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

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

EL PASO BRANCH

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

HOUSTON BRANCH

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

SAN ANTONIO BRANCH

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

SAN ANTONIO BRANCH

Ben F. Love
Chairman of the Board and Chief Executive Officer, Texas Commerce Bank, National Association, Houston, Texas

FEDERAL ADVISORY COUNCIL MEMBER

Chairman of the Board and Chief Executive Officer, Texas Commerce Bank, National Association, Houston, Texas
Officers
January 1, 1975

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 and Senior Economic Adviser
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
Vice President
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

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.

J. Z. Rowe
Vernon L. Bartee
Thomas H. Robertson

San Antonio Branch

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

Records 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

## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec. 31, 1974</th>
<th>Dec. 31, 1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold certificate account</td>
<td>$571,896,174</td>
<td>$252,436,325</td>
</tr>
<tr>
<td>Special drawing rights certificate account</td>
<td>14,000,000</td>
<td>14,000,000</td>
</tr>
<tr>
<td>Federal Reserve notes of other Banks</td>
<td>91,552,993</td>
<td>86,147,184</td>
</tr>
<tr>
<td>Other cash</td>
<td>11,290,277</td>
<td>14,001,225</td>
</tr>
<tr>
<td>Loans and securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>23,100,000</td>
<td>38,480,000</td>
</tr>
<tr>
<td>Federal agency obligations</td>
<td>213,143,000</td>
<td>88,739,000</td>
</tr>
<tr>
<td>U.S. Government securities</td>
<td>3,628,948,000</td>
<td>3,593,465,000</td>
</tr>
<tr>
<td>Total loans and securities</td>
<td>3,865,191,000</td>
<td>3,720,684,000</td>
</tr>
<tr>
<td>Cash items in process of collection</td>
<td>638,429,457</td>
<td>562,656,560</td>
</tr>
<tr>
<td>Bank premises</td>
<td>11,867,825</td>
<td>11,944,377</td>
</tr>
<tr>
<td>Other assets</td>
<td>44,799,947</td>
<td>37,978,718</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS.</strong></td>
<td><strong>$5,247,027,673</strong></td>
<td><strong>$4,699,848,389</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec. 31, 1974</th>
<th>Dec. 31, 1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Reserve notes in actual circulation</td>
<td>$2,707,174,505</td>
<td>$2,489,009,037</td>
</tr>
<tr>
<td>Deposits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member bank—reserve accounts</td>
<td>1,744,688,075</td>
<td>1,496,414,417</td>
</tr>
<tr>
<td>U.S. Treasurer—general account</td>
<td>105,184,903</td>
<td>129,694,581</td>
</tr>
<tr>
<td>Foreign</td>
<td>15,950,000</td>
<td>14,040,000</td>
</tr>
<tr>
<td>Other</td>
<td>29,973,726</td>
<td>22,187,684</td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td><strong>1,895,796,704</strong></td>
<td><strong>1,662,336,682</strong></td>
</tr>
<tr>
<td>Deferred availability cash items</td>
<td>498,101,362</td>
<td>413,640,867</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>47,636,602</td>
<td>42,629,403</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>5,148,709,173</strong></td>
<td><strong>4,607,615,989</strong></td>
</tr>
</tbody>
</table>

## CAPITAL ACCOUNTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Dec. 31, 1974</th>
<th>Dec. 31, 1973</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital paid in</td>
<td>49,159,250</td>
<td>46,116,200</td>
</tr>
<tr>
<td>Surplus</td>
<td>49,159,250</td>
<td>46,116,200</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL ACCOUNTS</strong></td>
<td><strong>98,318,500</strong></td>
<td><strong>92,232,400</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</strong></td>
<td><strong>$5,247,027,673</strong></td>
<td><strong>$4,699,848,389</strong></td>
</tr>
</tbody>
</table>
# Earnings and Expenses

## CURRENT EARNINGS

| 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**                 | **273,383,868** | **218,958,988** |

## CURRENT EXPENSES

| 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**                                  | **29,550,355** | **27,158,262** |
| Less reimbursement for certain fiscal agency and other expenses | 1,382,209 | 974,748     |
| **NET EXPENSES**                           | **28,168,146** | **26,183,514** |

## PROFIT AND LOSS

| 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**                        | **96,935** | **83,145** |
| 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**                       | **3,873,690** | **4,146,035** |
| **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                       | **$49,159,250** | **$46,116,200** |
# Volume of Operations

Federal Reserve Bank of Dallas  
Head Office and Branches Combined

<table>
<thead>
<tr>
<th></th>
<th>Number of Pieces Handled</th>
<th>Amount Handled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>1,399 1,137</td>
<td>$6,435,710,744</td>
</tr>
<tr>
<td>Currency received and counted</td>
<td>274,046,247 277,868,419</td>
<td>$2,462,883,140</td>
</tr>
<tr>
<td>Coin received and counted</td>
<td>544,944,954 622,166,330</td>
<td>$76,927,884</td>
</tr>
<tr>
<td>Checks handled:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government checks</td>
<td>45,737,654 41,630,765</td>
<td>16,853,950,760</td>
</tr>
<tr>
<td>Postal money orders</td>
<td>11,194,241 11,864,731r</td>
<td>412,317,507</td>
</tr>
<tr>
<td>All other²</td>
<td>649,491,104 620,356,623</td>
<td>240,200,922,222</td>
</tr>
<tr>
<td>Collection items handled:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government coupons paid</td>
<td>240,068 254,388</td>
<td>152,026,335</td>
</tr>
<tr>
<td>All other</td>
<td>492,361 640,930r</td>
<td>359,913,522</td>
</tr>
<tr>
<td>Issues, redemptions, and exchanges of U.S. Government securities</td>
<td>12,523,406 12,211,236</td>
<td>28,694,989,147</td>
</tr>
<tr>
<td>Transfers of funds</td>
<td>868,323 659,510</td>
<td>1,527,020,506,556</td>
</tr>
<tr>
<td>Food stamps redeemed</td>
<td>200,508,178 97,930,841</td>
<td>499,445,468</td>
</tr>
</tbody>
</table>

1 Packaged items handled as a single item are counted as one piece.  
2 Exclusive of checks drawn on the F.R. Banks.  
r—Revised.