



FEDERAL RESERVE BANK  
OF DALLAS  
1955

This Annual Report of the Federal Reserve Bank of Dallas presents financial and statistical information reflecting the bank's operation during 1955, a brief review of economic activity in the District and the Nation, and some scenes of the bank at work.

The remarkable growth of the Southwest during the past few decades has had its effect in increasing substantially the volume of the bank's activity. In addition, there has been a steady increase in the functions performed by the bank for the Government and Government agencies. To relieve the pressure on available space in our buildings and to prepare to meet the requirements of further growth, the bank has embarked upon a program of building expansion.

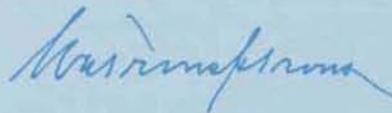
The first stage of this expansion program will be completed in mid-1956, when we expect to open the new building of the San Antonio Branch of the Federal Reserve Bank of Dallas. A photograph of a painting of the building, together with some features of the growth of the branch, is included in this Annual Report.

The directors and officers of the bank submit this report to member bankers and others who are interested in the District's growth and the part played by the bank in the District's economy.

Respectfully submitted,



ROBERT J. SMITH  
Chairman of the Board



WATROUS H. IRONS  
President

TO—  
11th DISTRICT  
MEMBER BANKS

FEDERAL RESERVE BANK OF DALLAS

ROBERT J. SMITH (*Chairman and Federal Reserve Agent*), Chairman of the Board and President,  
Pioneer Aeronautical Services, Inc., Dallas, Texas  
HAL BOGLE (*Deputy Chairman*), Rancher and Feeder, Dexter, New Mexico  
JOHN R. ALFORD, Industrialist and Farmer, Henderson, Texas  
HENRY P. DROUGHT, Attorney at Law, San Antonio, 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, The State National Bank of Denison, Denison, Texas  
J. B. THOMAS, President and General Manager and Director, Texas Electric Service Company, Fort Worth, Texas  
SAM D. YOUNG, President, El Paso National Bank, El Paso, Texas

HOUSTON BRANCH

HERBERT G. SUTTON (*Chairman*), T. O. Sutton and Sons, Colmesneil, Texas  
I. F. BETTS, President, The American National Bank of Beaumont, Beaumont, Texas  
L. R. BRYAN, JR., Vice Chairman of the Board and Chairman of the Executive Committee,  
Bank of the Southwest National Association, Houston, Houston, Texas  
W. B. CALLAN, President, The Victoria National Bank, Victoria, Texas  
JOHN C. FLANAGAN, Vice President and General Manager, Texas Distribution Division,  
United Gas Corporation, Houston, Texas  
S. MARCUS GREER, Vice Chairman of the Board, The City National Bank of Houston, Houston, Texas  
TYRUS R. TIMM, Head, Department of Agricultural Economics and Sociology,  
A. & M. College of Texas, College Station, Texas

DIRECTORS

SAN ANTONIO BRANCH

CLARENCE E. AYRES (*Chairman*), Professor of Economics, The University of Texas, Austin, Texas  
J. W. BERETTA, President, First National Bank of San Antonio, San Antonio, Texas  
E. C. BREEDLOVE, President, The First National Bank of Harlingen, Harlingen, Texas  
BURTON DUNN, President, The Corpus Christi National Bank, Corpus Christi, Texas  
V. S. MARETT, President, The Citizens National Bank of Gonzales, Gonzales, Texas  
ALEX R. THOMAS, Vice President, Geo. C. Vaughan & Sons, San Antonio, Texas  
HAROLD VAGTBORG, President, Southwest Research Institute, San Antonio, Texas

EL PASO BRANCH

D. F. STAHMANN (*Chairman*), President, Stahmann Farms, Inc., Las Cruces, New Mexico  
F. W. BARTON, President, The Marfa National Bank, Marfa, Texas  
JOHN P. BUTLER, President, The First National Bank of Midland, Midland, Texas  
JAMES A. DICK, President, James A. Dick Investment Company, El Paso, Texas  
THOMAS C. PATTERSON, Vice President, El Paso National Bank, El Paso, Texas  
J. M. SAKRISON, President, Southern Arizona Bank & Trust Company, Tucson, Arizona  
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

**R**ecord-breaking economic activity in the Southwest during 1955 demonstrated the capacity, breadth, and strength of the regional economy; the flexibility of its labor force; and the inherent growth potential of the area. The background of the expansion in 1955 was the mild recession of 1954 and the beginning of recovery in the middle of that year. Although the southwestern economy decreased less than that of the Nation in 1954, the recovery was well defined.

Recovery was still a tentative development at the beginning of 1955, with many observers not convinced of its durability or strength. In the Nation as a whole, the recovery was concentrated in the rapid production gains of the durable goods industries. The southwestern economy, although lacking a large durable goods industry and despite persistent declines in agriculture, participated fully in the recovery movement as a result of primary stimulation from a rapidly rising level of consumption expenditures.

In the early months of 1955, recovery accelerated, with a broadening picture of increased production and demand and a strong outlook for credit. As the year progressed, there was a very moderate summer low, followed by a period of intense activity. In the last half of 1955, production was reaching toward capacity levels, and a strong demand added pressure for greater productive efforts. Nevertheless, the closing months of 1955 showed a lessening in the rate of expansion, as industries approached capacity output and seasonal declines occurred in agriculture and construction.

#### THE SOUTHWESTERN WORKER

Southwestern workers in nonagricultural jobs found 1955 to be a year of real prosperity. More jobs were available at higher rates of pay and for steadier periods of time than in any previous year. Nonagricultural employment averaged 3,933,500 workers in 1955, compared with 3,816,500 workers in 1954.

All major categories of employment showed increases during the year, with the largest gains recorded in manufacturing,

mining, trade, services, and government. Transportation and utility employment was almost stable, while construction employment fluctuated widely.

Unemployment declined during 1955. In fact, most major labor markets were considerably tighter in the closing months of the year, with shortages of skilled and semiskilled workers most noticeable in the larger centers.

Southwestern workers were employed for longer periods of time. Average weekly hours in manufacturing moved steadily upward to more than 42 hours per week, compared with an average of slightly above 41 hours in 1954.

Wages of southwestern workers in 1955 also increased. Average weekly earnings of manufacturing workers rose to a record level of nearly \$77 in the latter part of the year, or about 7 percent above 1954. The highest average weekly earnings were paid to workers in the petroleum industry, averaging in excess of \$100 per week during November 1955. Nonmanufacturing wage increases averaged somewhat less than those in manufacturing, perhaps being about 5 percent. Many workers in the Southwest also received additional fringe benefits.

To this rising level of income southwestern workers added a full measure of borrowing, both for consumer instalment purchases and for home mortgages. At Eleventh District department stores, instalment credit was nearly 15 percent higher than in 1954; charge account credits expanded 4 percent; and consumer credit outstanding at the end of 1955 was about 8 percent above the year-earlier level. Consumer credit loans of banks rose 5 percent during the year, while bank loans to sales finance companies increased 4 percent.

Rising incomes and the propensity to incur additional debt enabled southwestern purchasers to expand their volume of buying by more than 8 percent. Scattered information on retail sales outlets in the Eleventh District indicates that total sales increased slightly faster than in the Nation.

Department store sales in the District established a new record in 1955 nearly 8 percent above the 1954 level. The strongest area of demand was concentrated upon consumer durables, which showed a year-to-year gain of about 15 percent compared with 5 percent for nondurables. During the year, the strength of consumer demand shifted between durable goods and nondurable goods. The demand for durables was particularly active early and late in the year, while sales of nondurables were fairly steady until early fall, when the seasonal upturn increased sales.

### INDUSTRIAL ACTIVITY

In 1955, industrial activity showed strength in every segment. Industrial production continued to expand, with a more intensive use of existing plants, supplemented by expansion and modernization programs in those plants and the addition of new plants.

Oil and chemicals — the largest industries in the area — had a record year. The production, refining, and marketing of oil and oil products each attained new highs. Production of crude oil in the District, averaging nearly 3,232,000 barrels per day, was more than 7 percent above the previous year, or about the same as in the Nation. In Texas the number of producing days remained constant between 1954 and 1955, halting the downward slide which had been under way since 1952. Refinery crude runs in the District averaged 2,205,000 barrels per day, or 8 percent above the preceding year; a similar change was evident in the Nation.

The record levels of production and refining, stimulated by an industry-wide demand nearly 8 percent above 1954, continued to encourage new drilling. The number of wells completed in the District reached 23,715 in 1955, or about 8 percent above 1954, compared with the national increase of only 5 percent. Drilling in the Southwest was concentrated upon development rather than wildcat operations, with the result that no major new fields were discovered during the year but a number of existing fields were extended, both laterally and vertically.

During 1955, oil operations in the offshore areas of Texas and Louisiana reflected a further shifting from experimentation to production and development. Some 386 new wells were completed in the Gulf of Mexico, compared with 238 during 1954. Moreover, 71 drilling rigs were in operation at the close of 1955, or nearly double the number a year earlier. With more than 20 companies participating in the gulf coast offshore development, further expansion in drilling and production is expected in 1956.

Expansion in other basic industrial activities in the District also was important during 1955. Manufacturing employment averaged more than 3 percent above that of 1954; in November, manufacturing employment — at 756,000 — was at a record level more than 5 percent above a year earlier. As measured by changes in manufacturing employment, the largest growth occurred in lumber and wood products, printing and publishing, primary metals, machinery, and chemicals and allied products industries. In the last three categories, the growth was at least partly a result of the opening of new plants and the expansion of existing ones.

	1955	1954
<b>CONSTRUCTION CONTRACT AWARDS</b>		
Total	\$1,715,578,000	\$1,471,846,000
Residential	\$ 714,633,000	\$ 704,506,000

The building materials industries, reflecting strong construction activity during 1955, maintained near-capacity performance. Shortages in most such materials — particularly cement, copper, sheetrock, and steel — exerted pressure upon these manufacturing facilities. Industry sources in brick, stone, and clay plants related a picture of intense activity most of the year. While demand remained high throughout the year, seasonal declines in the final quarter eased some of the pressure.

Construction in the Southwest and in the Nation was a primary stimulant throughout 1955, although the major segments of the industry showed markedly different patterns of develop-

ment. Residential construction was strongest in the early part of the year, while all other construction showed the greatest strength in the closing months. The strength in all other construction activity was particularly noticeable in commercial, public works, and manufacturing building construction. The value of total construction contracts awarded in the Eleventh District was nearly 17 percent above that of 1954, with residential awards up 1 percent and all other awards up 30 percent.

Mining activities in the District showed similar patterns of growth, with the output of potash and sulfur recording substantial increases over production in 1954. Again, an expansion in capacity was partly the cause of this enlarged output.

### AGRICULTURE

Agricultural production in the District in physical terms was nearly equal to that of 1954, but its total value was about 5 percent less. Acreage allotments and marketing quotas — as well as the damage occasioned by continuing drought and freezes in some areas, insect infestations, and declining agricultural prices — continued to pose problems for the District's farmers in 1955.

It cannot be said that the drought in the Southwest was broken in 1955, but moisture conditions were more favorable than in 1954 and, in parts of the District, were particularly favorable in the critical growing periods. This fact — plus a greater use of improved methods of farming, such as more intensive applications of fertilizers and utilization of better land — was sufficient to occasion sharp increases in the per acre yields of rice, potatoes, corn, cotton, grain sorghums, and hay.

CROP PRODUCTION	1955		1954	
Cotton (bales)	6,025,000		6,032,000	
Rice (100-pound bags)	28,030,000		32,996,000	
Wheat (bushels)	40,236,000		102,783,000	

CASH RECEIPTS	1955*		1954	
Crops	\$1,898,000,000		\$2,019,415,000	
Livestock	\$1,335,000,000		\$1,376,357,000	
	*Estimated			

The 1955 District cotton crop was approximately as large as the 1954 crop, despite a 14-percent reduction in acreage allotments. Although the rice crop declined 15 percent below 1954 output, there was a 21-percent reduction in acreage. The production of grain sorghums, corn, and peanuts in 1955 was sharply above the levels of the previous year.

Livestock activities in the District were conditioned by the continued drought, but the slight improvement in range and feed conditions after midyear encouraged a high-level output of meat animals and animal products. Live-weight cattle and calf slaughter increased about 1 percent during 1955, and sheep and lamb slaughter was up 10 percent. Hog slaughter and poultry production increased 20 percent and 12 percent, respectively, during the year.

The complex of supply and demand factors in agriculture continued to work toward lower prices for most agricultural products of the District. Agricultural prices in Texas averaged approximately 2 percent below the level in 1954, with livestock prices showing the greatest decline. Moreover, increased production costs resulting from higher outlays for replanting, larger labor and equipment costs, greater expenses for fertilizer, and increases in other costs of production made farming more expensive in 1955 and caused a further decrease in net farm income.

### BANKING AND FINANCE

The growth in economic activity during 1955 was accompanied by a very strong demand for credit. The expansion in construction and the sharp upward movement in consumer expenditures, particularly for durable goods, were important areas in which the growth of credit was a significant factor.

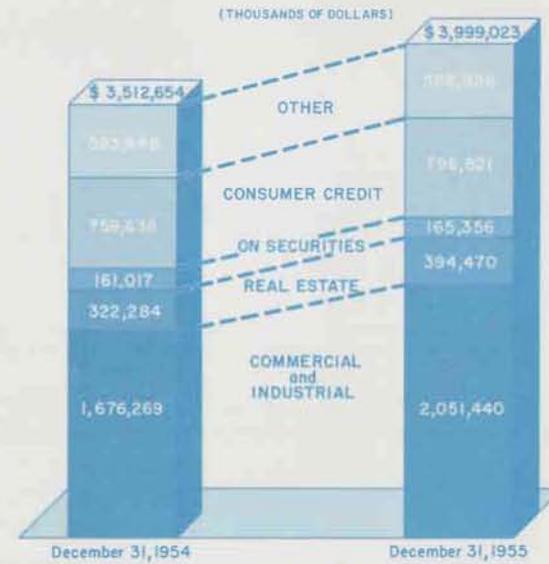
## LOANS AND INVESTMENTS

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



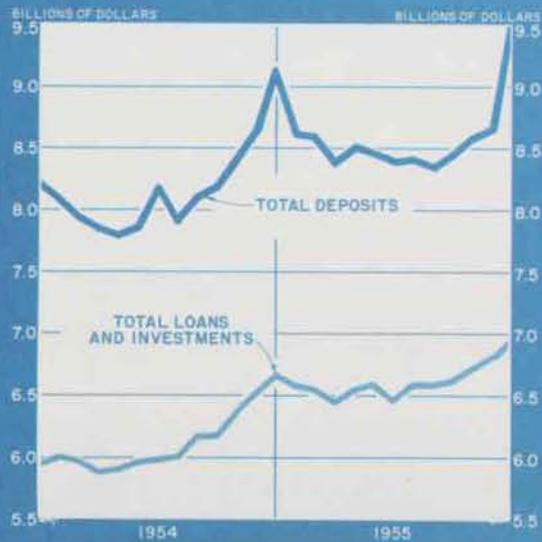
## DISTRIBUTION OF LOANS

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



## DEPOSITS AND LOANS AND INVESTMENTS

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT

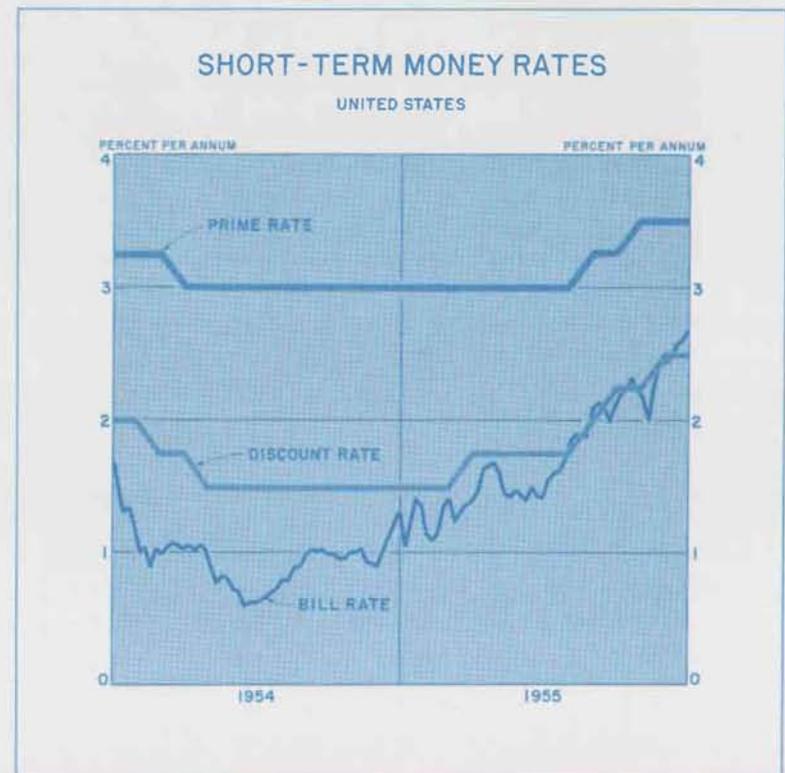
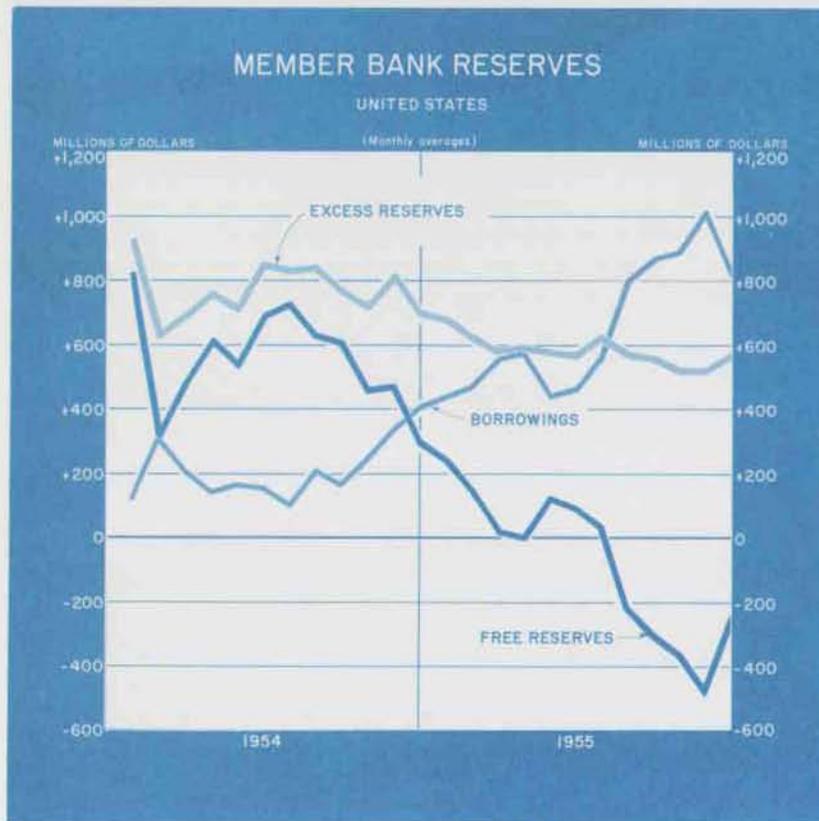
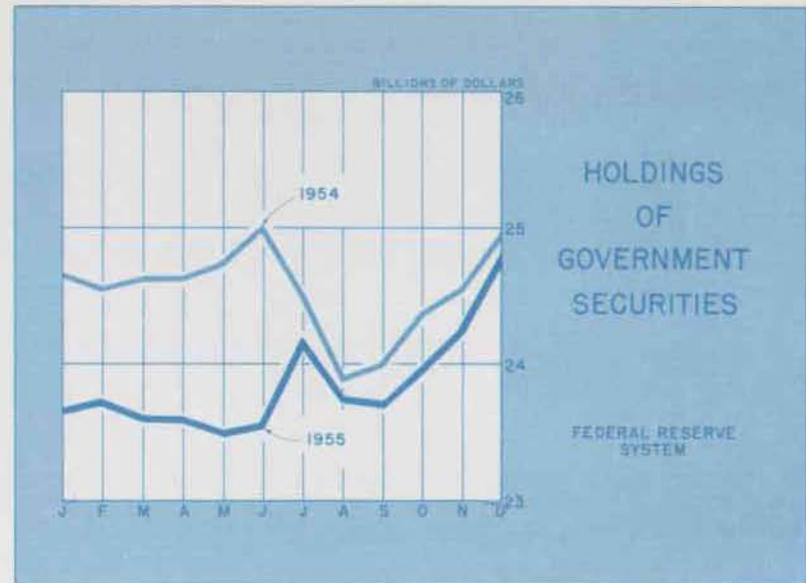


## FREE RESERVES

MEMBER BANKS - ELEVENTH FEDERAL RESERVE DISTRICT



# FINANCIAL TRENDS



Businesses also exerted strong pressure upon credit facilities throughout the country to obtain loans for producing and distributing the large volume of goods and services moving into consumption.

Federal Reserve credit policy was adapted to the changing — in this case, expanding — level and strength of economic activity. Early in 1955 the Federal Reserve began to move toward a credit policy of mild restraint, which gradually evolved into a more restrictive policy as the months passed.

During January and February, total Federal Reserve credit declined about \$1,500,000,000, or an amount approximately equal to the reserves made available to the banking system as a result of the return flow of currency from circulation and the decline in required reserves of member banks. The principal factor in that contraction of Federal Reserve credit was a reduction in holdings of Government securities amounting to about \$1,300,000,000. Also, early in January, margin requirements were raised from 50 percent to 60 percent, and in April, to 70 percent. Discount rates at the Reserve banks were raised from  $1\frac{1}{2}$  percent to  $1\frac{3}{4}$  percent in April.

As the year progressed, and as economic activity continued to strengthen, more industries approached capacity output, wage rates and hours of work rose, labor markets tightened, shortages of basic raw materials — particularly metals — intensified, and price pressures became more noticeable. At the same time, the demand for credit by consumers and businesses increased. Under these circumstances, Federal Reserve credit policy became gradually more restrictive and money rates rose.

During the last 5 months of the year, discount rates of the Reserve banks were raised in three steps — from  $1\frac{3}{4}$  to  $2\frac{1}{2}$  percent. The strong and persistent loan demand, within the framework of a restrictive central banking policy, exerted pressure upon bank reserve positions and caused an increase in member bank borrowing from Reserve banks. Whereas member bank borrowing from Reserve banks during the first half of the

year only occasionally exceeded excess reserves, net borrowed reserves were reported during most of the last half of 1955.

Short-term interest rates and yields on Government securities rose during the year, with most of the increase occurring during the last 6 months. The rate on Federal funds, except for occasional variations, moved closely in line with the Reserve banks' discount rate, opening the year at  $1\frac{7}{16}$  percent when the discount rate was  $1\frac{1}{2}$  percent and closing at  $2\frac{1}{2}$  percent, or equivalent to the discount rate. The market rate on the longest Treasury bills fluctuated more or less around  $1\frac{1}{4}$  percent during the first quarter of 1955 but then followed a generally rising trend and closed the year at 2.50 percent. The prime rate of commercial banks in the larger money market centers was increased from 3 percent to  $3\frac{1}{4}$  percent in August and to  $3\frac{1}{2}$  percent in October. Intermediate- and long-term Government securities showed moderate price declines as the money markets tightened.

Treasury debt management during 1955 involved refunding or retiring by cash \$39,559,000,000 of maturing bonds, notes, and certificates, of which \$37,054,000,000 was exchanged for new issues and \$2,503,000,000 was retired by cash. Three offerings of Tax Anticipation certificates for cash yielded \$8,381,000,000, while \$821,000,000 was obtained by reoffering for cash the 3-percent 40-year bond due February 15, 1995, which was originally issued as an exchange offering in February. In addition, the Treasury issued notes for cash in the amount of \$2,532,000,000 and used the proceeds to retire savings notes. The Treasury also received \$1,300,000,000 of new money by increasing the weekly offerings of Treasury bills from \$1,500,000,000 to \$1,600,000,000.

The most significant change in the composition of the Federal debt involved a substantial decline in the amount of certificates of indebtedness outstanding and a more than offsetting increase in the volume of notes. At the end of 1955, the total Federal debt subject to the debt limitation was \$280,347,583,000, compared with \$278,255,899,000 at the end of 1954.

**DEMAND DEPOSITS**

	<u>1955</u>	<u>1954</u>
Reserve city banks	\$4,166,910,000	\$4,035,391,000
Country banks	\$4,018,877,000	\$3,966,376,000

Total deposits of member banks in the District were \$9,488,828,000 on December 31, 1955, reflecting a year-to-year increase of almost 4 percent — compared with a 7-percent gain in 1954. Daily average deposits during each month of 1955 were moderately above year-earlier levels. Time deposits continued to show a substantial rate of growth, rising over 14 percent. Demand deposits showed a much more moderate increase of about 2 percent.

Earning assets of the District's member banks approximately kept pace with the increase in deposits, as a very substantial expansion in loans was partially offset by a decrease in investments. Loans rose from \$3,512,654,000 at the end of 1954 to \$3,999,023,000, reflecting a gain of about 14 percent during 1955. All categories of loan demand were strong. Commercial and industrial loans increased about 22 percent; real-estate loans also were up 22 percent; loans to farmers (excluding Commodity Credit Corporation loans) rose over 9 percent; and consumer credit outstanding at the year end was about 5 percent higher, although automobile instalment loans advanced 28 percent during the year.

**LOANS**

	<u>1955</u>	<u>1954</u>
Commercial and Industrial	\$2,051,440,000	\$1,676,269,000
Real-estate	\$ 394,470,000	\$ 322,284,000
Consumer	\$ 798,821,000	\$ 759,636,000

The combination of an unusually strong loan demand, a moderate growth in deposits, and a more or less restrictive credit policy during most of the year caused many banks — especially those in reserve cities — to reduce their investments. As a consequence, total investments of the District's member banks declined almost 7 percent to \$2,943,000,000 at the end of 1955. The decline in investments was reflected entirely in a reduction in holdings of Government securities, principally Treasury bills and certificates of indebtedness, and occurred largely at the weekly reporting banks in major cities. Whereas reserve city banks reduced their investment holdings about 14 percent, banks in small towns and cities reported a decline of less than 1 percent in investment portfolios.

For several years, member banks in the Eleventh District have made substantial additions to their capital accounts through the sale of stock and the retention of profits. In 1955 that trend continued, as capital accounts of member banks rose \$74,736,000, or about 12 percent, to more than \$681,000,000. A number of large new capital stock issues, together with many smaller issues scattered widely over the District, contributed to this development. In addition, favorable earnings enabled member banks to transfer \$28,558,000 to capital accounts.

Member banks' net earnings from current operations were at a record level of \$114,801,000 in 1955, despite an increase of \$15,528,000 in current operating expenses. Profits before income taxes, however, declined from \$98,302,000 to \$94,655,000 as a result of a moderate increase in losses and charge-offs, accompanied by a very substantial decrease in recoveries and nonoperating profits. After payment of taxes, net profits were \$55,265,000, or almost \$3,000,000 less than in 1954. Profits distributed to stockholders as cash dividends amounted to \$26,707,000.

Total resources of the District's member banks reached the record level of \$10,251,568,000 on December 31, 1955, representing an advance of more than 4 percent over the year-earlier figure.

The San Antonio Branch of the Federal Reserve Bank of Dallas was organized July 5, 1927, and occupied its present building on October 6, 1928. Since that time, the branch territory, which comprises 50 counties in south and southwest Texas, has shared in the tremendous economic growth of the Eleventh Federal Reserve District. A few figures indicate the expansion in operations of the member banks of the San Antonio territory and of the San Antonio Branch.

<u>Member Banks</u>	<u>Dec. 31, 1955</u>	<u>Dec. 31, 1928</u>
Loans and discounts	\$ 376,456,000	\$100,741,000
Deposits	1,128,746,000	148,257,000
Capital stock	24,985,000	13,693,000
Surplus and undivided profits	49,509,000	10,259,000

<u>San Antonio Branch</u>	<u>Dec. 31, 1955</u>	<u>Dec. 31, 1928</u>
Personnel	132	51
Currency received and counted (pieces)	31,164,714	9,240,831
Coin received and counted (pieces)	67,609,825	4,820,730
Checks handled (pieces)	31,866,454	5,210,087
Collections handled (pieces)	102,920	14,087

As the volume of operations of the branch expanded and as new functions were added to its responsibilities, space facilities in the present building became increasingly inadequate. Consequently, on August 9, 1954, ground was broken for a new building on the block bounded by Nueva, Dwyer, Stumberg, and Main Streets. It is expected that the branch will move into its new building in mid-1956. This new building, with its 90,000 square feet of floor space (including two basement areas), will assure adequate space to enable the branch to cope with responsibilities arising out of the future growth of the territory.





Resources of the bank on December 31, 1955, were \$2,070,077,000, or \$10,214,000 larger than a year earlier. Among these resources were \$978,033,000 of United States Government securities, \$812,513,000 of gold certificates, loans to member banks of \$2,047,000, and \$227,375,000 of cash items in the process of collection.

The bank's principal liabilities included \$720,021,000 of Federal Reserve notes in actual circulation, \$204,329,000 of deferred availability cash items, and total deposits of \$1,088,137,000. Capital accounts increased to \$57,190,000 during 1955.

Net earnings before payments to the United States Treasury were \$11,284,000, or approximately \$1,000,000 less than in 1954. Lower earnings on United States Government securities, largely as a result of a lower average yield, and slightly higher net expenses accounted for the moderate decline in net earnings. Distribution of net earnings was as follows: (a) paid to the United States Treasury, \$6,491,000; (b) dividends to member banks, \$931,000; and (c) transferred to surplus, \$3,862,000.



During 1955, more than 81,860 shipments of currency and coin were made to member and nonmember banks and almost 32,280 shipments were received from banks, representing increases of 7 percent and 6 percent, respectively, over 1954. The CASH DEPARTMENT also paid more than 273,000 United States Government coupons during 1955 and returned to the Treasury Department or prepared for destruction locally \$248,837,000 of unfit currency. Keeping up with our money requires a lot of hard work.



Some of the more than 145 employees who process over 309,000 checks daily which pass through our Head Office TRANSIT DEPARTMENT. During 1955 the Head Office and branches handled 141,406,000 city and country checks, or an increase of about 8 percent over 1954. Government checks handled exceeded 22,200,000, or 4 percent more than the year-earlier figure; postal money orders totaled 18,337,000; and items returned for one reason or another totaled 2,520,000. Our Transit Department plays a big part in making checks the near equivalent of money.





Continued large-volume cotton production and somewhat lower cotton prices in 1955 resulted in almost as much cotton being placed under Government loan in this District as in the preceding year. Notes secured by 1,524,000 bales of cotton valued at almost \$250,000,000 were processed by our COMMODITY CREDIT DEPARTMENT. During the year, releases of cotton from the loan against payment or for transfer to the Commodity Credit Corporation involved handling 647,000 notes secured by 1,555,000 bales of cotton. Another heavy assignment during 1955 was the reconcentration of 766,000 bales of cotton from interior to port warehouses.



On December 31, 1955, the bank's staff numbered 975. Length-of-service records show 204 employees with more than 15 years of service, 274 with 5 to 15 years, and 497 more or less newcomers with less than 5 years. To obtain employees who can meet the bank's high-quality standards; to keep pace with improving personnel policies; and to handle the many personnel records and services running the range from employment interviews to health services, the preparation of pay checks, and the administration of the dining service is a full-time job for the people who make up our PERSONNEL DEPARTMENT.





Every day the bank has numerous transactions with its member banks involving shipments of money, transfers of funds, settlement for checks, purchase or sale of United States Government securities, and others. There are also transactions with other Federal Reserve banks and branches. Keeping the accounting record of such transactions and preparing the necessary daily statements are just a part of the ACCOUNTING DEPARTMENT'S work. Other responsibilities include maintaining the capital stock records of the bank; preparing a daily balance sheet for the bank and its branches; handling the payment of the bank's expenditures; and preparing, administering, and analyzing the bank's budget — a very full quota of work for our Accounting Department, which is really the record-keeping heart of the bank.



The Treasury issues, exchanges, and pays off a great many Government securities in the course of a year, and our FISCAL AGENCY DEPARTMENT helps to get the job done. United States Government securities handled by the department totaled 6,287,000 pieces during 1955, or an increase of more than 6 percent. Savings bond sales of \$247,353,000 in the District involved issuing about 2,599,000 securities — up over 11 percent — while redemptions involved 3,179,000 pieces — or an increase of 7 percent. Over 403,000 depository receipts were validated, and almost 36,000 wire transfers of securities were made during the year.



Member banks were more active borrowers from this bank during 1955 than in the preceding year. The rising level of business activity and increasing demand for bank loans, together with the central banking policy of credit restraint, caused an increase in number of borrowers and in amount borrowed from this bank.

Our LOAN AND SECURITIES DEPARTMENT processed 509 items from 50 member banks in an amount totaling \$1,980,000,000. In 1954, only 29 banks borrowed the much smaller sum of \$353,000,000. Daily average borrowing by our member banks in 1955 was \$20,643,000, compared with \$4,772,000 in 1954. On December 29, 1955, an all-time peak in loans outstanding to member banks was reached at \$125,000,000.

The bank's EXAMINATION DEPARTMENT completed a full schedule of 190 investigations and examinations during 1955 in carrying out our supervisory responsibilities. Active membership in the Federal Reserve System in the Eleventh District totaled 634 banks at the end of 1955, representing an increase of three national banks but a decrease of one state bank member.

New national banks chartered during the year included the City National Bank of Austin, Texas; the Katy National Bank, Katy, Texas; the Mercantile National Bank of Corpus Christi, Texas; the First National Bank of Muleshoe, Texas; the Plains National Bank of Lubbock, Texas; and the First National Bank of Bovina, Texas. In addition, the Gonzales State Bank, Gonzales, Texas — which was a member of the Federal Reserve System — converted to the Citizens National Bank of Gonzales. The Oak Lawn National Bank of Dallas, Texas, consolidated with the Industrial National Bank of Dallas. Three national banks — the First National Bank of Lewisville, Texas; the First National Bank of Bailey, Texas; and the First National Bank

of Nara Visa, New Mexico — liquidated during the year.

The BANK AND PUBLIC RELATIONS activities of the bank during 1955 continued to be directed toward the objective of maintaining harmonious working relationships with member banks and furthering public understanding of the aims and purposes of the Federal Reserve System. Toward that end, officers and senior staff members visited all member banks and numerous nonmember banks during the year. Many visitors — individually and in groups — including bankers, businessmen, professional men, and teachers and students, were conducted on tours at the Head Office and its branches.

The RESEARCH DEPARTMENT directed emphasis to its principal function of collecting, analyzing, and interpreting statistical data and other information of an economic nature for the benefit of the directors and officers of the bank and for the Board of Governors of the System. In addition, the department provided statistical data and other economic information to bankers, businessmen, and the general public through answers to specific inquiries, releases to the press, and its regular publications. These publications — which include the *Monthly Business Review*, the *Agricultural News of the Week*, and the *Agricultural News Letter* — continued in strong demand, with total distribution reaching a new high.

Under the general supervision of the Audit Review Committee of the Board of Directors of the bank, the AUDITING DEPARTMENT completed its program of audits for the Head Office and branches during 1955 in conformity to established frequency schedules.

The examining staff of the Board of Governors of the Federal Reserve System examined the Head Office and its branches in May 1955, in accordance with legal requirements.

	Dec. 31, 1955	Dec. 31, 1954
Gold certificates . . . . .	\$ 785,592,234.20	\$ 807,406,579.35
Redemption fund for Federal Reserve notes . . . . .	26,920,596.17	28,792,701.17
Total gold certificate reserves . . . . .	812,512,830.37	836,199,280.52
Federal Reserve notes of other Banks . . . . .	23,316,500.00	9,212,000.00
Other cash . . . . .	16,879,081.39	14,234,194.80
Discounts and advances . . . . .	2,047,000.00	6,266,666.66
Industrial loans . . . . .	0	0
U. S. Government securities		
Bills . . . . .	60,256,000.00	85,150,000.00
Certificates . . . . .	237,408,000.00	545,492,000.00
Notes . . . . .	568,025,000.00	237,229,000.00
Bonds . . . . .	112,344,000.00	110,092,000.00
Total U. S. Government securities . . . . .	978,033,000.00	977,963,000.00
Total loans and securities . . . . .	980,080,000.00	984,229,666.66
Due from foreign banks . . . . .	1,046.34	1,050.68
Uncollected cash items . . . . .	227,375,030.63	208,976,244.24
Bank premises . . . . .	2,145,861.31	1,133,202.78
Other assets . . . . .	7,766,871.19	5,876,895.87
TOTAL ASSETS . . . . .	<u>2,070,077,221.23</u>	<u>2,059,862,535.55</u>

ASSETS

# STATEMENT OF CONDITION

Federal Reserve notes in actual circulation . . . . .	720,021,310.00	739,472,015.00
Deposits		
Member bank — reserve accounts . . . . .	1,019,815,763.68	1,039,813,642.22
U. S. Treasurer — general account . . . . .	47,588,631.79	23,692,140.02
Foreign . . . . .	18,142,000.00	22,654,000.00
Other . . . . .	2,590,365.39	2,354,284.79
Total deposits . . . . .	1,088,136,760.86	1,088,514,067.03
Deferred availability cash items . . . . .	204,328,680.40	180,275,054.92
Other liabilities . . . . .	400,871.94	398,072.69
TOTAL LIABILITIES . . . . .	<u>2,012,887,623.20</u>	<u>2,008,659,209.64</u>

LIABILITIES

Capital paid in . . . . .	16,562,900.00	14,457,450.00
Surplus (Section 7) . . . . .	33,847,072.07	29,985,194.86
Surplus (Section 13b) . . . . .	1,307,124.72	1,307,124.72
Other capital accounts . . . . .	5,472,501.24	5,453,556.33
TOTAL CAPITAL ACCOUNTS . . . . .	57,189,598.03	51,203,325.91
TOTAL LIABILITIES AND CAPITAL ACCOUNTS . . . . .	<u>\$2,070,077,221.23</u>	<u>\$2,059,862,535.55</u>

CAPITAL ACCOUNTS

# EARNINGS AND EXPENSES

## CURRENT EARNINGS

	1955	1954
Discounts and advances . . . . .	\$ 467,157.32	\$ 131,054.22
Industrial loans . . . . .	0	0
U. S. Government securities . . . . .	15,880,779.52	17,116,358.62
All other . . . . .	9,886.85	4,263.76
<b>TOTAL CURRENT EARNINGS . . . . .</b>	<b>16,357,823.69</b>	<b>17,251,676.60</b>

## CURRENT EXPENSES

Current operating expenses . . . . .	5,748,282.60	5,700,650.52
Assessment for expenses of Board of Governors . . . . .	198,000.00	194,300.00
Federal Reserve currency		
Original cost, including shipping charges . . . . .	169,740.00	220,295.00
Cost of redemption, including shipping charges . . . . .	19,943.00	47,187.00
<b>Total . . . . .</b>	<b>6,135,965.60</b>	<b>6,162,432.52</b>
Less reimbursement for certain fiscal agency and other expenses	1,079,300.48	1,210,377.00
<b>NET EXPENSES . . . . .</b>	<b>5,056,665.12</b>	<b>4,952,055.52</b>

## PROFIT AND LOSS

Current net earnings . . . . .	11,301,158.57	12,299,621.08
Additions to current net earnings		
Profit on sales of U. S. Government securities (net) . . . . .	0	21,919.78
All other . . . . .	2,631.44	545.69
<b>Total additions . . . . .</b>	<b>2,631.44</b>	<b>22,465.47</b>
Deductions from current net earnings		
Loss on sales of U. S. Government securities (net) . . . . .	45.33	0
Reserves for contingencies . . . . .	18,944.91	21,921.06
All other . . . . .	342.87	2,177.35
<b>Total deductions . . . . .</b>	<b>19,333.11</b>	<b>24,098.41</b>
Net deductions . . . . .	16,701.67	1,632.94
Net earnings before payments to U. S. Treasury . . . . .	11,284,456.90	12,297,988.14
Paid U. S. Treasury (interest on F. R. notes) . . . . .	6,491,494.08	9,632,251.50
Dividends paid . . . . .	931,085.61	826,454.72
Transferred to surplus (Section 7) . . . . .	3,861,877.21	1,839,281.92

	Number of Pieces		Dollar Amount	
	1955	1954	1955	1954
Discounts for member banks				
Secured by U. S. Government obligations . . . . .	457	117	\$ 1,967,153,000	\$ 337,139,000
Other . . . . .	52	113	12,526,000	15,388,000
Currency received and counted . . . . .	147,518,000	149,401,000	873,732,000	914,114,000
Coin received and counted . . . . .	189,817,000	205,398,000	18,570,000	19,190,000
Currency paid out . . . . .	—	—	847,113,000	832,170,000
Coin paid out . . . . .	—	—	28,511,000	26,223,000
Checks handled . . . . .	141,406,000	131,539,000	56,181,543,000	49,783,560,000
Checks returned unpaid . . . . .	2,520,000	2,322,000	233,581,000	203,993,000
Collections handled . . . . .	915,000	895,000	525,263,000	516,541,000
U. S. Government interest coupons paid . . . . .	273,000	271,000	52,682,000	40,634,000
Coupons of governmental agencies paid . . . . .	5,000	3,000	624,000	253,000
Postal money orders . . . . .	18,337,000	18,764,000	323,549,000	327,878,000
U. S. Government checks and warrants paid . . . . .	22,201,000	21,408,000	5,298,676,000	4,700,418,000
Transfers of funds for member banks . . . . .	125,000	116,000	55,240,341,000	52,678,439,000
U. S. Government securities issued, exchanged, and redeemed . . . . .	6,287,000	5,917,000	7,189,108,000	9,608,096,000
Securities of governmental agencies issued, exchanged, and redeemed . . . . .	1,000	1,000	6,030,000	3,369,000
Purchases and sales of securities for investors . . . . .	6,000	6,000	2,123,165,000	2,814,807,000

## OPERATIONS

FEDERAL RESERVE BANK OF DALLAS

OFFICERS

HOUSTON BRANCH

SAN ANTONIO BRANCH

EL PASO BRANCH

WATROUS H. IRONS, *President*

W. D. GENTRY, *First Vice President*

E. B. Austin, *Vice President*

HOWARD CARRITHERS, *Vice President*

J. L. COOK, *Vice President*

W. E. EAGLE, *Vice President*

W. H. HOLLOWAY, *Vice President and Cashier*

T. W. PLANT, *Vice President*

L. G. PONDROM, *Vice President*

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

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

G. R. MURFF, *General Auditor*

T. A. HARDIN, *Assistant Vice President*

E. H. BERG, *Assistant Cashier*

HERMAN W. KILMAN, *Assistant Cashier*

CARL H. MOORE, *Assistant Cashier*

W. M. PRITCHETT, *Assistant Cashier*

W. D. WALLER, *Assistant Cashier*

PHILIP E. COLDWELL, *Director of Research*

MOSS E. HULSEY, JR., *Chief Examiner*

JAMES A. PARKER, *Director of Personnel*

GEORGE F. RUDY, *Assistant Counsel and  
Assistant Secretary of the Board*

J. L. COOK, *Vice President in Charge*

H. K. DAVIS, *Cashier*

THOMAS R. SULLIVAN, *Assistant Cashier*

B. J. TROY, *Assistant Cashier*

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

A. E. MUNDT, *Cashier*

F. C. MAGEE, *Assistant Cashier*

FREDRIC W. REED, *Assistant Cashier*

HOWARD CARRITHERS, *Vice President in Charge*

ALVIN E. RUSSELL, *Cashier*

T. C. ARNOLD, *Assistant Cashier*