



**FEDERAL RESERVE BANK OF DALLAS**

**1974 ANNUAL STATEMENT**

# Federal Reserve Bank of Dallas

To the Member Banks in the  
Eleventh Federal Reserve District:

Confidence was badly shaken in 1974. In business, financial, agricultural, political, and international circles, numerous plans and expectations went awry.

While there were some clouds on the economic horizon at the beginning of the year, prospects, overall, were believed to be fairly good. Typically, forecasts for 1974 indicated rising production, a continuing boom in investment in new equipment and structures, moderation of inflation, lower interest rates, a small rise in unemployment, and progress in quieting the unsettled international trade and financial conditions.

At the end of the year, a backward glance revealed a quite different picture. Production, overall, had declined. Personal income was declining in real terms because of the accelerated pace of inflation. Consumer durables were in a deep slump. The pace of business investing in new equipment and structures had leveled off, and plans for succeeding months had been cut back. Business inventories were up sharply, and, while shortages persisted for some goods, the general picture was one of excessive stocks, especially when measured against sales. Unemployment had risen rapidly near year-end and exceeded 7 percent—the highest rate since 1961. Farm income, still high by historical comparison, was down sharply from 1973, and crop production had suffered severely from unusually bad weather in most areas. Credit markets had eased somewhat, after being taut through most of the year. New housing starts had declined to the lowest level since 1966. The financing of international trade, especially petroleum products, had become a problem of giant proportions, and no generally satisfactory solution was yet identified. Inflation, far from moderating, had intensified as the year progressed. Clearly, the economic climate was uncomfortable; clouds were dark and heavy.

\* Most economic indicators in the Eleventh Federal Reserve District outperformed the national economy. By year-end, however, almost all the indicators had begun to decline as a result of the growing nationwide recession. Continued economic strength in the District was centered largely in energy-related activities—oil well drilling, petroleum refining, and industrial construction.

The chastening effects of the 1974 experience are readily apparent at the beginning of 1975. Forecasts are much more restrained; plans and expectations are much less ebullient; and policy prescriptions are put forth much less freely and with substantial qualifications. The problems requiring solution are seen now to be much larger than had been realized a year ago; hopefully, most of the iceberg is now visible.

The year 1975, therefore, will be one of unusual challenge as efforts are made to shape and implement policies—in business and government and throughout the economic and social structure—to contain inflation, raise production and employment, assure a sound financial fabric, and quiet troubled international waters. As 1974 failed to come up to the fairly optimistic expectations held widely at the beginning of the year, possibly 1975 will turn out better than the pessimistic patterns now commonly put forth. The size and complexity of our problems should not be minimized, however, and we should bear in mind that solving difficult problems takes time, as well as dedication and patience, and often a bit of luck.

The statement of condition, earnings and expenses, and volume of operations of the Federal Reserve Bank of Dallas for 1974, with comparative figures for 1973, are included in this report, along with lists of the directors and officers of the Bank and its branches as of January 1, 1975.

My associates and I wish for you "progress in 1975" and thank you for your excellent cooperation in 1974.

Sincerely yours,



ERNEST T. BAUGHMAN  
President

# Directors

January 1, 1975

## FEDERAL RESERVE BANK OF DALLAS

<b>John Lawrence</b>	(Chairman and Federal Reserve Agent), Chairman of the Board, Dresser Industries, Inc., Dallas, Texas
<b>Charles T. Beaird</b>	(Deputy Chairman), Chairman of the Board, Beaird-Poulan Division, Emerson Electric Co., Shreveport, Louisiana
<b>Gene D. Adams</b>	President, The First National Bank of Seymour, Seymour, Texas
<b>Thomas W. Herrick</b>	Independent Cattleman, Amarillo, Texas
<b>Gerald D. Hines</b>	Owner, Gerald D. Hines Interests, Houston, Texas
<b>Frank Junell</b>	Chairman of the Board, The Central National Bank of San Angelo, San Angelo, Texas
<b>Irving A. Mathews</b>	Chairman of the Board and Chief Executive Officer, Frost Bros., Inc., San Antonio, Texas
<b>Stewart Orton</b>	President, Foley's, Division of Federated Department Stores, Inc., Houston, Texas
<b>Robert H. Stewart, III</b>	Chairman of the Board, First International Bancshares, Inc., Dallas, Texas

## EL PASO BRANCH

<b>Reed H. Chittim</b>	President, First National Bank of Lea County, Hobbs, New Mexico
<b>J. Luther Davis</b>	President and Chairman of the Board, Tucson Gas & Electric Company, Tucson, Arizona
<b>Gage Holland</b>	Owner, Gage Holland Ranch, Alpine, Texas
<b>C. J. Kelly</b>	President and Vice Chairman of the Board, The First National Bank of Midland, Midland, Texas
<b>Herbert M. Schwartz</b>	President, Popular Dry Goods Co., Inc., El Paso, Texas
<b>Wayne Stewart</b>	President, First National Bank in Alamogordo, Alamogordo, New Mexico
<b>Sam D. Young, Jr.</b>	President, El Paso National Bank, El Paso, Texas

## HOUSTON BRANCH

<b>T. J. Barlow</b>	President and Chief Executive Officer, Anderson, Clayton & Co., Houston, Texas
<b>Seth W. Dorbandt</b>	Chairman of the Board and President, First National Bank in Conroe, Conroe, Texas
<b>Bookman Peters</b>	President, The City National Bank of Bryan, Bryan, Texas
<b>Nat S. Rogers</b>	President, First City National Bank of Houston, Houston, Texas
<b>P. K. Stubblefield</b>	President, Victoria Bank & Trust Company, Victoria, Texas
<b>Alvin I. Thomas</b>	President, Prairie View A&M University, Prairie View, Texas
<b>Gene M. Woodfin</b>	Chairman of the Board, President, and Chief Executive Officer, Marathon Manufacturing Company, Houston, Texas

## SAN ANTONIO BRANCH

<b>Marshall Boykin III</b>	Senior Partner, Wood, Boykin & Wolter, Lawyers, Corpus Christi, Texas
<b>Richard W. Calvert</b>	President, National Bank of Commerce of San Antonio, San Antonio, Texas
<b>Ben R. Low</b>	President, First National Bank of Kerrville, Kerrville, Texas
<b>Pete Morales, Jr.</b>	President and General Manager, Morales Feed Lots, Inc., Devine, Texas
<b>W. O. Roberson</b>	Chairman of the Board, First National Bank at Brownsville, Brownsville, Texas
<b>Leon Stone</b>	President, The Austin National Bank, Austin, Texas
<b>Margaret Scarbrough Wilson</b>	Chairman of the Board and Chief Executive Officer, Scarbroughs Department Stores, Austin, Texas

## FEDERAL ADVISORY COUNCIL MEMBER

<b>Ben F. Love</b>	Chairman of the Board and Chief Executive Officer, Texas Commerce Bank, National Association, Houston, Texas
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# Officers

January 1, 1975

Ernest T. Baughman  
T. W. Plant  
Robert H. Boykin  
James L. Cauthen  
Tony J. Salvaggio  
Robert A. Brown  
George F. Rudy  
Joseph E. Burns  
George C. Cochran, III  
Leon W. Cowan  
Ralph T. Green  
Larry D. Higgins  
Carl H. Moore  
W. M. Pritchett  
Fredric W. Reed  
Harry E. Robinson, Jr.  
Rasco R. Story  
Thomas R. Sullivan  
E. W. Vorlop, Jr.  
Sidney J. Alexander, Jr.  
Richard D. Ingram  
William H. Kelly  
Jesse D. Sanders  
Robert Smith, III  
T. E. Spreng  
E. A. Thaxton, Jr.  
C. L. Vick  
Charles A. Gore  
J. W. Harlow, Jr.  
C. J. Pickering  
Carla M. Warberg  
Carroll D. Blake  
J. A. Clymer  
Thomas H. Rust  
Sammy T. Schulze  
Millard E. Sweatt, Jr.

Fredric W. Reed  
Forrest E. Coleman  
Joel L. Koonce, Jr.

James L. Cauthen  
Rasco R. Story  
J. Z. Rowe  
Vernon L. Bartee  
Thomas H. Robertson

Carl H. Moore  
Frederick J. Schmid  
Thomas C. Cole  
Robert W. Schultz

## FEDERAL RESERVE BANK OF DALLAS

President  
First Vice President  
Senior Vice President and Secretary  
Senior Vice President  
Senior Vice President  
General Auditor  
General Counsel  
Vice President  
Vice President  
Vice President  
Vice President and Senior Economic Adviser  
Vice President  
Vice President and Controller  
Assistant Vice President  
Assistant Vice President and Assistant Secretary  
Assistant Vice President  
Assistant Vice President  
Assistant Vice President and Assistant Secretary  
Assistant Vice President  
Assistant Vice President  
Assistant Vice President  
Chief Examiner  
Data Processing Officer  
Planning Officer  
Research Officer  
Bank Relations Officer and Assistant Secretary  
Operations Officer  
Personnel Officer  
Assistant General Auditor  
Assistant Counsel

## EL PASO BRANCH

Vice President in Charge  
Assistant Vice President  
Operations Officer

## HOUSTON BRANCH

Senior Vice President in Charge  
Vice President  
Assistant Vice President  
Operations Officer  
Operations Officer

## SAN ANTONIO BRANCH

Vice President in Charge  
Assistant Vice President  
Operations Officer  
Operations Officer

# Statement of Condition

	Dec. 31, 1974	Dec. 31, 1973
<b>ASSETS</b>		
Gold certificate account . . . . .	\$ 571,896,174	\$ 252,436,325
Special drawing rights certificate account . . . . .	14,000,000	14,000,000
Federal Reserve notes of other Banks . . . . .	91,552,993	86,147,184
Other cash . . . . .	11,290,277	14,001,225
Loans and securities:		
Loans . . . . .	23,100,000	38,480,000
Federal agency obligations . . . . .	213,143,000	88,739,000
U.S. Government securities . . . . .	3,628,948,000	3,593,465,000
Total loans and securities . . . . .	<u>3,865,191,000</u>	<u>3,720,684,000</u>
Cash items in process of collection . . . . .	636,429,457	562,656,560
Bank premises . . . . .	11,867,825	11,944,377
Other assets . . . . .	44,799,947	37,978,718
<b>TOTAL ASSETS</b> . . . . .	<u><b>\$5,247,027,673</b></u>	<u><b>\$4,699,848,389</b></u>
<b>LIABILITIES</b>		
Federal Reserve notes in actual circulation . . . . .	\$2,707,174,505	\$2,489,009,037
Deposits:		
Member bank—reserve accounts . . . . .	1,744,688,075	1,496,414,417
U.S. Treasurer—general account . . . . .	105,184,903	129,694,581
Foreign . . . . .	15,950,000	14,040,000
Other . . . . .	29,973,726	22,187,684
Total deposits . . . . .	<u>1,895,796,704</u>	<u>1,662,336,682</u>
Deferred availability cash items . . . . .	498,101,362	413,640,867
Other liabilities . . . . .	47,636,602	42,629,403
<b>TOTAL LIABILITIES</b> . . . . .	<u><b>5,148,709,173</b></u>	<u><b>4,607,615,989</b></u>
<b>CAPITAL ACCOUNTS</b>		
Capital paid in . . . . .	49,159,250	46,116,200
Surplus . . . . .	49,159,250	46,116,200
<b>TOTAL CAPITAL ACCOUNTS</b> . . . . .	<u><b>98,318,500</b></u>	<u><b>92,232,400</b></u>
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</b> . . . . .	<u><b>\$5,247,027,673</b></u>	<u><b>\$4,699,848,389</b></u>

# Earnings and Expenses

	1974	1973
<b>CURRENT EARNINGS</b>		
Loans . . . . .	\$ 7,493,763	\$ 6,247,513
U.S. Government securities . . . . .	265,390,908	212,600,020
Foreign currencies . . . . .	375,117	24,403
All other . . . . .	124,080	87,052
TOTAL CURRENT EARNINGS . . . . .	<u>273,383,868</u>	<u>218,958,988</u>
<b>CURRENT EXPENSES</b>		
Current operating expenses . . . . .	25,837,157	22,870,260
Assessment for expenses of Board of Governors . . . . .	2,244,000	2,422,500
Federal Reserve currency:		
Original cost, including shipping charges . . . . .	1,426,390	1,817,021
Cost of redemption, including shipping charges . . . . .	42,808	48,481
Total . . . . .	<u>29,550,355</u>	<u>27,158,262</u>
Less reimbursement for certain fiscal agency and other expenses . . . . .	1,382,209	974,748
NET EXPENSES . . . . .	<u>28,168,146</u>	<u>26,183,514</u>
<b>PROFIT AND LOSS</b>		
Current net earnings . . . . .	245,215,722	192,775,474
Additions to current net earnings:		
Profit on sales of U.S. Government securities (net) . . . . .	—	—
All other . . . . .	96,935	83,145
Total additions . . . . .	<u>96,935</u>	<u>83,145</u>
Deductions from current net earnings:		
Loss on sales of U.S. Government securities (net) . . . . .	1,842,938	1,546,151
All other . . . . .	2,030,752	2,599,884
Total deductions . . . . .	<u>3,873,690</u>	<u>4,146,035</u>
Net additions or deductions (—) . . . . .	-3,776,755	-4,062,890
Net earnings before dividends and payments to U.S. Treasury . . . . .	241,438,967	188,712,584
Dividends paid . . . . .	2,851,470	2,686,541
Payments to U.S. Treasury (interest on F.R. notes) . . . . .	235,544,447	183,063,193
Transferred to surplus . . . . .	3,043,050	2,962,850
Surplus, January 1 . . . . .	46,116,200	43,153,350
Surplus, December 31 . . . . .	<u>\$ 49,159,250</u>	<u>\$ 46,116,200</u>

# Volume of Operations

Federal Reserve Bank of Dallas  
Head Office and Branches Combined

	Number of Pieces Handled <sup>1</sup>		Amount Handled	
	1974	1973	1974	1973
Loans . . . . .	1,399	1,137	\$ 6,435,710,744	\$ 8,833,228,452
Currency received and counted . . . . .	274,046,247	277,868,419	2,462,883,140	2,274,765,306
Coin received and counted . . . . .	544,944,954	622,166,330	76,927,884	75,576,990
Checks handled:				
U.S. Government checks . . . . .	45,737,654	41,630,765	16,853,950,760	14,688,267,962
Postal money orders . . . . .	11,194,241	11,864,731r	412,317,507	349,171,786
All other <sup>2</sup> . . . . .	649,491,104	620,356,623	240,200,922,222	216,049,826,904
Collection items handled:				
U.S. Government coupons paid . . . . .	240,068	254,388	152,026,335	139,640,415
All other . . . . .	492,361	640,930r	359,913,522	319,462,749
Issues, redemptions, and exchanges				
of U.S. Government securities . . . . .	12,523,406	12,211,236	28,694,989,147	22,560,386,670
Transfers of funds . . . . .	868,323	659,510	1,527,020,506,556	1,202,807,910,661
Food stamps redeemed . . . . .	200,508,178	97,930,841	499,445,468	218,415,986

<sup>1</sup> Packaged items handled as a single item are counted as one piece.

<sup>2</sup> Exclusive of checks drawn on the F.R. Banks.

r—Revised.