



ANNUAL REPORT

1956

ECONOMIC REVIEW 1956

The Nation's economy during 1956 displayed broad underlying strength as new records of production, consumption, income, employment, and credit were established despite adjustments in a few basic industries and a major steel strike. The strongest stimulant was the 22-percent increase in plant and equipment expenditures, which brought a sharp rise in industrial construction, a higher level of machinery production, and a very strong demand for long-term funds. Industrial production averaged nearly 3 percent above 1955; major gains in machinery, chemicals and allied products, paper and printing, and minerals industries partially offset declines in automobile, farm equipment, textile, and various consumer durable goods manufacturing. Automobile assemblies declined 27 percent, but large gains in aircraft production and railway-car building offset the decline.

This industrial strength, both in current production and in the development of new capacity, was largely responsible for the rising levels of employment, wages, income, and prices. Full employment of the Nation's labor resources, reflected in the 1,786,000 increase to an average of nearly 65 million workers, brought pressure upon most labor markets, and wages increased to a new high. Wage increases, coupled with price advances stemming from shortages of certain basic raw materials, led to rising costs.

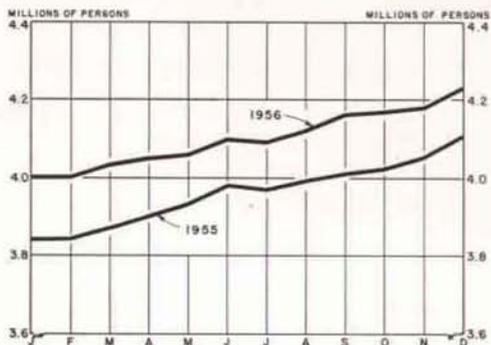
The value of new construction was nearly 3 percent above that of 1955, although new housing starts declined markedly. The largest gains in construction were in industrial, public works, and institutional building programs; and heavy bond commitments voted in late 1956 indicate that such programs will continue large in 1957. The decline in new housing starts in 1956 was attributable largely to the market

overhang of new houses which developed in late 1955, higher construction costs, the shift toward larger and more expensive homes, and the relative disadvantages of Government-insured or -guaranteed mortgage loans in a market characterized by rising rates of interest.

The gain in employment, together with higher wage rates, increased personal income to an annual rate of \$325 billion in 1956, compared with \$306 billion in 1955. Larger dividend payments and the new Soil Bank payments to farmers also contributed to this increase. Although rising at a slower rate than in the previous year, consumer credit increased more than \$3 billion during 1956, mostly non-automobile instalment paper.

The magnitude of such income and credit advances was reflected in the steady strength of retail sales during most of the year. Retail sales were largely a supporting factor in the economy in 1956, although total consumer expenditures were definitely an expansive force, gaining nearly 5 percent over 1955. Although consumer buying of goods did not keep pace with the increase in industrial production and inventories advanced throughout the year, expenditures for services increased sharply.

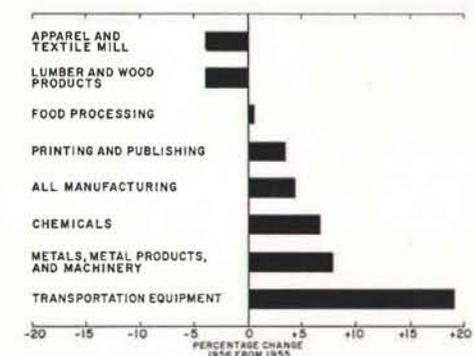
The Nation's economy in 1956, though advancing at a slower rate than in 1955, exhibited breadth and resiliency in the face of substantial adjustments. The economy rebounded from the steel strike to new highs, but at the cost of further upward pressures on prices. The greatest strength of the economy in 1956 was its plant expansion program. However, in view of the new capacity now available and the improvements in existing plant facilities, consumer expenditures will need to expand in 1957 in order to absorb the increased production.



TOTAL NONAGRICULTURAL
EMPLOYMENT
SOUTHWEST

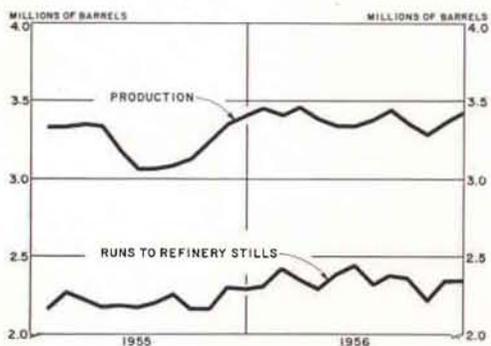
In the Eleventh Federal Reserve District, the underlying strength and expansion of diversified sources of income more than offset the effects of adjustments in a few basic industries and also moderated the effects of the drought. Economic expansion in 1956 was at a slower pace than in the previous year, primarily because many of the District's businesses and industries were operating at capacity or near-capacity levels. As in the Nation, the main stimulant to the southwestern economy continued to be expansion in industrial capacity and operations.

There was full employment in the Southwest in 1956. Non-agricultural employment set new records in August and in each subsequent month for a total expansion of over 3 percent. Major employment gains of more than 4 percent occurred in the manufacturing, construction, finance, and government categories.



MANUFACTURING
EMPLOYMENT
SOUTHWEST

Primary gains in manufacturing employment were evident in transportation equipment, machinery, fabricated metals, chemicals, and printing and publishing industries. Within the transportation equipment industry, strong gains in aircraft production greatly outweighed declines at automobile assembly plants. The fabricated metal products and machinery industries generally responded to the stimulant of expanding plant and equipment expenditures; growth in the machinery industry also reflected the further development of the electronics industry.



CRUDE OIL PRODUCTION
AND REFINING
ELEVENTH FEDERAL RESERVE DISTRICT

Partially offsetting these gains were declines in the lumber and wood products and apparel and textile mill products industries. Some of the decline at lumber and wood products plants was the result of the lower level of residential building. In the apparel and textile mill products industries, activity followed the national pattern of lower demand and an accumulation of inventories.

In the petroleum industry, 1956 was generally another year of substantial growth. District crude oil production increased 5 percent in 1956, ending the year at a new record. Crude runs to refinery stills were at a near-record level at the end of 1956 and, for the year, showed a 6-percent advance. Total well completions were also 6 percent above the previous year.

Behind this story of general expansion was a picture of excess capacity and reduced allowables, with both gasoline and crude oil stocks substantially above needed working levels. The foreign demand originating from the Middle East crisis in early November enabled the industry to reduce crude oil stocks and increase production allowables, but gasoline stocks continued to rise.

However, the temporary alleviation of this excess-capacity problem by Middle East events merely conceals the underlying trend of greater capacity additions than warranted by the regular demand for oil from this area. With new oil fields being developed each month, the Southwest's oil industry needs a careful appraisal of its current position.

Other mining activity also moved up during 1956; new production records were reached for potash, copper, sulfur, and natural gas. Marketed production of natural gas was approximately 12 percent more than in 1955, and sulfur mining increased 19 percent.

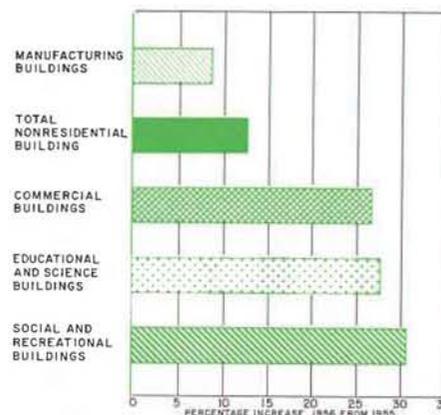
The value of construction contract awards in the District was 8 percent above the total in the preceding year, with residential awards advancing 1 percent and "all other" awards increasing 13 percent. Rising costs and the construction of larger houses with more complete accessories raised contract award totals, but the number of new housing starts was down sharply. Commercial, manufacturing, and educational building was markedly above the previous year. Expanding plant and equipment expenditures stimulated the growth of manufacturing, and possibly commercial, construction.

The effects of the drought and reduced acreage allotments upon farm income were partially offset by increased livestock marketings and a substantially larger wheat crop. Coupled with larger Government payments, these increases brought total farm income up to the 1955 level. Many farmers supplemented their incomes by obtaining nonfarm employment.

Nevertheless, the effects of the widespread, intense drought of 1956 should not be minimized. With the exception of the

VALUE OF NONRESIDENTIAL CONTRACT AWARDS

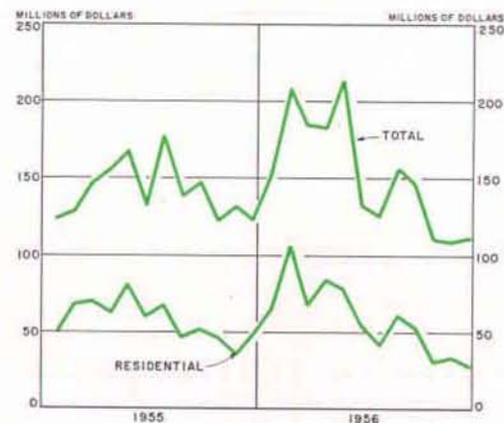
TEXAS



SOURCE: F. W. Dodge Corporation.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

ELEVENTH FEDERAL RESERVE DISTRICT



SOURCE: F. W. Dodge Corporation.

wheat crop, which was sustained by rains in late 1955, the output of all major crops was less than in the preceding year. The declines ranged from 20 to 60 percent for rice, hay, peanuts, and corn to 8 to 10 percent for cotton and oats. Ranges reached their worst condition in the recorded history of the Southwest, and livestock marketings were forced steadily higher despite Government assistance programs. An important long-range effect of the drought was the sale of foundation herds, the rebuilding of which may require many years.

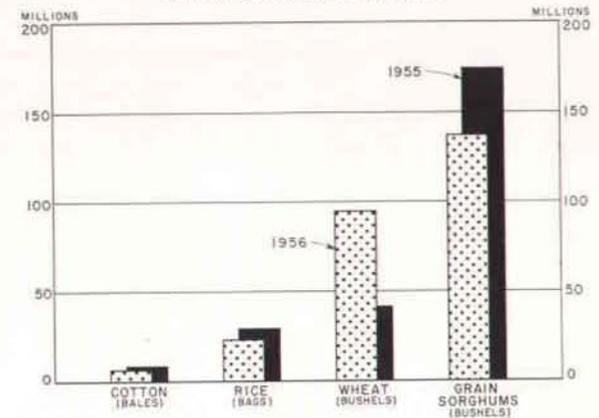
With each passing year of drought, the problem of adequate moisture supplies becomes more critical. Agricultural production and income are significantly affected by drought, but the water problem also influences industrial activity, as well as the consuming public. Sharply increased conservation measures are no longer a luxury for the Southwest; they are an urgent necessity.

Overcoming the agricultural and other adjustments, personal income in the Southwest is estimated to have increased almost 5 percent during 1956, stimulated primarily by rising levels of wages and employment. Many major labor markets in the District tightened appreciably during the year, and job offerings — especially for skilled and semiskilled workers — were much greater than the supply of workers.

Despite rising prices and increased competition, retail trade was well sustained in 1956, averaging nearly 2 percent above a year earlier. The expanding income and employment totals provided consumers with a steady buying capacity, which they used with very little reluctance. Evidence of the shift in consumer buying in 1956 from durables to nondurables and services were the declines in sales at hardware, building materials, appliance, and automotive establishments, offset by the gains at gasoline service stations, apparel outlets, and drug and proprietary stores. To a large extent, the gains in the Southwest were most marked in the early and late portions of the year as sales declined noticeably during the summer and early fall.

MAJOR CROP PRODUCTION

FIVE SOUTHWESTERN STATES



SOURCE: U.S. Department of Agriculture

DEPARTMENT STORE SALES AND STOCKS

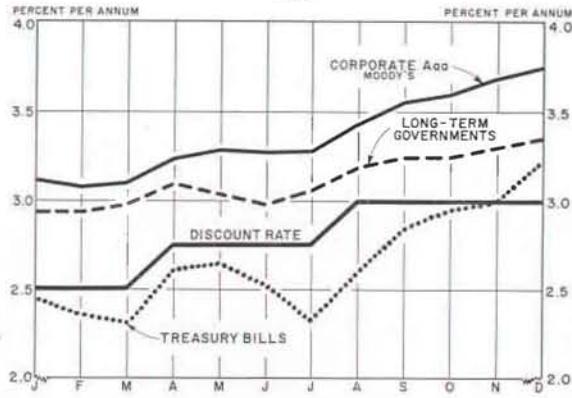
ELEVENTH FEDERAL RESERVE DISTRICT



Seasonally adjusted

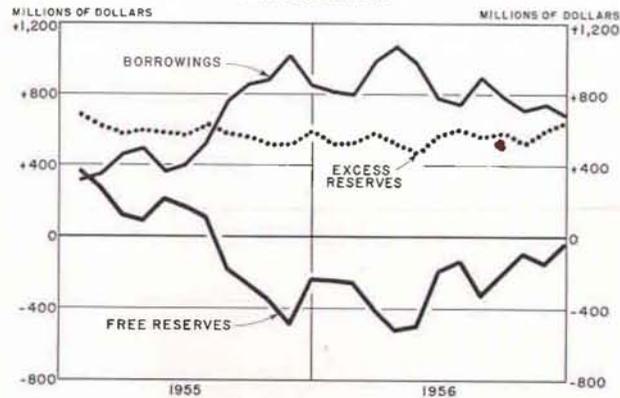
INTEREST RATES

1956



MEMBER BANK RESERVES

UNITED STATES



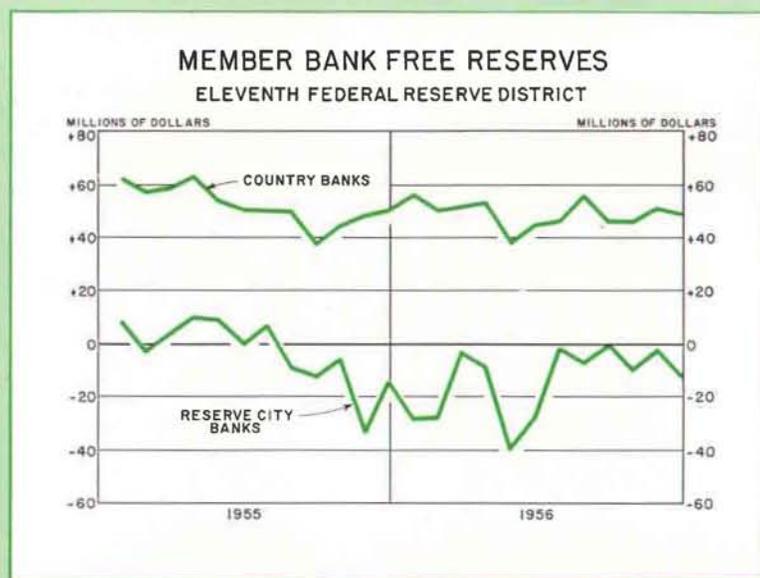
Financial developments in the Nation and in the Eleventh District during 1956 reflected the impact of a strong economic situation, characterized by divergent trends in individual industries, and the continuation of a monetary policy designed to temper spending as output pressed the limits of capacity. As uncertainties early in the year gave way to renewed confidence, demand for credit threatened to swell the spending stream and add to inflationary pressures. Consequently, Federal Reserve authorities pursued open market policies that permitted the credit market to tighten as demand rose. Then, as pressures of demand promoted higher interest rates in the money and capital markets, the Federal Reserve banks raised their discount rates, in two steps, from 2½ percent to a uniform level of 3 percent. By the end of 1956, yields on United States Government securities and high-grade municipal and corporate obligations were one-half to three-quarters of a percentage point higher than at the end of 1955.

The close interrelationship between business activity and financial developments found expression in the shifting demands for credit. In 1955 the major thrust factor stimulating business was consumer demand, particularly for automobiles, appliances, and housing. Consequently, personal debt rose by a record amount. During 1956, however, both the consumer durables and residential construction industries underwent readjustments as demand subsided; personal debt rose considerably less than in 1955. In addition, a substantial cash surplus enabled the Federal Government to reduce the gross public debt by \$4,100,000,000, as contrasted with a \$2 billion increase in 1955. Over-all credit demand remained exceptionally strong, however, as businesses sought funds to finance inventory accumulation, especially in the first half of the year, and to support a rising level of expenditures on plant and equipment. State and local governments continued to seek large amounts of funds to finance long-term projects.

The strength of aggregate demand under conditions of capacity output justified a restrictive monetary policy in 1956, but the nature of the shifting character of business activity and credit requirements made it especially important that credit expansion be limited to moderate amounts and essential uses. Long-term

projects such as those that businesses and state and local governments sought to finance by borrowing in the capital markets and from banks will add ultimately to the Nation's productive capacity. In the short run, however, such programs augment inflationary pressures because they require large amounts of labor and materials but do not add immediately to the flow of goods available for purchase. Business corporations, confronted with relatively stringent borrowing terms in the capital markets, turned to banks for temporary accommodation in order to begin or to continue their expansion programs. Consequently, one major purpose of the restrictive monetary policy was to limit the use of bank credit for capital expansion and thus serve to lengthen the period of prosperity.

During January and February, considerable uncertainty prevailed with respect to the outlook for business; thus, System open market operations were designed primarily to absorb redundant reserve funds arising from decreases in currency in circulation and required reserves of member banks. Yields on Government securities and other high-grade investments declined slightly during the period. Between the beginning of March and mid-April, however, consumer and business attitudes appeared to strengthen materially. One of the most important developments promoting confidence was the announcement of capital expenditure plans, indicating marked strength throughout the remainder of the year. Moreover, commercial bank loans rose \$2,150,000,000 in March, partly because of tax borrowing but also to finance inventory accumulation and capital spending programs. These events, coupled with pressure on prices as economic resources continued to be employed close to capacity in all but a few lines and relatively sharp increases in interest rates in the money and capital markets, prompted the Federal Reserve banks to increase discount rates in mid-April. Ten of the banks raised their rates from 2½ percent to 2¾ percent, while the remaining two — Minneapolis and San Francisco — moved to 3 percent.

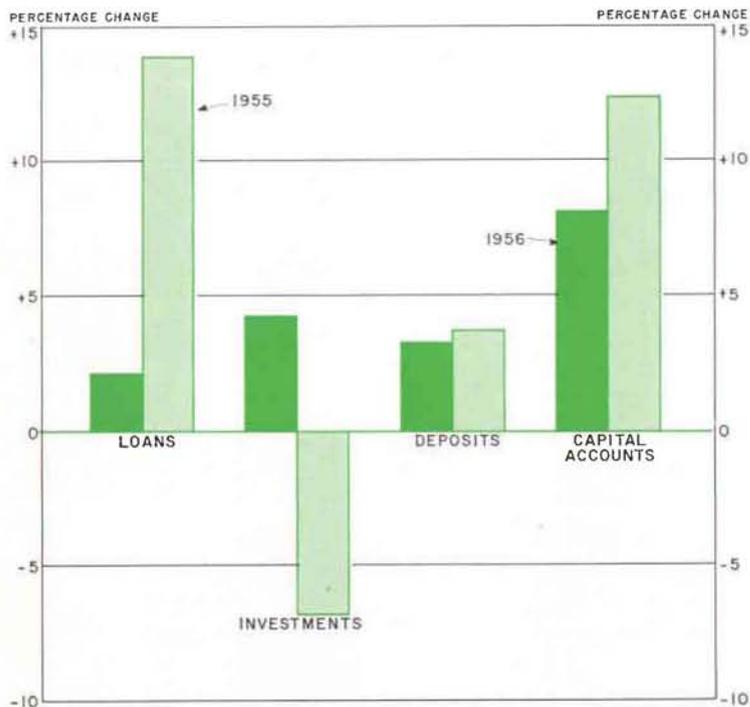


The widespread consumer and business confidence that had permeated the economy earlier in the year appeared to diminish somewhat in the spring and early summer, as failure of demand for new automobiles to increase as expected and a continuation of housing starts below the year-earlier level were reinforced by growing certainty of an interruption in steel output in the summer. In late May and early June, System purchases of Government securities in the open market provided funds to support seasonal expansion in bank loans for tax purposes, and in late June, substantial purchases provided funds to meet the normal seasonal outflow of currency in early July. Although taut conditions prevailed in the credit market, bank reserve positions eased as compared with pressures in April and May, and yields on high-grade money and capital market instruments declined.

The strengthening of prices of debt instruments was short-lived, however, as developments during the summer pointed to

GROWTH IN BANKING TOTALS

MEMBER BANKS
ELEVENTH FEDERAL RESERVE DISTRICT



Based on year-end call dates.

a sustained high level of business activity and persistent demands for credit throughout the remainder of 1956. Contrary to the fears of numerous observers, the stoppage of steel production in July did not result in a rapid deterioration of economic activity, and confidence strengthened markedly as it became clear that steel output would be resumed in August. Capital expansion programs of businesses and state and local government construction projects appeared to be progressing as fast as availability of funds and materials would permit. Faced with a decline in internal liquidity and relatively stringent terms in the capital market, corporations turned increasingly to commercial banks for temporary accommodation in order to satisfy the growing need for funds

occasioned by the record level of expenditures on plant and equipment. Short- and long-term interest rates began to rise in July, and in late August, these advances were capped by increases in discount rates to 3 percent at the remaining 10 Federal Reserve banks.

From a statistical standpoint, bank reserve positions eased considerably during the last 4 months of the year in response to System actions. Such actions were designed to supply an appropriate volume of reserves to the market for seasonal needs but, at the same time, discourage speculative credit expansion and the absorption of bank credit in long-term projects. The easier bank reserve positions reflected, in part, the fact that the marked decline in bank liquidity which began in 1955 and continued during 1956 enabled the System to obtain the desired degree of restraint with a substantially smaller level of net borrowed reserves among member banks. Moreover, bank loan expansion during the latter part of the year appeared to be proceeding mainly along seasonal lines.

Despite the improved reserve positions of banks, yields on Government obligations rose sharply during the last few months of 1956, particularly in late November and December. Several factors contributed to the rising rate structure on Government obligations. Among the most important were the heavy and largely unforeseen cash drain on the Treasury (resulting primarily from redemptions of savings bonds and international developments) that necessitated a larger than expected amount of borrowing in the last quarter; liquidation of Government obligations by a number of foreign investors; strong demand for funds, and prospects of a continuation of such demand in early 1957, on the part of business corporations and state and local governments; and substantial liquidation of short-term Government securities, particularly Treasury bills, by corporations in order to meet dividend requirements and for other purposes.

Partly to offset the marked pressures arising from these factors and partly to provide needed seasonal funds, the System increased its holdings of Government securities and bankers' acceptances

by almost \$1,200,000,000 during November and December, with more than \$250 million of the increase representing net acquisitions of securities and acceptances obtained under repurchase agreement from dealers.

Monetary policy actions appeared to become increasingly effective as the year progressed. By midyear, bank holdings of liquid assets, accumulated largely during the period of ease in 1954, had been reduced to low levels, with the result that System measures of restraint induced more immediate effects. This increased effectiveness was reflected in the moderation in bank loan expansion in the latter half of the year in spite of continued strong and persistent demands by borrowers. Adjusted loans of the Nation's weekly reporting member banks rose \$2,600,000,000 during the second half of the year, compared with a gain of \$4,700,000,000 in the corresponding 1955 period. Nevertheless, total loans of the Nation's commercial banks increased \$8 billion during 1956, or \$4 billion less than the \$12 billion expansion of 1955.

Loan growth at member banks in the Eleventh District in 1956 was not as sharp as in the Nation. Loan expansion at District member banks totaled only \$85,845,000 — or 2.1 percent, as contrasted with a \$486,368,000 — or 13.8-percent — gain in 1955. Continued drought promoted conservative lending policies at banks in agricultural areas. Moreover, trends in residential construction activity in the District prompted member banks to effect substantial reductions in their construction loans, and real-estate loans rose only moderately. The shift in consumer spending from durable toward nondurable goods and services contributed to a diminished rate of growth in bank lending to consumers and a sharp reduction in loans to sales finance companies. Loans to manufacturing concerns, however, rose markedly as industrial output and capacity advanced in the Southwest.

Primarily because of these developments, reserve positions of District member banks — particularly those in cities — eased somewhat in the second half of the year, after becoming relatively taut in April and May. Nevertheless, strong demand for funds was evident throughout the year, with the easing of positions in

the latter half resulting primarily from concentrated efforts of banks to adjust their portfolios to the requirements of an active business situation, a shortage of funds relative to demand, and declining bank liquidity positions.

Investments of District member banks also expanded moderately during the year. As a result, total earning assets advanced \$214,275,000, or 3.1 percent. Total deposits increased \$314,758,000, or 3.3 percent, to a year-end total of \$9,803,466,000. Member banks added \$55,464,000 to their capital accounts.

A rising pattern of tax revenues, generated by the maintenance of tax rates as the economy advanced to higher levels of business activity and income, provided a margin of receipts over expenditures that permitted the Federal Government to reduce the gross public debt by \$4,100,000,000 in 1956. The absence of the Treasury as a net borrower during the year as a whole was of significant importance in moderating strains in the money and capital markets, particularly during the first half of the year, because, in effect, the debt reduction released funds that could be directed to meet demands of other borrowers. Nevertheless, the marked seasonal swing in Treasury receipts, coupled with large and unforeseen cash drains late in the year, forced the Treasury to enter the market with cash offerings four times during the second half of the year. In August the Treasury borrowed \$3,221,000,000 by issuing a 2¾-percent certificate of indebtedness maturing in March 1957. In October, November, and December, three special offerings of Treasury bills maturing in January, February, and March 1957 raised \$4,350,000,000. Of the \$39,300,000,000 of marketable securities other than bills that matured or were called for redemption, \$9,300,000,000 was redeemed for cash and \$30 billion was refunded. In addition, \$1,500,000,000 of Tax Anticipation bills was redeemed for cash or in payment of taxes. Treasury authorities confined the cash and refunding issues primarily to short-term obligations in view of the strong demand for long-term funds by other borrowers and an apparent shortage of savings for investment.



OPERATIONS

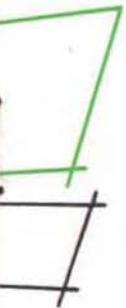
1956

	Number of Pieces		Dollar Amount	
	1956	1955	1956	1955
Discounts for member banks Secured by U. S. Govern- ment obligations	695	457	\$ 3,812,277,000	\$ 1,967,153,000
Other	67	52	60,946,000	12,526,000
Currency received and counted .	147,601,000	147,518,000	867,579,000	873,732,000
Coin received and counted . . .	220,979,000	189,817,000	20,977,000	18,570,000
Currency paid out	—	—	835,941,000	847,113,000
Coin paid out	—	—	29,856,000	28,511,000
Checks handled	153,086,000	141,406,000	60,185,287,000	56,181,543,000
Checks returned unpaid	2,950,000	2,520,000	250,462,000	233,581,000
Collections handled	853,000	915,000	504,702,000	525,263,000
U. S. Government interest coupons paid	271,000	273,000	55,624,000	52,682,000
Coupons of governmental agencies paid	6,000	5,000	897,000	624,000
Postal money orders	18,459,000	18,337,000	330,975,000	323,549,000
U. S. Government checks and warrants paid	24,120,000	22,201,000	4,541,853,000	5,298,676,000
Transfers of funds for member banks	137,000	125,000	64,845,789,000	55,240,341,000
U. S. Government securities issued, exchanged, and redeemed	6,668,000	6,287,000	6,777,469,000	7,189,108,000
Securities of governmental agencies issued, exchanged, and redeemed	1,000	1,000	17,696,000	6,030,000
Purchases and sales of securities for investors	7,000	6,000	2,159,957,000	2,123,165,000
Postmasters' deposits	358,000	354,000	505,554,000	413,522,000



STATEMENT OF CONDITION

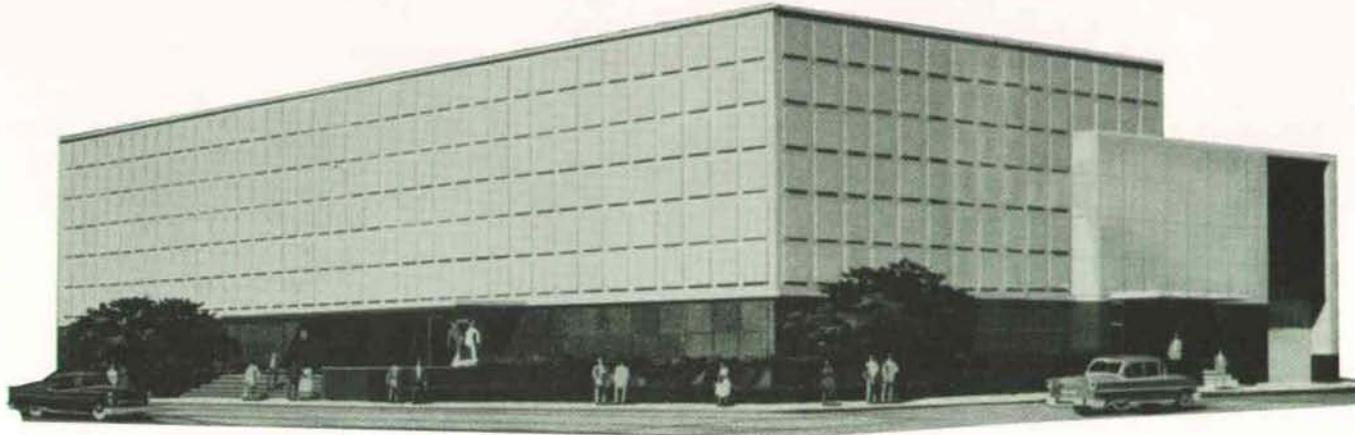
	Dec. 31, 1956	Dec. 31, 1955
ASSETS		
Gold certificates	\$ 727,344,125.56	\$ 785,592,234.20
Redemption fund for Federal Reserve notes	26,197,381.17	26,920,596.17
Total gold certificate reserves	753,541,506.73	812,512,830.37
Federal Reserve notes of other Banks	28,288,000.00	23,316,500.00
Other cash	14,955,680.81	16,879,081.39
Discounts and advances	1,275,000.00	2,047,000.00
Industrial loans	0	0
U. S. Government securities		
Bills	68,410,000.00	60,256,000.00
Certificates	434,509,000.00	237,408,000.00
Notes	363,813,000.00	568,025,000.00
Bonds	111,353,000.00	112,344,000.00
Total U. S. Government securities	978,085,000.00	978,033,000.00
Total loans and securities	979,360,000.00	980,080,000.00
Due from foreign banks	1,135.39	1,046.34
Uncollected cash items	250,706,071.20	227,375,030.63
Bank premises	3,969,819.92	2,145,861.31
Other assets	10,583,715.49	7,766,871.19
TOTAL ASSETS	2,041,405,929.54	2,070,077,221.23
LIABILITIES		
Federal Reserve notes in actual circulation	726,040,795.00	720,021,310.00
Deposits		
Member bank — reserve accounts	1,013,276,638.07	1,019,815,763.68
U. S. Treasurer — general account	39,653,806.81	47,588,631.79
Foreign	15,096,000.00	18,142,000.00
Other	6,884,013.80	2,590,365.39
Total deposits	1,074,910,458.68	1,088,136,760.86
Deferred availability cash items	177,689,415.33	204,328,680.40
Other liabilities	440,894.31	400,871.94
TOTAL LIABILITIES	1,979,081,563.32	2,012,887,623.20
CAPITAL ACCOUNTS		
Capital paid in	18,019,200.00	16,562,900.00
Surplus (Section 7)	37,507,648.63	33,847,072.07
Surplus (Section 13b)	1,307,124.72	1,307,124.72
Other capital accounts	5,490,392.87	5,472,501.24
TOTAL CAPITAL ACCOUNTS	62,324,366.22	57,189,598.03
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	\$ 2,041,405,929.54	\$ 2,070,077,221.23



EARNINGS AND EXPENSES



	1956	1955
CURRENT EARNINGS		
Discounts and advances	\$ 830,142.10	\$ 467,157.32
Industrial loans	0	0
U. S. Government securities	22,699,658.36	15,880,779.52
All other	13,264.22	9,886.85
TOTAL CURRENT EARNINGS	23,543,064.68	16,357,823.69
CURRENT EXPENSES		
Current operating expenses	6,297,728.69	5,748,282.60
Assessment for expenses of Board of Governors	269,900.00	198,000.00
Federal Reserve currency		
Original cost, including shipping charges	97,148.00	169,740.00
Cost of redemption, including shipping charges	21,252.00	19,943.00
Total	6,686,028.69	6,135,965.60
Less reimbursement for certain fiscal agency and other expenses	1,073,098.54	1,079,300.48
NET EXPENSES	5,612,930.15	5,056,665.12
PROFIT AND LOSS		
Current net earnings	17,930,134.53	11,301,158.57
Additions to current net earnings		
Profit on sales of U. S. Government securities (net)	11,536.95	—
All other	37.33	2,631.44
Total additions	11,574.28	2,631.44
Deductions from current net earnings		
Loss on sales of U. S. Government securities (net)	—	45.33
Reserves for contingencies	17,891.63	18,944.91
All other	641.26	342.87
Total deductions	18,532.89	19,333.11
Net deductions	6,958.61	16,701.67
Net earnings before payments to U. S. Treasury	17,923,175.92	11,284,456.90
Paid U. S. Treasury (interest on F. R. notes)	13,223,260.27	6,491,494.08
Dividends paid	1,039,339.09	931,085.61
Transferred to surplus (Section 7)	3,660,576.56	3,861,877.21



Three floors above ground

Enclosed roof terrace

Basement and underground security court

29,000 cubic-foot vault

Year-round air conditioning

Clinic, dining facilities, and recreation room

Public address system

Outside parking facilities

On July 5, 1956, ground was broken for a new Houston Branch building on the block bounded by San Jacinto and Caroline Streets and Jefferson and Pease Avenues.

The Houston Branch of the Federal Reserve Bank of Dallas was opened on August 4, 1919, to provide increased facilities for member banks in a tier of 43 counties extending north and west from the Gulf Coast.

As economic activity in the territory expanded and new functions were added to branch operations, it became increasingly difficult to handle the growing volume of operations in the limited space and facilities provided by the branch building which was occupied in February 1922. The new building, with its 93,000 square feet of floor space, will provide the facilities necessary to serve the banking and business establishments in the rapidly growing territory.

HOUSTON
BRANCH



On November 15, 1956, ground was broken for a new El Paso Branch building on the half block bounded by Main, Stanton, and Kansas Streets and the Texas and New Orleans Railroad.

The El Paso Branch of the Federal Reserve Bank of Dallas, which opened on June 17, 1918, was the first branch established in the District. Its location at El Paso, Texas, places the branch in the center of an area comprising 39 counties in portions of Arizona, New Mexico, and Texas.

The space and facilities of the present branch building, occupied on August 15, 1920, became increasingly inadequate as new functions were added and the volume of operations expanded. The new building, which will have 42,000 square feet of floor space, will provide adequate facilities to enable the branch to discharge fully its responsibilities arising from the future growth of the territory.

Two stories above ground

Basement and underground security court

Enclosed roof terrace

22,000 cubic-foot vault

Year-round air conditioning

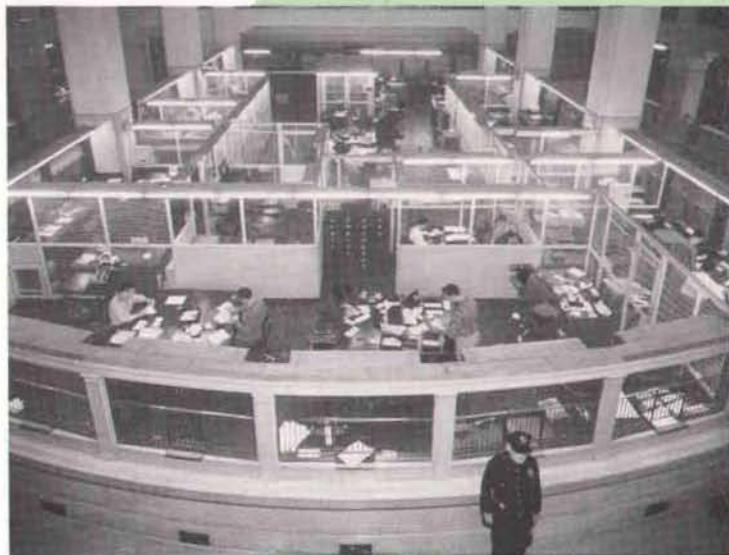
Clinic, dining facilities, and recreation room

Public address system

Outside parking facilities

EL PASO
BRANCH

Panoramic view of the Cash Department from the balcony.



Sorting currency received from member and nonmember banks.

The resources of the Bank on December 31, 1956, amounted to \$2,041,406,000, or \$28,671,000 less than a year earlier. Among the principal resources, the \$979,360,000 in loans and securities was virtually unchanged from the total at the end of 1955, the \$753,542,000 of gold certificate reserves was down \$58,971,000, and the \$250,706,000 in uncollected cash items was up \$23,331,000.

The principal liabilities included Federal Reserve note circulation of \$726,041,000, up \$6,020,000 from 1955; deposits of \$1,074,910,000, off \$13,227,000; and deferred availability cash items of \$177,689,000, down \$26,640,000.

Total current earnings of the Bank were \$23,543,000, and net earnings before payments to the United States Treasury rose to a record \$17,923,000 during 1956, or \$6,639,000 more than in 1955. Higher interest rates were primarily responsible for the substantial increase in earnings, which was only partially offset by an increase in net expenses to \$5,613,000. Net earnings were distributed as follows: paid to the United States Treasury, \$13,223,000; paid in dividends to member banks, \$1,039,000; and transferred to surplus, \$3,661,000.

In carrying out its principal function of making Federal Reserve and Treasury currency available to banks in sufficient volume to satisfy public demands and retiring such currency from circulation as demand slackens, the CASH DEPARTMENT during 1956 handled 110,345 shipments of currency and coin to and from member and nonmember banks and others, involving \$1,764,000,000. These figures reflect a slight decline in the number of shipments but an increase in the dollar amount. The department also paid 277,621 United States Government and agency coupons and handled 6,655 transactions covering the purchase and sale of Government securities for member and nonmember banks.

Year after year, the TRANSIT DEPARTMENT handles a larger number of checks and reduces the collection time, thereby making checks more nearly equivalent to cash. During 1956 the Head Office and branches processed 153,086,000 city and country checks, or about 8 percent more than in 1955. The number of Government

Counting coins returned to the Federal Reserve Bank.



Punching and cutting unfit currency for destruction — 52 million pieces in 1956.



checks handled was up nearly 9 percent to 24,120,000; postal money orders, totaling 18,459,000, increased only slightly; and items returned for various reasons increased about 17 percent to 2,950,000. The daily average number of items handled exceeded 648,000 at the Head Office and branches, having a value of \$214 million.

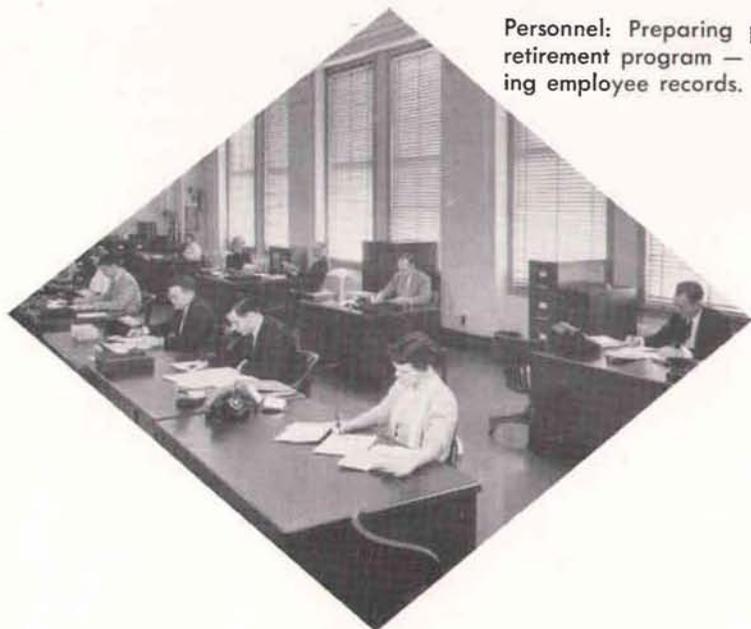
The primary work of the FISCAL AGENCY DEPARTMENT involves the issuance, exchange, and redemption of United States Government securities; the collection of proceeds from the sale of securities; the receipt of excise and withheld income tax deposits; and the disbursement of funds covering redemptions of securities. During 1956 the department handled 6,668,000 pieces of securities having an aggregate value of \$6,777,000,000. An important part of these operations was the issuance of savings bonds amounting to \$223,471,000, or about 10 percent below 1955, but accounting for a 13-percent increase in pieces handled to 2,935,480. Redemptions of \$278,483,000 of savings bonds were up 7 percent from 1955, but the 3,226,552 pieces involved increased only slightly. Wire transfers of marketable securities involved 42,575 pieces for a 19-percent increase. Depositors' tax receipts validated during 1956 totaled 431,313 pieces — up 7 percent.

Despite the decline in cotton production, the COMMODITY CREDIT DEPARTMENT handled a very large volume of operations during 1956. Notes secured by 2,615,336 bales of cotton valued at

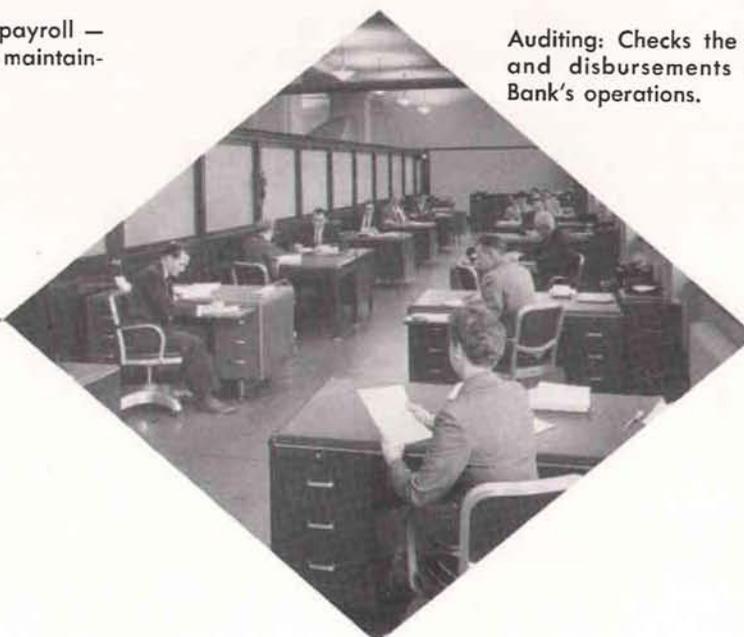
Transit: Processing and clearing of city and country checks.



Personnel: Preparing payroll — retirement program — maintaining employee records.



Auditing: Checks the income and disbursements of the Bank's operations.



The Cafeteria served more than 100,000 meals in 1956.

\$399,872,000 were received and processed, reflecting sharp increases over 1955. Cotton released from the loan by repayment of notes, pooling, or transferring totaled 1,472,801 bales. In addition, 1,204,905 bales of cotton were reconcentrated in warehouses, with records processed by the department.

A major function of the LOAN AND SECURITIES DEPARTMENT is to handle discounts for and advances to member banks. During 1956 the Bank accepted 762 notes for 54 member banks, involving discounts and advances of \$3,873,000,000 — an all-time record volume. Total loans outstanding also reached a peak at \$126,500,000 on December 28, 1956.

During 1956 the staff of the EXAMINATION DEPARTMENT, in carrying out its supervisory function, conducted 164 regular and special examinations of state member banks, including 16 examinations of their trust departments, and 10 other examinations and investigations. Membership in the Federal Reserve System in this District on December 31

Medical: First aid — physical examinations — and health of employees.



totaled 633 banks, comprising 493 national banks and 140 state banks. The net decrease of one in membership reflected the opening of 10 newly organized national banks and the loss of 11 banks through consolidations, conversion, liquidation, and state member bank withdrawals.

The PERSONNEL DEPARTMENT — in addition to performing such services as handling new employments, maintenance of personnel records, issuance of payroll checks, provision for medical and cuisine services, and employee counseling — also maintains a close observation of labor, employment, and personnel developments to help assure that the Bank's practices keep pace with those of other quality employers. On December 31, 1956, the personnel of the Bank and its branches, totaling 1,034, was 59 more than a year earlier, but the average for the year was up only 24. A major factor in the cohesiveness and efficiency of the Bank's staff is the large number of highly trained employees with long records of service. On December 31, 1956, there were 214 officers and employees with service records exceeding 15 years, of which 116 had more than 25 years of service.

Commodity Credit: Cotton loan program — handling of funds on commodity loans.



Fiscal Agency: U. S. Treasury agents — Government checks — issues and redeems bonds.



Accounting: Member bank accounts — transfer of funds and expenditures.

Research: Statistical data—
monetary and economic
studies.



Reference Library: Economic
publications and general in-
formation for Bank personnel.

The BANK AND PUBLIC RELATIONS activities were directed toward achieving better working relationships with member banks and promoting public understanding of the purposes and objectives of the Federal Reserve System. An important feature of the program was the visitation of every member bank and most nonmember banks in the District to maintain personal contacts, discuss mutual problems, and obtain economic information. Other activities included tours of the Bank and branches by high school, college, and university students and the general public to observe operations; the sponsorship of 16 meetings, attended by 1,000 persons; attendance by staff members at 410 banking, business, and educational meetings having 78,000 participants; the furnishing of speakers for 89 meetings; and the circulation of the Bank's currency exhibits and five movie films to many groups.

The collection, analysis, and interpretation of statistical information and the appraisal of economic and banking developments continued to receive major emphasis in the RESEARCH DEPARTMENT during 1956. In improving its service to the officers and directors of the Bank, the Board of Governors, member banks, and the general public, the department increased the number and scope of special surveys and broadened the coverage of statistical data and economic information. The demand for the Bank's press releases and publications — including the *Monthly Business Review*, *Agricultural News of the Week*, and *Agricultural News Letter* — continued to expand, and an increasing number of requests for special information were received.

The AUDITING DEPARTMENT, under the general supervision of the Audit Review Committee of the Board of Directors of the Bank, completed its program of audits for the Head Office and branches in accordance with the established frequency and scope.

As required by law, the field examination staff of the Board of Governors conducted an examination of the Head Office and branches as of August 31, 1956.



DIRECTORS

1956

FEDERAL RESERVE BANK OF DALLAS

ROBERT J. SMITH (*Chairman and Federal Reserve Agent*), *President, Slick Airways, 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*
JOHN M. GRIFFITH, *President, The City National Bank of Taylor, Taylor, 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*
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

JOHN C. FLANAGAN (*Chairman*), *Vice President and General Manager, Texas Distribution Division, United Gas Corporation, Houston, 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*
A. E. CUDLIPP, *Vice President and Director, Lufkin Foundry & Machine Company, Lufkin, Texas*
S. MARCUS GREER, *Vice Chairman of the Board, First 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*

SAN ANTONIO BRANCH

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CLARENCE E. AYRES, *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, *Chairman of the Executive Committee, Corpus Christi State National Bank, Corpus Christi, Texas*
V. S. MARETT, *President, The Citizens National Bank of Gonzales, Gonzales, Texas*
HAROLD VAGTBORG, *President, Southwest Research Institute, San Antonio, Texas*

EL PASO BRANCH

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F. W. BARTON, *President, The Marja National Bank, Marja, Texas*
JOHN P. BUTLER, *President, The First National Bank of Midland, Midland, Texas*
FLOYD CHILDRESS, *Vice President, The First National Bank of Roswell, Roswell, New Mexico*
THOMAS C. PATTERSON, *Vice President, El Paso National Bank, El Paso, Texas*
D. F. STAHMANN, *President, Stahmann Farms, Inc., Las Cruces, New Mexico*
E. J. WORKMAN, *President, New Mexico Institute of Mining and Technology, Socorro, New Mexico*

FEDERAL ADVISORY COUNCIL MEMBER

WALTER B. JACOBS, *President, The First National Bank of Shreveport, Shreveport, Louisiana*



OFFICERS

1956

FEDERAL RESERVE BANK OF DALLAS

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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*

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E. H. BERG, *Assistant Cashier*

JAMES L. CAUTHEN, *Assistant Cashier*

HERMAN W. KILMAN, *Assistant Cashier*

CARL H. MOORE, *Assistant Cashier*

W. M. PRITCHETT, *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*

CHARLS E. WALKER, *Economic Adviser —
Office of the President*

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H. K. DAVIS, *Cashier*

THOMAS R. SULLIVAN, *Assistant Cashier*

B. J. TROY, *Assistant Cashier*

SAN ANTONIO BRANCH

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A. E. MUNDT, *Cashier*

F. C. MAGEE, *Assistant Cashier*

FREDRIC W. REED, *Assistant Cashier*

EL PASO BRANCH

HOWARD CARRITHERS, *Vice President in Charge*

ALVIN E. RUSSELL, *Cashier*

T. C. ARNOLD, *Assistant Cashier*