (Interest on outstanding F. R. notes)	8,146,707.99	12,220,821.22
Net earnings after reserves and payments to U. S. Treasury	7,880,064.43	1,978,069.80
Dividends paid to member banks	709,449.40	620,108.92
Transferred to Surplus (Section 7)	\$ 7,170,615.03	\$ 1,357,960.88

Operations

	Number of pieces		Dollar amount	
	1952	1951	1952	1951
Discounts for member banks				
Secured by U. S. Government obligations	308	113	\$1,011,078,000	\$209,946,000
Other	44	36	103,000	62,000
Currency received	148,492,000	140,081,000	900,540,000	796,644,000
Coin received	243,646,000	234,974,000	20,292,000	19,020,000
Currency paid out	—	—	842,601,000	785,941,000
Coin paid out	—	—	26,233,000	24,296,000
Checks handled	119,914,000	109,886,000	46,713,218,000	43,216,444,000
Checks returned unpaid	1,878,000	1,639,000	180,823,000	155,418,000
Collections handled	823,000	746,000	535,375,000	536,673,000
U. S. Government interest coupons paid	288,000	319,000	31,245,000	31,422,000
Coupons of governmental agencies paid	6,000	6,000	238,000	224,000
U. S. post-office money orders	18,704,000	18,983,000	322,093,000	1153,354,000
U. S. Government checks and warrants paid	23,330,000	22,236,000	4,924,034,000	4,014,448,000
Transfers of funds for member banks	108,000	100,000	38,698,152,000	28,714,326,000
U. S. Government securities issued, exchanged, and redeemed	5,071,000	4,994,000	8,273,340,000	6,738,301,000
Securities of governmental agencies issued, exchanged, and redeemed	1,810	392	9,053,000	2,679,000
Purchases and sales of securities for investors	5,000	4,000	2,436,875,000	1,744,753,000

¹Activity instituted July 1, 1951.

THE BANK'S OPERATIONS

RESOURCES of the bank on December 31, 1952, totaled \$2,059,188,000, an increase of \$140,397,000 during the year. Gold certificate reserves rose by \$162,761,000, while total earning assets declined \$26,827,000 as a result of a reduction in holdings of United States Government securities.

Federal Reserve notes of the bank in actual circulation amounted to \$759,282,000 on December 31, 1952, or \$57,120,000 more than a year earlier. Total deposits were \$1,098,205,000, as compared with \$1,035,411,000 at the end of 1951. The increase in deposits is largely accounted for by increases of \$40,167,000 in member bank reserve accounts and \$25,178,000 in the United States Treasurer's general account.

Paid-in capital stock of the bank increased during 1952 by \$1,526,000, largely as a result of

additional purchases of the bank's stock by 291 member banks which increased their capital and surplus accounts. Other capital accounts increased \$7,196,000, reflecting additions from net earnings after payment of dividends to member banks and payments to the United States Treasury.

NET EARNINGS of the bank totaled \$16,052,000, an increase of almost 13 percent as compared with 1951. The increase in earnings was the result of a higher average yield on the bank's holdings of United States Government securities and rising income from a larger volume of discounts and advances to member banks, partly offset by an increase of \$462,000 in expenses.

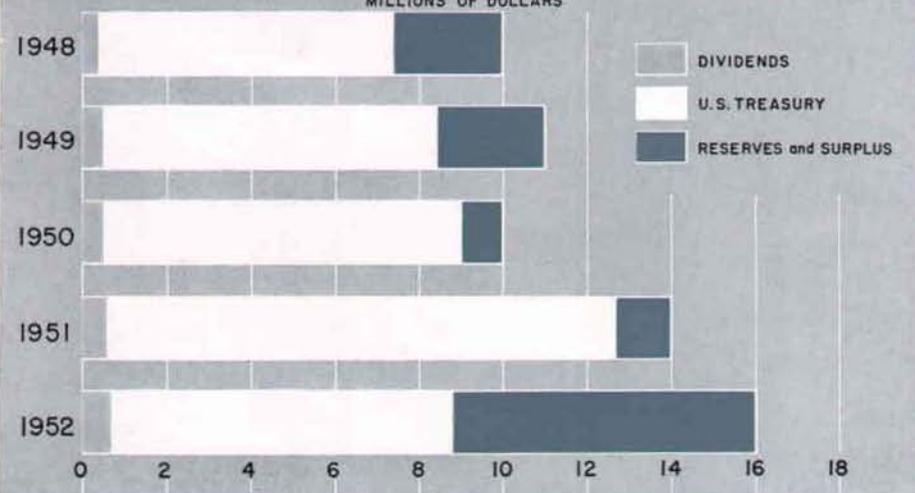
Dividend payments to member banks were in excess of \$709,000, while payments to the United States Treasury amounted to \$8,147,000. Earnings transferred to Surplus and to reserve for contingencies amounted to \$7,196,000.

CCHECKS, DRAFTS, AND OTHER ITEMS handled by the Transit Department increased substantially in number and amount during 1952. Daily average number of items handled during the year was over 554,000, an increase of 15 percent, while the amount of such items was about 10 percent larger. Collection of cash and noncash items represents one of the bank's most important services to member banks and businesses in the District. Con-

DISTRIBUTION OF NET EARNINGS

Federal Reserve Bank of Dallas

MILLIONS OF DOLLARS



sequently, efforts are made constantly to improve the speed and accuracy of processing.

City and country checks handled during the year totaled 119,914,000 in number and \$46,713,218,000 in amount, increases of 9 percent and 8 percent, respectively, over 1951. Government checks processed increased 5 percent in number to 23,330,000 but 23 percent in amount to \$4,924,034,000. Drafts and other noncash collections numbered more than 823,000, representing a 10-percent increase, but totaled \$535,375,000, or approximately the same amount as in 1951.

Checks have come to be used so widely in business that changes in their aggregate amount tend to reflect, in a measure, changes in dollar totals of economic activity. The increase of 10 percent in the dollar volume of items processed by the Transit Department is reasonably well in line with increases in economic activity outlined earlier in this report.

CURRENCY AND COIN shipped to and received from member and nonmember banks during 1952 involved 114,710 shipments valued at \$1,722,069,000. In addition, the bank received \$67,596,000 of its own Federal Reserve notes which had been deposited with other Reserve banks and returned to this bank as fit for circulation. Fit notes of other Reserve banks returned by this bank to the issuing banks amounted to \$128,731,000. Unfit currency shipped to the Treasury for destruction totaled \$310,872,000. The total amount of currency and coin involved in these transactions exceeded the amount handled in 1951 by 14 percent.

Circulation of Federal Reserve notes of this bank rose from a daily average of \$645,000,000

in 1951 to \$713,510,000 in 1952, an increase of more than 10 percent. Minimum circulation during 1952 was \$669,114,000 on January 26, while maximum circulation of \$766,774,000 was reached at the peak of seasonal demand on December 23.

Among other operations, the Cash Department held in safekeeping for member banks and others securities valued at \$1,225,388,000, paid 294,000 coupons of the United States Government and government agencies totaling \$31,483,000, and engaged in more than 5,000 transactions for 326 member and nonmember banks to facilitate the purchase and sale of securities totaling \$2,436,875,000.

FISCAL AGENCY TRANSACTIONS performed by the bank during 1952 included the issuance, exchange, and redemption of United States Government securities; wire transfers of such securities; receipt of withheld taxes for credit to the Treasury; and services for the Commodity Credit Corporation. These operations were larger, both in number of transactions and in amount, than in the preceding year.

United States Government securities issued, exchanged, and redeemed involved 5,071,000 pieces valued at \$8,273,340,000, or increases over 1951 of about 2 percent and 23 percent, respectively. Transactions involving Treasury bills and United States savings bonds accounted for most of the bank's activities in United States Government securities.

Weekly tenders for Treasury bills averaged 204 during 1952, as compared with 151 in 1951, while the allotment of bills to banks and others in the District rose from \$1,648,842,000 in 1951 to \$2,464,993,000 in 1952. Other allotments of

Currency sorters verify and sort incoming shipments of currency from member banks.



Key punch operators in the Fiscal Agency Department transfer accounting and statistical information to tabulating cards for preparation of reports and records maintained for United States Treasury Department.



A section of the Head Office Transit Department, where thousands of checks are handled daily.



Government securities through the bank during 1952 included \$150,691,000 of Tax Anticipation bills, \$431,100,000 of certificates of indebtedness and Treasury notes, and \$181,893,000 of Treasury bonds. Redemption of marketable Government securities by the bank, largely maturing Treasury bills, amounted to \$2,329,746,000.

Revision of the terms of United States savings bonds, including slightly higher interest rate schedules, was reflected in an increase in sales and a decline in redemptions. During 1952, sales of savings bonds in the District increased more

than 4 percent to \$141,229,000, while redemptions declined almost 16 percent to \$192,640,000. As a result, net redemptions were \$51,411,000, as compared with \$93,841,000 in 1951. In performing these services in connection with the sale and redemption of savings bonds, the bank handled almost 4,700,000 bonds.

Withheld taxes received from employers and from depository banks for credit to the Treasury amounted to \$503,351,000, or an increase of almost 34 percent over 1951.

During 1952 the bank processed for the Com-

modity Credit Corporation producers' notes amounting to \$22,375,000 covering 178,286 bales of cotton placed in the 1951-52 government loan program. Producers' notes totaling \$15,649,000, secured by 103,798 bales of cotton, were released during the year. The bank disbursed for the Commodity Credit Corporation \$26,350,000 and issued certificates of interest valued at \$11,150,000 in connection with the cotton loan program.

DISCOUNTS AND ADVANCES to member banks increased substantially in 1952. During the year, 36 member banks borrowed an aggregate of \$1,011,181,000 from the bank. Average daily borrowings of member banks were \$21,037,000; on October 24, borrowings reached \$76,900,000, the largest amount in many years.

The increase in member bank borrowing was primarily a reflection of moderately restrictive central banking policy under which reserves were made less available through open market operations. Member bank borrowing, for the most part, was to adjust reserves to meet temporary and seasonal requirements. As the demand for Reserve bank credit strengthened, the bank observed developments closely to assure that the use of its funds was for appropriate purposes.

GOVERNMENT SECURITIES owned by the bank declined slightly during the year and at the end of December totaled \$1,101,591,000. Fluctuation in holdings during the year, however, was comparatively small, ranging from a high reached on January 1 of \$1,129,530,000 to a low of \$1,020,892,000 between May 22 and June 11. Average daily holdings in 1952 were \$1,063,-

875,000. Higher short-term interest rates resulted in a somewhat higher average earning rate on the bank's portfolio of Governments.

EXAMINATIONS were made during 1952 of all state member banks, and field investigations were conducted in connection with applications for national bank charters and fiduciary powers. The bank's examiners participated in 193 examinations and investigations during 1952, as compared with 184 in 1951.

MEMBERSHIP in the Federal Reserve System in the Eleventh District on December 31, 1952, totaled 633, including 482 national banks and 151 state banks. During the year, one national bank entered voluntary liquidation, two national banks consolidated into a new national bank, one state bank withdrew from membership, while newly chartered national banks in Arlington and Pasadena, Texas, and Rayville, Louisiana, were added to membership.

On December 31, 1952, there were 389 member banks in the Dallas Head Office territory, 109 in the Houston Branch territory, 91 in the San Antonio Branch territory, and 44 in the El Paso Branch territory.

Three banks were added to the par list in 1952, reducing the number of nonpar banks in the District to 101.

PERSONNEL at the Head Office and branches, including officers and permanent employees, totaled 932 on December 31, 1952, as compared with 947 a year earlier. Average employment during 1952, however, was 921 employees, as compared with 905 in 1951.

APPPOINTMENTS announced by the Board of Directors of the bank during 1952 included: N. B. Harwell, elected Chief Examiner; Harry A. Shuford, elected Vice President and General Counsel; G. R. Murff, elected General Auditor succeeding Leon Daniels, resigned; DeWitt T. Ray, Dallas, Texas, appointed member of Federal Advisory Council; S. Marcus Greer, Houston, Texas, appointed director of the Houston Branch of the Federal Reserve Bank of Dallas; Ray M. Keck, Cotulla, Texas, appointed director of the San Antonio Branch; and Thomas C. Patterson, El Paso, Texas, appointed director of the El Paso Branch.

The Board of Governors of the Federal Reserve System announced the appointment of J. R. Parten, Houston, Texas, as Class C director of the bank and designated him as Chairman of the Board of Directors and Federal Reserve Agent for the year 1953; R. B. Anderson, Vernon, Texas, Deputy Chairman for the year 1953; Hal Bogle, Dexter, New Mexico, Class C director for the unexpired portion of a 3-year term ending December 31, 1953, succeeding G. A. Frierson, Shreveport, Louisiana, resigned. R. B. Anderson resigned as a member and Deputy Chairman of

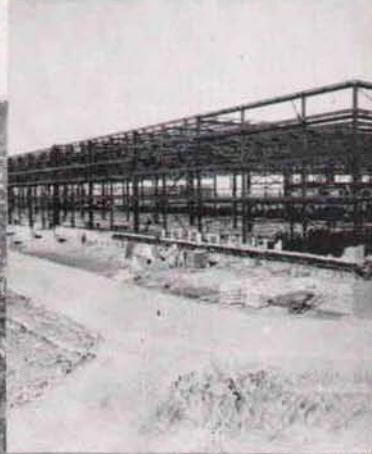
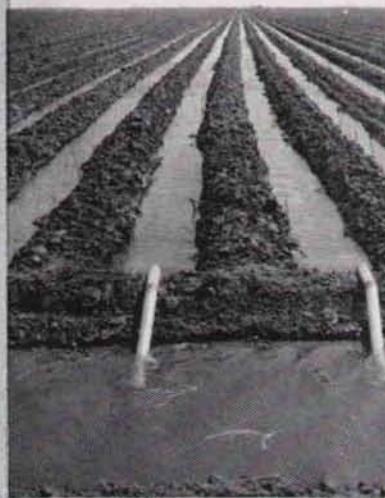
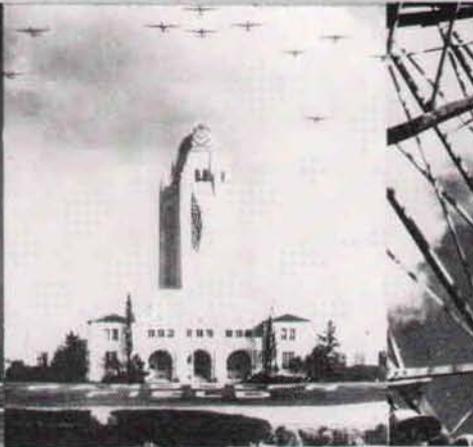
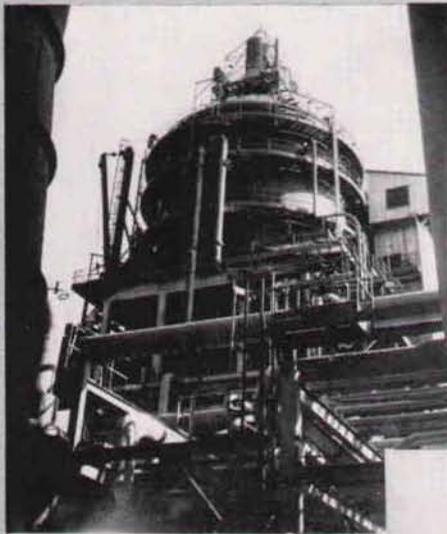
the Board of Directors on December 29, 1952, to accept appointment as Secretary of the Navy.

The Board of Governors of the System also announced the appointment of Charles N. Shepardson, College Station, Texas, as a director of the Houston Branch of the Federal Reserve Bank of Dallas and D. Hayden Perry, Robstown, Texas, a director of the San Antonio Branch.

At a regular election held in November 1952, J. Edd McLaughlin, Ralls, Texas, was re-elected a Class A director; J. B. Thomas, Fort Worth, Texas, was elected a Class B director; and D. A. Hulcy, Dallas, Texas, was elected a Class B director to serve during the unexpired portion of a 3-year term ending December 31, 1954, a vacancy created by the death of George H. Zimmerman, Waco, Texas, on August 29, 1952.

THE GENERAL AUDITOR AND STAFF carried out a full program of audits during the year under the supervision of the Audit Review Committee of the Board of Directors of the bank. The annual examination of the bank and its branches as required by law was made by the examining staff of the Board of Governors of the System in January 1952.





The Southwest

Officers

FEDERAL RESERVE BANK OF DALLAS

R. R. GILBERT, *President*

W. D. GENTRY, *First Vice President*

R. B. COLEMAN, *Vice President*

E. B. AUSTIN, *Vice President*

L. G. PONDROM, *Vice President*

W. H. IRONS, *Vice President*

MAC C. SMYTH, *Vice President*

W. H. HOLLOWAY, *Vice President*

W. E. EAGLE, *Vice President*

C. M. ROWLAND, *Vice President*

J. L. COOK, *Vice President and Cashier*

HARRY A. SHUFORD, *Vice President
and General Counsel*¹

G. R. MURFF, *General Auditor*

MORGAN H. RICE, *Assistant Vice President
and Secretary of the Board*²

HOWARD CARRITHERS, *Assistant Cashier*

W. D. WALLER, *Assistant Cashier*

T. W. PLANT, *Assistant Cashier*

HERMAN W. KILMAN, *Assistant Cashier*

E. H. BERG, *Assistant Cashier*

N. B. HARWELL, *Chief Examiner*

GEORGE F. RUDY, *Assistant Counsel*

¹Acting Secretary of the Board.

²Absent on leave (on loan to State Bank of Pakistan).

HOUSTON BRANCH

W. H. HOLLOWAY, *Vice President in Charge*

H. K. DAVIS, *Cashier*

B. J. TROY, *Assistant Cashier*

SAN ANTONIO BRANCH

W. E. EAGLE, *Vice President in Charge*

ALFRED E. MUNDT, *Cashier*

F. C. MAGEE, *Assistant Cashier*

EL PASO BRANCH

C.M. ROWLAND, *Vice President in Charge*

ALVIN E. RUSSELL, *Cashier*

T. C. ARNOLD, *Assistant Cashier*