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Federal Reserve Bank of Dallas

ANNUAL REPORT

1953



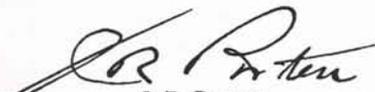
TO THE STOCKHOLDERS

This Annual Report of the Federal Reserve Bank of Dallas presents a brief summary of the level and trend of economic activity in the Eleventh Federal Reserve District and a review of the principal operations of the bank.

Although the year 1953 was not without its problems, the final record was one of further growth of the southwest economy. A larger amount of goods and services was produced, more people were at work, and incomes were higher. Problems of adjustment that began to develop during the last half of the year were faced in a constructive manner.

On behalf of the directors and officers of the Federal Reserve Bank of Dallas, we express sincere appreciation to the member banks of the District for their understanding cooperation throughout the year and to the employees of the bank for their loyal and competent services.

Respectfully submitted,



J. R. PARTEN
Chairman of the Board



WATROUS H. IRONS
President



THE ECONOMIC TREND

Throughout 1953, economic activity in the Eleventh Federal Reserve District was maintained at very high levels, but in the early months an undercurrent of further inflation seemed to exist, whereas in the later months a note of readjustment developed. Consequently, gains over 1952 were small to moderate.

Among the major types of economic activity in the District, only agriculture showed an appreciable decline from 1952. Industrial activity was maintained at a higher rate; the production of crude oil and natural gas rose to new records; a high rate of construction activity prevailed; more people were employed in the District's businesses and industries than in any past year and at higher average salaries; retail trade, department store sales, and checks drawn against bank deposits were in larger volume; and the totals reported for member bank loans, deposits, capital, and resources established new records.

Agriculture, adversely affected by another year of severe drought and the continuation of the decline in farm prices, was less profitable in 1953. Damage from the drought was extensive in the western and southern parts of the District, while the combined effect of the lack of good grazing and the sharp decline in livestock prices was especially severe upon cattlemen.

Despite these unfavorable developments, there was no substantial concentration of weakness that

seriously threatened the agricultural economy of the District. In fact, the adjustments and problems of agriculture were perhaps less significant in their effect upon the total economy of the District than might have been expected.

The value of construction contract awards in the District in 1953 lagged behind the total for the preceding year. Actual construction employment, however, averaged slightly more than in 1952, indicating that construction activity may have compared favorably with the very high 1952 volume.

The decline in contract awards in 1953 was due largely to reduced government outlays, although private expenditures for utilities also were lower. Awards for private residential construction and nonresidential buildings were at high levels.

Viewing economic events of 1953 retrospectively, several encouraging and favorable signs are notable. First, the year was a very profitable one for most economic groups. Second, much of the agricultural adjustment seems to have been effected, and signs of stability were more numerous. Third, evidence of resistance to decline was not lacking. Fourth, inventory positions showed improvement as the year moved to a close. Fifth, bank credit appears to have been adequate to meet the economy's requirements. Finally, the economy seems basically sound and capable of meeting the challenge of 1954.

Crude oil production set a new record in 1953 of 1,136,000,000 barrels — about 1 percent higher than in 1952. In the latter part of 1953, production was cut back because of heavy stocks.

Manufacturing employment averaged larger in 1953 than a year earlier but declined below the 1952 level in December. Increases were reported for primary metals, chemicals, and apparel, with decreases among defense industries.

Construction contract awards in the District in 1953 were down 11 percent from the 1952 record volume. Sharpest declines in nonresidential awards were in manufacturing building, public works, and utilities, while commercial and institutional building showed increases. Residential awards declined 12 percent — largely in public contracts.

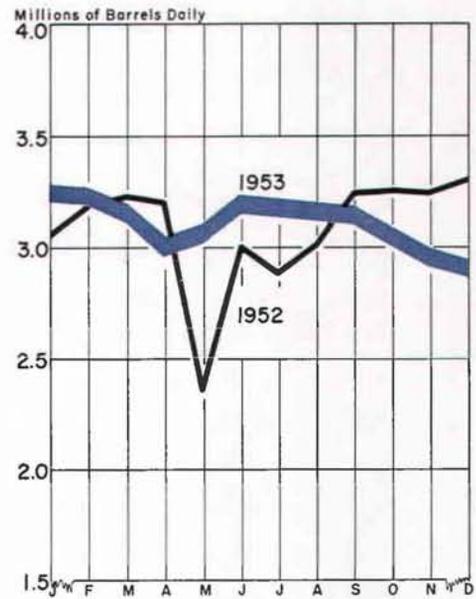
Drilling activity reached a new high in 1953, with 19,700 new well completions — about 3 percent above 1952. Drilling was strong in the last half of the year, influenced by the midyear increase in crude prices.

Overtime work in manufacturing plants declined from the high 1952 fourth-quarter level. Weekly hours in manufacturing averaged about 41.5 in 1953, continuing to reflect some overtime.

Average monthly employment in construction in 1953 was above the 1952 figure because of large employment in the first half of the year. During the last 6 months of the year, employment ran well below the very high 1952 totals.

CRUDE OIL PRODUCTION

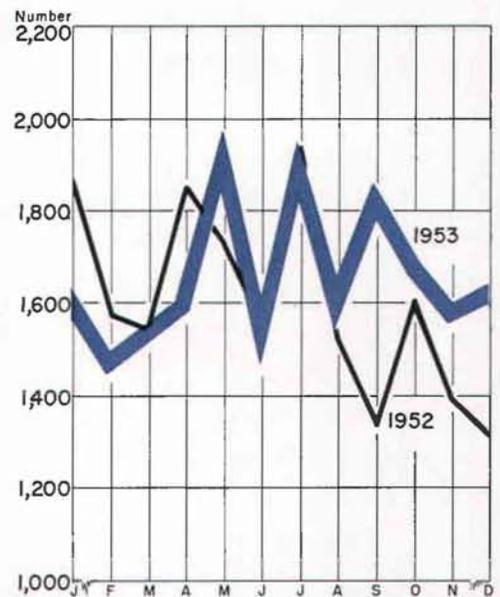
Eleventh Federal Reserve District



SOURCE: U. S. Bureau of Mines.

WELL COMPLETIONS

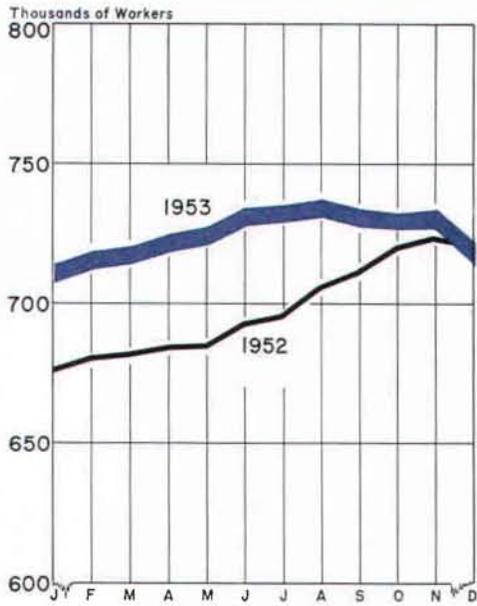
Eleventh Federal Reserve District



SOURCE: Oil and Gas Journal

MANUFACTURING EMPLOYMENT

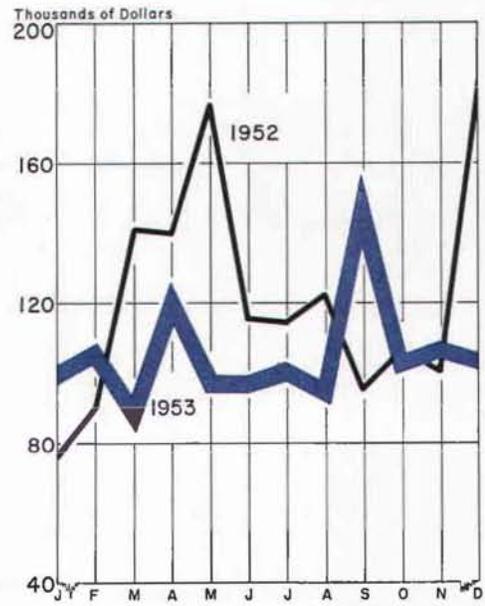
The Southwest



SOURCE: State employment agencies.

CONSTRUCTION CONTRACT AWARDS

Eleventh Federal Reserve District



SOURCE: F.W. Dodge Corporation.

AVERAGE WEEKLY HOURS IN MANUFACTURING

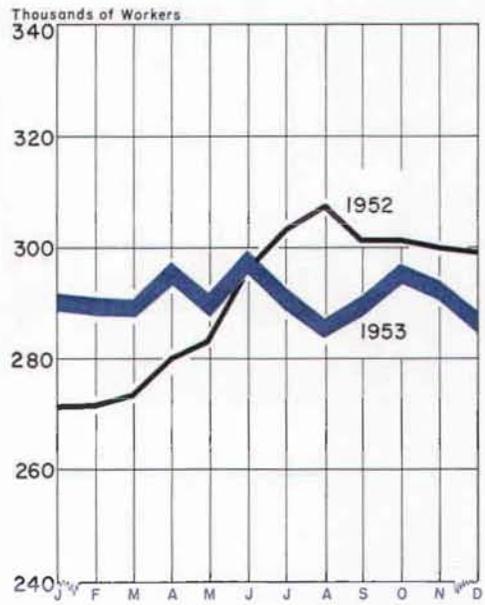
The Southwest



SOURCE: State employment agencies.

CONSTRUCTION EMPLOYMENT

The Southwest



SOURCE: U.S. Department of Labor.

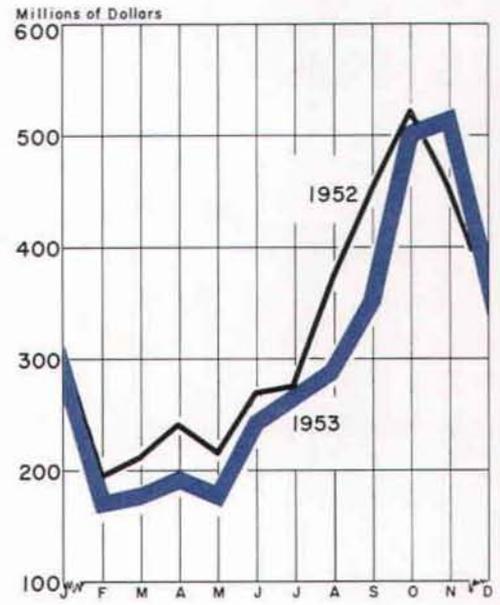
DEPARTMENT STORE SALES

Eleventh Federal Reserve District



CASH FARM RECEIPTS

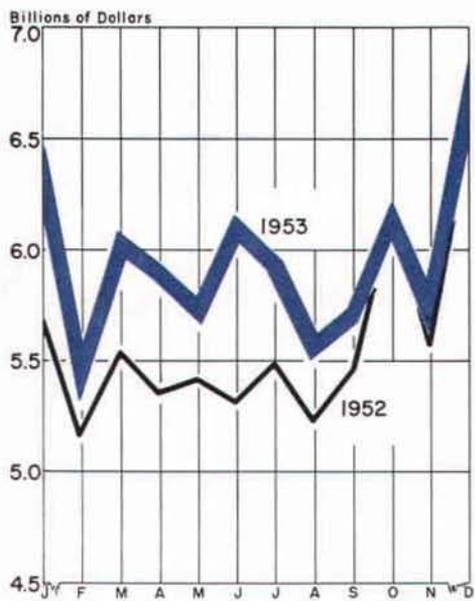
The Southwest



SOURCE: U.S. Department of Agriculture.

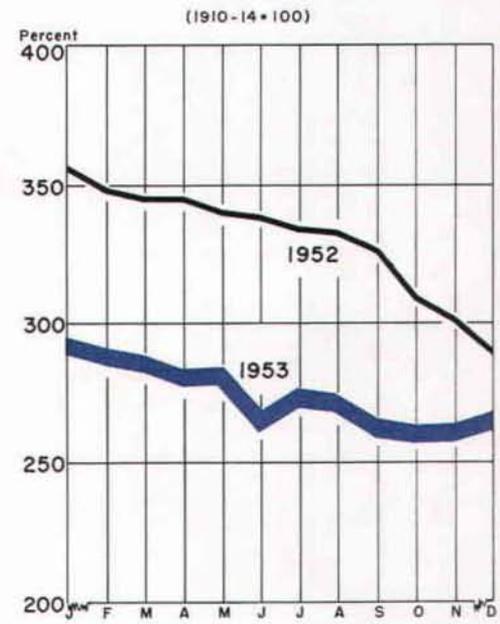
BANK DEBITS

Eleventh Federal Reserve District



FARM PRICES

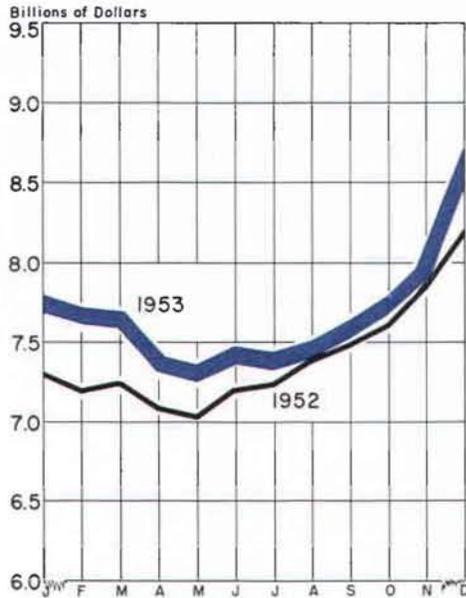
The Southwest



SOURCE: U.S. Department of Agriculture.

MEMBER BANK DEPOSITS

Eleventh Federal Reserve District



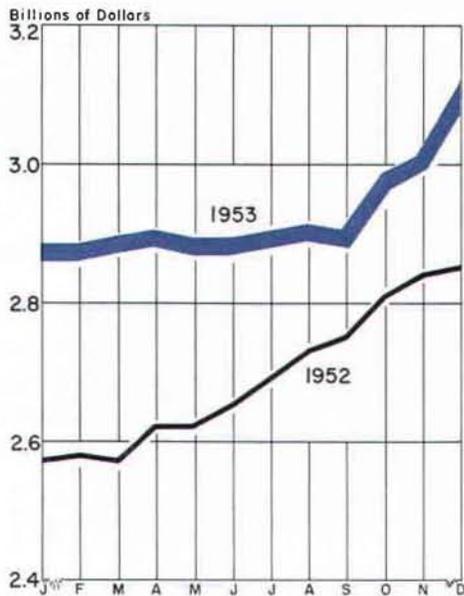
After showing marked strength during the first half of 1953, department store sales in the District declined and closed the year slightly under the 1952 level. Net gain in sales for 1953 as a whole was about 1 percent. Sales declined in the last half of 1953 because of smaller demand for durables.

Continued drought and declining prices held cash receipts from farm marketings almost 10 percent below the 1952 level. Declines were most notable in cattle and wheat and were partially offset by increases in rice and grain sorghums.

Member bank deposits rose sharply during the closing months of 1953 to a new record of \$8,557,000,000 — an increase of about 4.5 percent over December 31, 1952. Most of the gain centered in reserve city member banks.

MEMBER BANK LOANS

Eleventh Federal Reserve District



Bank debits in 24 reporting cities of the District during 1953 were up about 6 percent over the 1952 level. Gains over comparable months in 1952 were appreciable through the first three quarters of the year.

Prices of farm products generally continued the declining trend evident in 1952, ending the year about 8 percent below a year earlier. Most substantial declines occurred in prices of cattle, cotton, and cottonseed. Increases were recorded for hogs and rice.

Loans of the District's member banks rose 8.4 percent during 1953 to \$3,098,000,000.

The rate of increase at reserve city banks was 9.0 percent, and at country banks, 7.7 percent.

BANKING AND FINANCE

BANKING TRENDS

Banking trends and developments in the District during 1953 conformed closely to the economic movement. During the first several months of the year, when most economic indicators were rising, the demand for loans was strong, and banks reduced their holdings of Government securities.

With the shift in Federal Reserve credit policy, which began in May, from a policy of some degree of restraint to one of ease, pressure upon bank reserves was gradually eliminated, and banks were able to meet the loan demand as it developed during the remaining months of the year with comparative ease and also added to their holdings of Government securities.

Total resources, deposits, loans and investments, and capital accounts of the District's member banks rose to new record levels during the year. In keeping with the general economic trend, however, gains over 1952 were at a smaller rate than was the case a year earlier. As the year progressed, increases over the comparable figures of the preceding year tended to narrow.

On December 31, total deposits of all member banks in the District were \$8,557,220,000, representing an increase of \$365,689,000, or 4.5 percent, over the amount reported on December 31, 1952. Reserve city member banks, which experienced an increase in total deposits of 7.8 percent, accounted for \$315,019,000 of the District's gain.

Country member banks, on the other hand, experienced an increase in total deposits of \$50,670,000, or approximately 1.2 percent. Deposits of both reserve city and country banks

showed a gradually declining trend until August and then rose to the year-end records.

Total loans of the District's member banks on December 31 were \$3,098,000,000, or about 8.4 percent larger than on the same date in 1952. The rate of loan increase during the year did not differ greatly between reserve city and country banks, as the reserve city banks showed an increase over 1952 of 9.0 percent, while the country banks showed a gain of 7.7 percent.

Most of the growth in loans in the District during the year was accounted for by an expansion of \$189,700,000 in loans to farmers under Commodity Credit Corporation guarantees and an increase of \$45,800,000 in various consumer-type loans. Loans to businesses and industries rose about \$14,400,000, a much smaller gain than the \$87,800,000 in the preceding year.

The increase in capital accounts of the District's member banks was at approximately the same rate as the increase in bank loans and at a substantially larger rate than the increase in deposits. During 1953, member banks added \$42,377,000 to their capital accounts, to bring the total at the year-end to \$558,653,000, or 8.2 percent above the 1952 year-end total. The rate of increase at reserve city banks was 8.1 percent, while that for country banks was 8.3 percent. As a result of the growth of capital, ratios such as capital to deposits, capital to total assets, and capital to risk assets showed a slight improvement.

Member bank earnings rose to a new high in 1953, as net profits after taxes amounted to \$41,796,000. The increase over 1952, however, was concentrated at the reserve city banks, with

net profits after taxes of country member banks in the District declining to \$22,890,000, as compared with \$23,183,000 in 1952. The rate of increase in net profits of all member banks in the District was 2 percent in 1953, or half of the rate of increase reported a year earlier. Country member banks in the District showed a 1-percent decline in net profits during 1953, while reserve city banks reported an increase of 5.8 percent.

CREDIT POLICY

Marked economic strength and very large-volume credit demand by corporations, individuals, and governmental units were characteristics of the first 5 months of the year. Under these conditions, the Federal Reserve System followed a policy of restraint with respect to the availability of bank reserves in order to encourage less essential borrowers to defer their credit demands. Consequently, the money market and bank reserve positions were under more or less continuous pressure through May. In order to relieve the pressure on their reserve positions, banks tended to screen their loan demands more carefully, borrowed substantial amounts from Reserve banks, and reduced their holdings of Government securities. Interest rates rose appreciably, as the very strong demand for credit was brought into balance with the available supply of funds.

Reserves made available to banks as a result of the return flow of currency during the first 4 weeks of January were absorbed by a decline in Federal Reserve credit — largely resulting from sales of Government securities held under repurchase agreements — and a decline in the gold stock. Discounts and advances to member banks were large throughout the month, and the discount rates of the Reserve banks were raised from $1\frac{3}{4}$ percent to 2 percent between January 16 and 23.

Excess reserves of member banks through May were comparatively moderate in amount and were consistently exceeded by the amount of discounts and advances to member banks. Early in February, Government securities held under repurchase agreements rose somewhat, but the amount was not very substantial. A similar movement took place during the early part of April. Between the first of the year and May 8, holdings of Treasury bills, exclusive of those held under repurchase agreements, declined about \$227,000,000.

On May 11 the Federal Open Market Account began to make moderate purchases of Treasury bills and during the month added \$225,000,000 of bills through outright purchases. In the meantime, between May 8 and the end of the month, Government securities held under repurchase contracts increased about \$183,000,000. As funds from these sources were placed in the market, discounts and advances to member banks declined.

During June, steps taken by the Federal Reserve System to impart greater ease to the market became more pronounced. Outright purchases of Treasury bills during the month totaled about \$687,000,000. In addition, on June 25 the Board of Governors of the Federal Reserve System announced a reduction in member bank reserve requirements, effective July 1 for country banks and July 9 for central reserve and reserve city banks. This reduction in reserve requirements made available approximately \$1,156,000,000 of reserves for use in meeting credit demands. In addition, during the first 8 days of July, outright purchases of Treasury bills were about \$246,000,000.

As these developments occurred, excess reserves of member banks rose, while discounts and advances declined. As a consequence, the market

came into possession of a substantial amount of "free reserves," and the pressure on bank reserves was eased.

Between July 8 and mid-August, the market was permitted to digest the large amount of reserves that had been made available. A substantial part of these reserves was used by commercial banks, first, to purchase the 2½-percent Tax Anticipation certificates of indebtedness which were offered by the Treasury early in July. Later, as the funds made available through this operation were disbursed, they provided the banks with reserves to help meet seasonal loan requirements in the private sector of the economy.

During the last 4½ months of the year — the period of seasonal credit expansion and increased currency circulation — the System provided reserves through outright purchases of Treasury bills and through access to Reserve bank credit under repurchase agreement contracts. This latter resort to Reserve bank credit was especially significant during December, when the amount of repurchase contracts rose from \$20,000,000 on December 1 to \$779,300,000 on December 24. Net outright purchases of Treasury bills between August 19 and December 31 amounted to approximately \$854,000,000. Discounts and advances to member banks were comparatively small during most of the period.

In brief, in furtherance of its policy of moderate restraint during the first 4 months of the year, the rediscount rate was raised from 1¾ percent to 2 percent, holdings of Treasury bills under repurchase agreements declined to a nominal amount, and net outright sales of Treasury bills amounting to \$227,000,000 were effected.

During the remaining portion of the year, when credit policy had shifted toward ease, the System reduced reserve requirements, freeing \$1,156,000,000 of reserves; made outright purchases of more than \$2,000,000,000 of Treasury bills; and permitted a substantial resort to the use of repurchase agreements.

Reflecting conditions in the money market, interest rates and prices of Government securities moved over a comparatively wide range. As the market tightened during the first 5 months of the year, interest rates rose, reaching a high point for the year early in June. Then, as money market conditions became easier, prices of Government securities rose steadily and rather sharply, with a consequent decline in interest rates.

For example, the 2½-percent bank-eligible United States Government bond of 1967-72 moved from a price of 95 20/32 on December 31, 1952, to a low of 90 2/32 on June 2 and then rose to 96 15/32 on December 31, 1953. The 3¼'s of 1978-83, which were first bid on the market on April 15 at a premium of from 9/32 to 11/32, declined in price by June 2 to 98 22/32, followed by a rise to 105 25/32 on December 31. Similar movements were experienced in the intermediate area of the Government securities market.

In the short-term market, the cost of 91-day money to the Treasury rose as high as 2.416 percent for the issue of Treasury bills dated June 4 but was as low as 1.220 percent for the issue dated October 29. The rate paid by the Treasury for 1-year money ranged from 2¼ percent in February to 2⅝ percent in midsummer and then down to 1⅞ percent in December.

TREASURY FINANCE

Treasury refunding of matured or called marketable United States Government securities,

exclusive of Treasury bills, amounted to \$35,466,000,000 during 1953. Three issues of certificates of indebtedness totaling \$16,713,000,000, one issue of Treasury notes amounting to \$10,042,000,000, and one issue of 2-percent Treasury bonds totaling \$7,986,000,000 matured, while an issue of 2-percent Treasury bonds amounting to \$725,000,000 was called. In addition, on November 9 the Treasury purchased from the Federal Open Market Account and retired \$500,000,000 of Treasury notes which would have matured on December 1.

Holder of the maturing and called issues accepted \$34,024,000,000 of new securities offered in exchange and redeemed \$1,442,000,000 of securities for cash. New securities for which exchanges were accepted included \$20,484,000,000 of 1-year certificates of indebtedness, \$8,175,000,000 of 12½-month Treasury notes, \$2,997,000,000 of 3-year and 6-month Treasury notes, and \$2,368,000,000 of 5-year and 10-month Treasury bonds.

During 1953 the Treasury borrowed \$12,429,000,000 in the market through the sale of marketable securities. Each of the securities offered for cash was substantially oversubscribed and allotted to subscribers on a percentage basis. On May 1 the Treasury sold for cash \$1,188,000,000 of 3¼-percent Treasury bonds due in 1983 and callable in 1978. On July 15 the Treasury borrowed \$5,902,000,000 by the sale of an issue of Tax Anticipation certificates of indebtedness maturing March 22, 1954, but redeemable on March 15 in payment of Federal taxes. In June, about \$800,000,000 of very short-term Tax Anticipation bills was sold. Later in the year, on November 9, \$2,239,000,000 was borrowed through an issue of 2¾-percent Treasury bonds due September 15, 1961. In addition, \$2,300,000,000 of new money was obtained during the

year by increases in the weekly offerings of Treasury bills.

The savings bond program was promoted actively throughout 1953, and results achieved were regarded as satisfactory. Major emphasis was directed toward the sale of Series E and Series H bonds. Sales of these two popular issues designed for individual investors totaled \$4,368,000,000 and exceeded redemptions of Series A-E and Series H bonds by \$187,000,000. In contrast, during 1952, redemptions exceeded sales by \$567,000,000.

Total redemptions of all series of savings bonds amounted to \$6,149,000,000, as compared with total sales of \$4,800,000,000. The large volume of Series F and Series G bonds which matured in 1953 accounts almost entirely for the substantial net redemptions. In April, holders of F and G bonds maturing between May 1 and December 31 were offered the privilege of exchanging such securities for the 3¼-percent Treasury bond of 1978-83, and exchanges amounting to \$418,000,000 were made. The remainder of these two series of savings bonds maturing during the year — about \$700,000,000 — was redeemed by cash.

The debt limitation of \$275,000,000,000 applicable to outstanding Government securities posed problems during the last half of the year, although they proved not to be unmanageable. It was necessary for the Treasury to limit its borrowing to amounts that would enable it to remain within the debt limitation and, during the latter part of the year, to draw more heavily upon its cash balances. On December 31, 1953, the total Government debt subject to the debt limitation was \$274,671,000,000, as compared with \$266,821,000,000 on December 31, 1952. The balance in the Treasury's General Fund on December 31, 1953, was \$4,577,000,000, as compared with \$6,064,000,000 on the same date in 1952.

FRB

Federal Reserve Bank of Dallas

STATEMENT OF CONDITION

	Dec. 31, 1953	Dec. 31, 1952
ASSETS		
Gold certificates	\$ 817,441,938.35	\$ 715,296,184.15
Redemption fund for Federal Reserve notes	30,399,206.17	29,381,945.47
Total gold certificate reserves	<u>847,841,144.52</u>	<u>744,678,129.62</u>
Other cash	15,322,282.80	12,310,625.60
Discounts and advances	675,000.00	1,151,000.00
Industrial loans	0	0
U. S. Government securities		
Bills	103,133,000.00	34,008,000.00
Certificates	231,051,000.00	228,984,000.00
Notes	526,873,000.00	631,330,000.00
Bonds	144,637,000.00	207,269,000.00
Total U. S. Government securities	<u>1,005,694,000.00</u>	<u>1,101,591,000.00</u>
Total loans and securities	<u>1,006,369,000.00</u>	<u>1,102,742,000.00</u>
Due from foreign banks	1,020.94	862.13
Federal Reserve notes of other banks	12,736,500.00	11,219,800.00
Uncollected items	196,615,087.66	179,733,435.55
Bank premises	587,109.81	629,373.89
Other assets	6,568,360.49	7,873,713.88
TOTAL ASSETS	<u>2,086,040,506.22</u>	<u>2,059,187,940.67</u>
LIABILITIES		
Federal Reserve notes in actual circulation	743,748,820.00	759,281,810.00
Deposits		
Member bank — reserve account	1,050,684,255.95	1,051,211,720.79
U. S. Treasurer — general account	41,479,252.35	25,726,477.28
Foreign	18,414,000.00	19,893,000.00
Other deposits	3,503,813.09	1,374,041.56
Total deposits	<u>1,114,081,321.39</u>	<u>1,098,205,239.63</u>
Deferred availability items	179,523,245.91	156,977,035.37
Other liabilities	523,495.99	395,544.63
TOTAL LIABILITIES	<u>2,037,876,883.29</u>	<u>2,014,859,629.63</u>
CAPITAL ACCOUNTS		
Capital paid in	13,278,950.00	12,237,750.00
Surplus (Section 7)	28,145,912.94	25,380,755.49
Surplus (Section 13b)	1,307,124.72	1,307,124.72
Other capital accounts	5,431,635.27	5,402,680.83
TOTAL CAPITAL ACCOUNTS	<u>48,163,622.93</u>	<u>44,328,311.04</u>
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	<u>\$2,086,040,506.22</u>	<u>\$2,059,187,940.67</u>

EARNINGS AND EXPENSES

	1953	1952
EARNINGS		
Discounts and advances	\$ 563,971.38	\$ 373,097.56
Industrial loans	0	277.75
Interest on foreign loans	10,772.80	13,983.23
U. S. Government securities	22,426,999.69	20,379,969.21
All other	8,622.97	6,768.79
TOTAL CURRENT EARNINGS	23,010,366.84	20,774,096.54
EXPENSES		
Current operating expenses	5,531,810.50	5,142,569.25
Less reimbursement for certain fiscal agency and other expenses	1,136,577.00	908,237.00
Net operating expenses	4,395,233.50	4,234,332.25
Assessment for expenses of Board of Governors	185,800.00	157,400.00
Federal Reserve currency		
Original cost, including shipping charges	496,823.00	365,023.00
Cost of redemption, including shipping charges	60,359.00	52,957.00
TOTAL NET EXPENSES	5,138,215.50	4,809,712.25
NET CURRENT EARNINGS	17,872,151.34	15,964,384.29
ADDITIONS TO NET CURRENT EARNINGS		
Profit on U. S. Government securities	89,628.14	92,041.81
All other	3.95	67.50
TOTAL ADDITIONS	89,632.09	92,109.31
DEDUCTIONS FROM NET CURRENT EARNINGS		
Special contribution to retirement system	99,799.21	0
All other	1,313.10	4,190.35
TOTAL DEDUCTIONS	101,112.31	4,190.35
NET ADDITIONS OR DEDUCTIONS	-11,480.22	87,918.96
NET EARNINGS	17,860,671.12	16,052,303.25
DISTRIBUTION OF NET EARNINGS		
Transferred to reserve for contingencies	28,834.31	25,530.83
Paid U. S. Treasury (Interest on outstanding F. R. notes)	14,291,017.93	8,146,707.99
Net earnings after reserves and payments to U. S. Treasury	3,540,818.88	7,880,064.43
Dividends paid to member banks	775,661.43	709,449.40
Transferred to Surplus (Section 7)	\$ 2,765,157.45	\$ 7,170,615.03

OPERATIONS

	Number of pieces		Dollar amount	
	1953	1952	1953	1952
Discounts for member banks				
Secured by U. S. Government obligations	376	308	\$ 1,502,935,000	\$ 1,011,078,000
Other	100	44	543,000	103,000
Currency received and counted	145,709,000	148,492,000	900,144,000	900,540,000
Coin received and counted	226,233,000	243,646,000	20,079,000	20,292,000
Currency paid out	—	—	796,530,000	842,601,000
Coin paid out	—	—	26,058,000	26,233,000
Checks handled	125,515,000	119,914,000	47,674,732,000	46,713,218,000
Checks returned unpaid	2,151,000	1,878,000	199,261,000	180,823,000
Collections handled	867,000	823,000	479,133,000	535,375,000
U. S. Government interest coupons paid	315,000	288,000	39,657,000	31,245,000
Coupons of governmental agencies paid	4,000	6,000	281,000	238,000
Punch-card postal money orders	18,949,000	18,704,000	330,121,000	322,093,000
U. S. Government checks and warrants paid	20,936,000	23,330,000	5,429,921,000	4,924,034,000
Transfers of funds for member banks	112,000	108,000	43,544,992,000	38,698,152,000
U. S. Government securities issued, exchanged, and redeemed	5,615,000	5,071,000	8,203,944,000	8,273,340,000
Securities of governmental agencies issued, exchanged, and redeemed	1,000	1,810	5,535,000	9,053,000
Purchases and sales of securities for investors	5,000	5,000	1,783,678,000	2,436,875,000

THE BANK'S OPERATIONS

STATEMENT OF CONDITION

Resources of the bank increased \$26,853,000 during 1953 and on December 31 totaled \$2,086,041,000. Earning assets, consisting almost wholly of United States Government securities, amounted to \$1,006,369,000, or \$96,373,000 less than a year earlier. In contrast, however, total gold certificate reserves of the bank rose \$103,163,000 and at the year-end were \$847,841,000. Uncollected items and holdings of Treasury currency showed increases of \$16,882,000 and \$3,012,000, respectively.

As a result of the larger holdings of gold certificates, the bank's reserve ratio — i.e., gold certificates as a percentage of note and deposit liabilities — on December 31, 1953, was 45.6 percent, as compared with 40.1 percent on December 31, 1952, and the legal minimum requirement of 25 percent.

The decline in earning assets and the increase in gold certificate reserves were largely a consequence of two factors having no direct bearing upon economic or financial developments in the District. In September, a new formula was established to allocate participation in the System Open Market Account among the Reserve banks, and in November the System sold \$500,000,000 of United States Government securities to the Treasury, with payment being made by gold certificates.

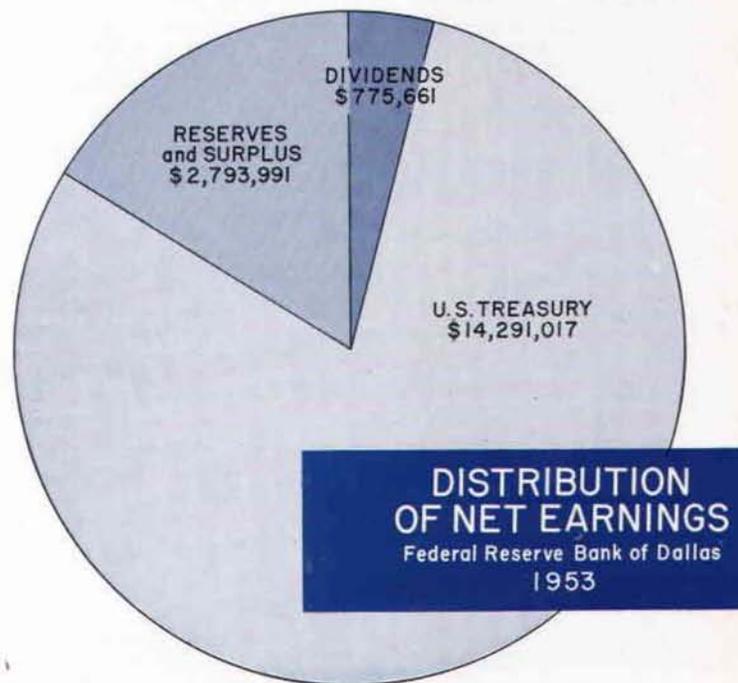
Despite a reduction in reserve requirements, effective in July, which released approximately \$53,000,000 of member bank reserves, deposits in member bank reserve accounts on December 31 were \$1,050,684,000, or only \$528,000 less than

a year earlier. Reflecting an increase in the United States Treasurer's general account, total deposits rose \$15,876,000 to \$1,114,081,000. Actual circulation of Federal Reserve notes of the bank amounted to \$743,749,000 on December 31, or \$15,533,000 less than on the same date in 1952.

Total capital accounts of the bank increased \$3,836,000 and aggregated \$48,164,000 on December 31. The net increase in paid-in capital stock amounted to \$1,041,000, as a result of purchases of the bank's stock, in accordance with the law, by member banks which had increased their capital and surplus or which were admitted to the System during 1953. Additions to capital from the bank's net earnings amounted to \$2,794,000.

EARNINGS AND EXPENSES

Total current earnings of the bank were \$23,010,000, or about 11 percent more than in 1952, while total net expenses of \$5,138,000 were 7 percent larger. Consequently, net earnings after expenses and certain net deductions totaled



\$17,861,000, or an increase of 11 percent over 1952. During 1953 the bank obtained a higher average yield on its holdings of United States Government securities and larger income from discounts and advances to member banks.

Approximately \$14,291,000 of net earnings was paid to the United States Treasury under provisions of Section 16 of the Federal Reserve Act. Dividends paid to member banks in accordance with the statute amounted to \$776,000. The remainder of the bank's earnings, approximately \$2,794,000, was transferred to Surplus and to reserve for contingencies.

CASH AND NONCASH COLLECTIONS

The volume of operations in the Transit Department continued to expand during 1953 as the number of city and country checks, returned items, postal money orders, and noncash items showed increases ranging from 1 percent to 15 percent. Largely as a result of an improvement in handling Government checks involving direct sending to the Head Office by a number of larger banks in the Houston and San Antonio territories, the number

of handlings declined about 10 percent, although the amount increased about 10 percent.

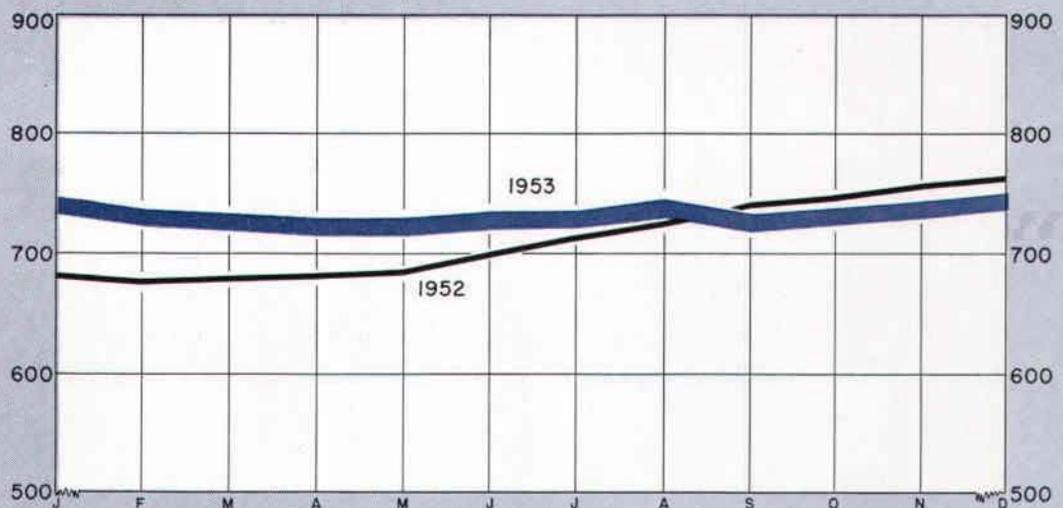
The over-all increase in number and amount of collections in 1953, however, was substantially less than in the preceding year, a development which probably reflects the smaller rate of growth in economic activity. The daily average number of items handled in 1953 was 563,268, or an increase of about 2 percent, while the amount involved increased about 3 percent. These figures compare with 15 percent and 10 percent, respectively, in 1952.

Approximately 125,515,000 city and country checks having a total value of \$47,674,732,000 were processed in 1953, representing increases of about 5 percent and 2 percent, respectively. Government checks processed totaled 20,936,000 and aggregated \$5,429,921,000. Postal money orders numbering 18,949,000 and valued at \$330,121,000 were handled during the year. Drafts, notes, and other noncash collections showed a 5-percent increase in number to 866,700 but a decline in total value of about 10 percent to \$479,133,000.

NOTE CIRCULATION

Federal Reserve
Bank of Dallas

In Millions of Dollars



CURRENCY AND COIN

Growth in demand for currency and coin in the District slackened perceptibly in 1953, as business and agricultural adjustments slowed the rate of increase in economic activity, especially during the last 6 months of the year.

Average daily circulation of Federal Reserve notes of the bank was \$733,364,000 in 1953 as compared with \$713,510,000 in 1952, representing an increase of less than 3 percent as compared with more than 10 percent in the preceding year. During the last 4 months of 1953, however, actual circulation of notes of the bank fell below comparable figures of 1952 and on December 31 totaled \$743,749,000, against \$759,282,000 on the same date in 1952.

Currency and coin shipments to member and nonmember banks declined in number from 84,275 in 1952 to 80,934 in 1953 and in amount from \$868,833,000 to \$822,588,000. On the other hand, shipments received from member and nonmember banks increased from 30,435 to 30,773 and from \$853,236,000 to \$877,135,000, although all of such currency was not actually counted by the close of business December 31. As a consequence, the bank handled 3,003 fewer shipments, with a decline in total value of \$22,346,000.

Fit notes of other Reserve banks returned to the issuing banks by this bank totaled \$158,698,000, representing an increase of 23 percent; fit notes of this bank returned to it by other Reserve banks amounted to \$109,604,000, or approximately the same as the amount returned in 1952. Currency considered unfit for further use and either shipped to the Treasury for destruction or delivered to the Currency Destruction Unit of this bank amounted to \$240,701,000, or almost 23 percent less than in 1952.

FISCAL AGENCY

The volume of principal fiscal agency operations showed appreciable increases during 1953. The total number of pieces handled in connection with the issuance, exchange, and redemption of United States Government securities rose more than 10 percent, with the increase accounted for by a larger volume of sales and redemptions of savings bonds. Activity as Fiscal Agent and Custodian for the 1953 cotton loan program caused a very substantial increase in the workload and required additional space and employees. In addition, the subscriptions to certificates of interest offered by the Commodity Credit Corporation were handled and processed by the bank. Finally, on July 1, responsibility for verification and destruction of unfit United States currency was lodged in the bank.

Approximately 5,615,000 Government securities valued at \$8,203,945,000 were issued, exchanged, or redeemed by the bank during the year, representing an increase of more than 10 percent in volume but no change in amount as compared with 1952. Sales and redemptions of savings bonds involved handling 5,385,000 pieces valued at \$383,841,000, or an increase of 15 percent in each instance. Allotments of Treasury bills in the District totaled \$2,078,505,000, as compared with \$2,332,993,000 in 1952, although weekly tenders averaged 234 in 1953 against 204 in the preceding year. Allotments through the bank of United States certificates of indebtedness and Treasury notes increased over \$150,000,000 to \$588,409,000, while Treasury bonds allotted totaled \$239,847,000, or \$57,954,000 more than in 1952.

Reactivation of the bank's fiscal agency function in connection with the 1953 cotton loan program sharply increased the volume of work in this function during the last half of 1953. Notes representing 932,739 bales of cotton valued at \$147,411,000 were processed by the bank during the year, as compared with 287,378 bales valued at \$37,500,000 in 1952.

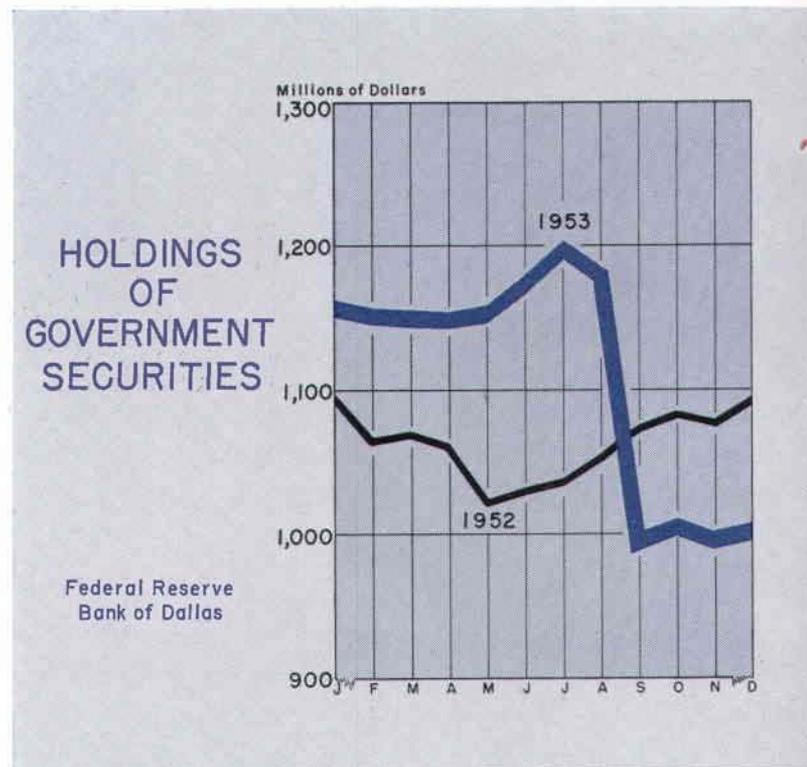
The bank also processed the issue of certificates of interest offered by the Commodity Credit Corporation during the last quarter of 1953. In connection with this function, 400 applications were received, with the amount of certificates allotted totaling \$44,465,000.

LOANS AND INVESTMENTS

Discounts and advances were made to 43 member banks during 1953 in the aggregate amount of \$1,503,478,000, representing increases over 1952 of 7 in the number of banks accommodated and of \$492,297,000 in the total amount loaned. The maximum amount of loans outstanding at any time was \$63,520,000 on November 27, while the average of daily borrowings during the year was \$28,076,000. Advances on member bank notes secured by Governments accounted for almost all of the borrowings, as rediscounts were negligible in amount.

As a result of the larger daily average borrowings in 1953 and the increase in the bank's discount rate from $1\frac{3}{4}$ percent to 2 percent on January 23, 1953, earnings on discounts and advances rose from \$373,000 in 1952 to \$564,000 in 1953.

No applications were received for industrial advances under Section 13b. Guarantees of defense production loans under Regulation V outstanding on December 31 included six commitments totaling \$11,127,000, with outstanding



advances against commitments amounting to \$1,598,000.

The bank's investments in United States Government securities ranged between a maximum of \$1,206,478,000 (August 31) and a minimum of \$990,003,000 (November 9). Actual fluctuation, however, was less marked than the decline of \$216,475,000 between August 31 and November 9 might indicate. Establishment of a new formula for allocation of the System Open Market Account among the Reserve banks resulted in a reduction of \$213,853,000 in the bank's holdings of Governments and an offsetting increase in gold certificate reserves. In addition, on November 9 the United States Treasury purchased \$500,000,000 of Treasury notes from the Open Market Account, making payment in gold certificates. This transaction reduced the bank's holdings of Government securities by \$19,862,000, while increasing its holdings of gold certificates.

Average daily holdings of Government securities by the bank were \$1,109,711,000 in 1953, as compared with \$1,063,875,000 in 1952. The increase in average holdings and a higher average yield on the account resulted in a growth in earnings on the bank's investment account from \$20,380,000 in 1952 to \$22,427,000 in 1953.

MEMBERSHIP

On December 31 there were 635 member banks in the Eleventh Federal Reserve District. Membership included 484 national banks and 151 state banks. During the year there was no change in the number of state member banks but a net increase of 2 in the number of national banks. Three banks were added to the par list during 1953, reducing the number of nonpar banks in the District to 98.

National banks receiving charters and opening for business in 1953 included the American National Bank of Houston, Houston, Texas; the National Bank of Bossier City, Bossier City, Louisiana; and the First National Bank of West Monroe, West Monroe, Louisiana. The South Texas National Bank of Houston and the Union National Bank of Houston, Houston, Texas, consolidated during the year to form the Texas National Bank of Houston, Houston, Texas.

In addition, charters were approved in 1953 for two national banks — the Industrial National Bank of Dallas, Dallas, Texas, and the McGregor Park National Bank of Houston, Houston, Texas — and one state member bank — the Peoples State Bank of Kountze, Kountze, Texas — although these banks had not opened for business as of December 31.

Distribution of membership in the District according to Head Office and branch territories

was as follows on December 31, 1953: Dallas Head Office territory, 391 member banks; Houston Branch territory, 109 member banks; San Antonio Branch territory, 91 member banks; and El Paso Branch territory, 44 member banks.

MEMBER BANK EXAMINATIONS

During 1953 the bank's examining staff, participating largely with other Federal and state supervisory agencies, conducted 198 examinations and investigations. These included regular examinations of all state member banks, examinations of trust departments of state member banks, and field investigations in connection with applications for new charters and for trust powers.

RESEARCH AND STATISTICS

A further increase was noted during 1953 in the demand for the publications of the Research Department of the bank — the *Monthly Business Review*, the *Agricultural News Letter*, and the *Agricultural News of the Week*. Bulk distribution of reprints of several articles published in the Review was made upon request of business, financial, and educational groups. A number of member banks also obtained bulk mailings of the agricultural publications for distribution to their farmer customers.

There is a growing tendency, which was again reflected in 1953, for many businessmen, bankers, and others to rely upon the Research Department of the bank for economic and statistical information. This trend is apparent from the increasing number of requests directed to the department for such information. Such requests are welcome, and every effort is made to handle them promptly, consistent with available facilities and staff. In addition, throughout the year the Research De-

partment continued to perform its primary function of providing economic data and analyses to the officers and directors of the bank and to the Board of Governors of the Federal Reserve System.

BANK AND PUBLIC RELATIONS

A full program of bank and public relations was carried out during 1953. This program was designed to maintain close and cordial working relationships between the bank and its member banks, to improve understanding of the bank's policies and objectives, and to stimulate discussion of economic and financial problems.

Officers and senior staff members of the bank and its branches visited each member bank and many nonmember banks during the year; the bank was represented at more than 250 meetings of bankers, businessmen, and others in the District; officers and staff members accepted 69 invitations to address banking, business, agricultural, educational, and civic groups; demand for the bank's currency exhibit and motion-picture films continued strong; and 2,150 people visited the bank, of whom about 1,000 — mostly students — were taken on conducted tours of the building. The foregoing activities represent some of the features of the bank's program in this increasingly important field of personal contact.

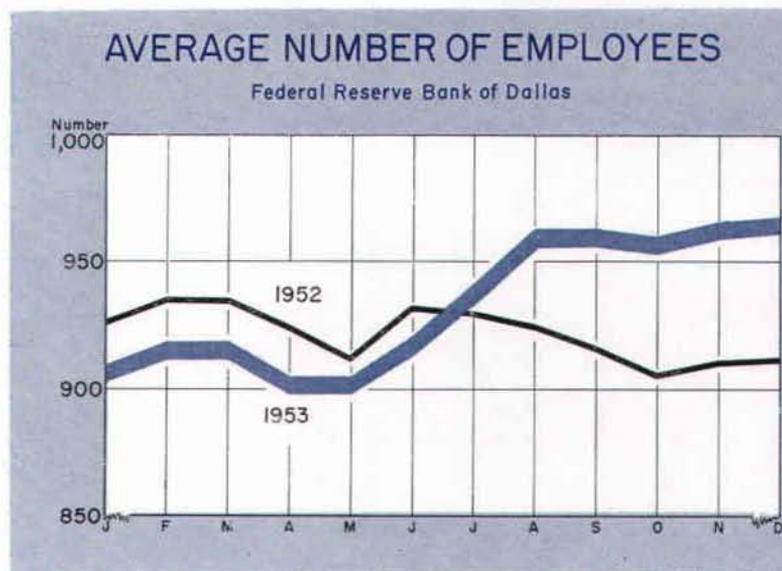
PERSONNEL

The average number of employees at the Head Office and branches during 1953 was 932, as compared with 921 in 1952. The increase in employment occurred during the last 6 months of the year and was largely concentrated at the Head Office. Average employment at the bank's branches at Houston and San Antonio was less

than in 1952, while the branch at El Paso showed only a slight increase. Total employment as of December 31, 1953, was 993, or 60 more than on December 31, 1952.

The larger number of employees required at the Head Office during the last half of 1953 was a direct outgrowth of the reactivation of the Commodity Credit Corporation function in the bank to handle the 1953 cotton loan program. This program for the 1952 cotton loan was handled by the Production Marketing Association and certain designated lending agencies. Between July 1 and December 31, 1953, the number of employees in the Commodity Credit Corporation Department at the Head Office increased from 12 to 68.

Excluding the additional number of employees required by the reactivation of this noncontrollable function, the bank carried out a larger volume of work with a smaller average number of employees than in 1952. The competent services of the bank's cooperative staff of employees must, of course, receive the largest share of credit for the bank's successful operation during 1953.



The average rate of turnover of employees of the bank improved appreciably, declining from 42.34 percent in 1952 to 28.93 percent in 1953. The improvement was not limited to any particular office but was characteristic of conditions at the Head Office and all branches.

APPOINTMENTS AND ELECTIONS

The Board of Directors of the bank announced the following appointments: John P. Butler, Midland, Texas, and F. W. Barton, Marfa, Texas, directors of the El Paso Branch of the Federal Reserve Bank of Dallas succeeding John W. Cordts, El Paso, Texas (deceased), and W. H. Holcombe, Pecos, Texas, respectively; I. F. Betts, Beaumont, Texas, director of the Houston Branch succeeding R. Lee Kempner, Galveston, Texas; E. C. Breedlove, Harlingen, Texas, director of the San Antonio Branch succeeding E. R. L. Wroe, Austin, Texas; and George G. Matkin, El Paso, Texas, Federal Advisory Council member for 1954, succeeding DeWitt T. Ray, Dallas, Texas.

The Board of Governors of the Federal Reserve System made the following appointments and designations: J. R. Parten, Houston, Texas, re-designated Chairman of the Board and Federal Reserve Agent for the year 1954; Robert J. Smith, Dallas, Texas, Class C director, redesignated Deputy Chairman of the Board for the year 1954; Hal Bogle, Dexter, New Mexico, reappointed Class C director; D. F. Stahmann, Las Cruces, New Mexico, reappointed director of the El Paso Branch; E. J. Workman, Socorro, New Mexico, appointed director of the El Paso Branch succeeding Hiram S. Corbett, Tucson, Arizona; and Herbert G. Sutton, Colmesneil, Texas, reappointed director of the Houston Branch.

At a regular election held in November 1953, W. L. Peterson, Denison, Texas, was re-elected a Class A director of the bank, and W. F. Beall, Jacksonville, Texas, was re-elected a Class B director.

During 1953 the directors, officers, and employees of the bank and a host of bankers and businessmen throughout the District were saddened by the untimely deaths of Director W. F. Beall and Vice President Mac C. Smyth. W. F. Beall died on December 25, 1953, shortly after re-election to a third term as Class B director of the bank. Mac C. Smyth, who had served valuably as an employee and officer in many capacities in the bank since February 1, 1917, died on October 26, 1953.

On August 31, 1953, the bank lost the services of its two most experienced officers. R. R. Gilbert — President of the bank from April 13, 1939, to August 31, 1953 — and R. B. Coleman — Vice President from March 1, 1936, to August 31, 1953 — retired under the provisions of the Federal Reserve System Retirement Plan. R. R. Gilbert had been connected with the bank since its opening on November 16, 1914, while R. B. Coleman had been in the bank's service since July 2, 1915.

AUDITS

A full program of audits of the Head Office and branches of the bank was carried out during 1953 by the Auditing Department of the bank under the supervision of the Audit Review Committee of the Board of Directors. In March 1953, the examining staff of the Board of Governors of the Federal Reserve System, in conformance with legal requirements, made the annual examination of the Head Office and branches of the bank.

FEDERAL RESERVE BANK OF DALLAS

DIRECTORS

FEDERAL RESERVE BANK OF DALLAS

- J. R. PARTEN (*Chairman and Federal Reserve Agent*), *President*, Woodley Petroleum Company, Houston, Texas
ROBERT J. SMITH (*Deputy Chairman*), *President*, Pioneer Air Lines, Inc., Dallas, Texas
HAL BOGLE, *Livestock feeding, farming, and ranching*, Dexter, New Mexico
P. P. BUTLER, *President*, First National Bank in Houston, Houston, Texas
D. A. HULCY, *Chairman of the Board and President*, Lone Star Gas Company, Dallas, Texas
J. EDD McLAUGHLIN, *President*, Security State Bank & Trust Company, Ralls, Texas
W. L. PETERSON, *President*, State National Bank of Denison, Denison, Texas
J. B. THOMAS, *President and General Manager and Director*, Texas Electric Service Company, Fort Worth, Texas
(_____), VACANCY

HOUSTON BRANCH

- ROSS STEWART (*Chairman*), *Chairman of the Board of Directors*, Stewart & Stevenson Services, Inc., Houston, Texas
*I. F. BETTS, *President*, The American National Bank, Beaumont, Texas
S. MARCUS GREER, *Chairman of Executive Committee*, The City National Bank of Houston, Houston, Texas
P. R. HAMILL, *President*, Bay City Bank & Trust Company, Bay City, Texas
CHARLES N. SHEPARDSON, *Dean of Agriculture*, A. & M. College of Texas, College Station, Texas
HERBERT G. SUTTON, T. O. Sutton and Sons, Colmesneil, Texas
O. R. WEYRICH, *President*, Houston Bank & Trust Company, Houston, Texas

SAN ANTONIO BRANCH

- HENRY P. DROUGHT (*Chairman*), *Attorney at Law*, San Antonio, Texas
E. A. BAETZ, *President*, Bexar County National Bank of San Antonio, San Antonio, Texas
*E. C. BREEDLOVE, *President*, The First National Bank, Harlingen, Texas
V. S. MARETT, *President*, Gonzales State Bank, Gonzales, Texas
D. HAYDEN PERRY, *Livestock farming*, Robstown, Texas
(_____), VACANCY
(_____), VACANCY

EL PASO BRANCH

- JAMES A. DICK, JR. (*Chairman*), *President*, James A. Dick Investment Company, El Paso, Texas
*F. W. BARTON, *President*, The Marfa National Bank, Marfa, Texas
JOHN P. BUTLER, *President*, The First National Bank of Midland, Texas, Midland, Texas
THOMAS C. PATTERSON, *Vice President*, El Paso National Bank, El Paso, Texas
J. M. SAKRISON, *President*, Southern Arizona Bank and Trust Company, Tucson, Arizona
D. F. STAHMANN, *Farmer*, Las Cruces, New Mexico
E. J. WORKMAN, *President*, New Mexico Institute of Mining and Technology, Socorro, New Mexico

FEDERAL ADVISORY COUNCIL MEMBER

- *GEORGE G. MATKIN, *President*, The State National Bank of El Paso, El Paso, Texas

**Appointment effective in 1954*

OFFICERS

FEDERAL RESERVE BANK OF DALLAS

*WATROUS H. IRONS, *President*

W. D. GENTRY, *First Vice President*

E. B. AUSTIN, *Vice President*

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

L. G. PONDROM, *Vice President*

HOWARD CARRITHERS, *Assistant Cashier*

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

W. D. WALLER, *Assistant Cashier*

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

TOM W. PLANT, *Assistant Cashier*

W. H. HOLLOWAY, *Vice President*

HERMAN W. KILMAN, *Assistant Cashier*

W. E. EAGLE, *Vice President*

E. H. BERG, *Assistant Cashier*

C. M. ROWLAND, *Vice President*

N. B. HARWELL, *Chief Examiner*

G. R. MURFF, *General Auditor*

GEORGE F. RUDY, *Assistant Counsel*

**Appointment effective February 15, 1954*

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*

