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TEXAS BUSINESS REVIEW

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THE BUSINESS SITUATION IN TEXAS

Robert B. Williamson

The economies of Texas and the nation as a whole remain in a state of limbo, between the paradise of a strong recovery without inflation and the perdition of a severe recession with inflation continuing. Economic conditions are not terribly bad, but neither are they very good. Economic growth continues to be erratic and generally below the normal rate of population growth—and below expectations. The promise of improvement, however, still seems as soundly based as ever. Government economic policies are expansive, incomes (although not growing rapidly) are high relative to consumer spending, the homebuilding boom is underway, business inventories are lean and right for substantial accumulation, and the statistical indicators which typically lead a business upturn have signaled that the upturn is coming.

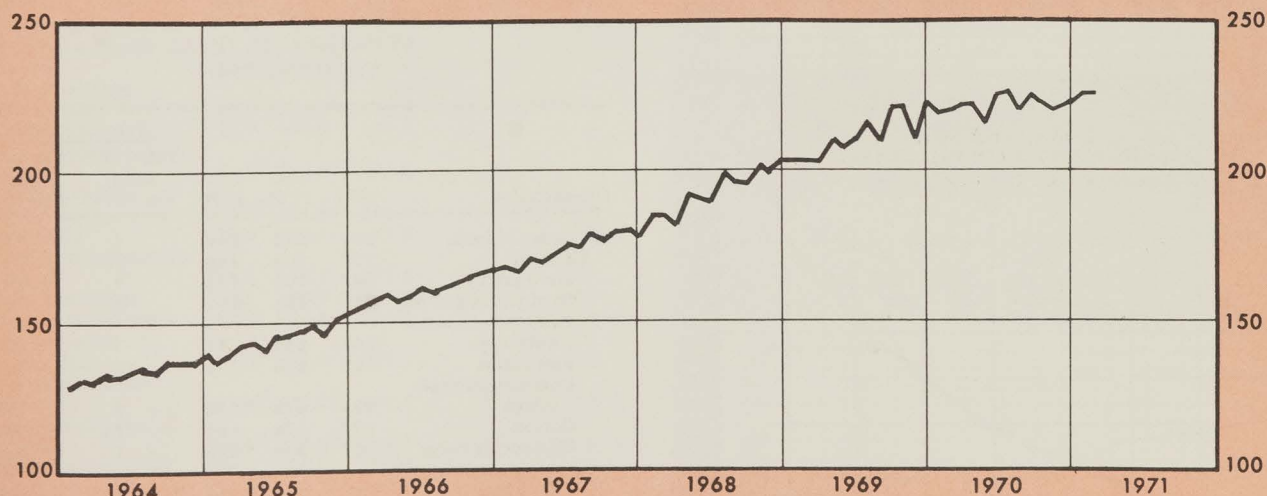
Texas personal income estimates prepared by the Bureau of Business Research, the most comprehensive measure of economic activity available for the state, indicated no essential change from January to February and showed the February level to be only 2 percent higher than that a year earlier. Since this annual growth rate for money incomes was less than the rate of inflation, it consequently represents a loss in real income during the period. The personal-income total for the nation likewise showed a disappointing performance in February, the worst since a

decline in October. Income trends are expected to improve, however, if only because of the recent approval of a 10-percent increase in Social Security benefits. The higher payments, retroactive to January, will begin to appear in June, but an approved increase in Social Security taxes will not take effect until next January.

The nonfarm employment total in Texas during February confirmed the economic lethargy indicated by the personal-income data. The February employment total showed only fractional changes in comparisons with both the previous month and a year earlier. Unemployment levels were substantially higher than a year earlier, but they improved slightly from January. The average unemployment rate for major labor markets in the state decreased from 4.0 percent in January to 3.9 percent in February. A year earlier the rate had been 2.9 percent. The national unemployment rate also improved in February, falling on a seasonally adjusted basis for the second month in a row to 5.8 percent as compared with the recent high of 6.2 percent in December. Unemployment rates among the various labor markets in Texas during February ranged from lows of 2.1 percent in the Austin SMSA and slightly higher rates in the state's largest labor markets of Houston (2.8 percent) and Dallas (3.4 percent), to highs in the southern border areas, which reached over 12 percent in the Laredo SMSA.

ESTIMATED PERSONAL INCOME, TEXAS

Index Adjusted for Seasonal Variation — 1957-1959=100



SOURCE: Quarterly measures of Texas personal income made by the Office of Business Economics, U.S. Department of Commerce. Monthly allocations of quarterly measures, and estimates of most recent months, made by the Bureau of Business Research with regression relationships of time, bank debits, and manufacturing employment.

Inflation, of course, has contributed to feelings of dissatisfaction with the state of the economy. The rate of inflation has been unacceptably high for at least five years now and signs of the expected improvement continue to be conflicting and uncertain. Consumer price indexes have slowed their upward climb recently, but the rise of wholesale prices has accelerated. The national consumer price index in February showed the smallest year-to-year increase in two years and the smallest seasonally adjusted month-to-month increase since last August. Available consumer price indexes for Dallas and Houston show smaller rates of inflation than recorded for the nation as a whole. Over the most recent twelve-month period for which data are available, the year-to-year rates of increase in consumer prices were 3.1 percent in Dallas, 4.3 percent in Houston (as of January), and 4.8 percent for the nation. Wholesale price changes tend to lead changes in consumer prices and, unfortunately, the seasonally adjusted rise in the national wholesale price index accelerated to an 8.4-percent annual rate in February from a 6-percent rate in January. The bright side of this development is the fact that most of the faster increase was in volatile farm prices while the industrial component showed only a slight increase. However, announcements of steel price increases began to spread during March in response to the increase in demand for steel as a hedge against the possibility of a steel strike when labor contracts expire August 1. Should these price hikes be maintained and spread to other steel producers and steel products the result would be a further significant upward pressure on industrial prices in general during the coming months.

Developments in the industrial sector are both a reflection and an important cause of general economic conditions. The growth of industrial production in Texas slowed during 1970, and in the past few months the trend has been very nearly flat. As of February production in the state was only 1 percent higher than a year earlier.

Industrial production throughout the nation has displayed a similar, although somewhat weaker, pattern. National industrial output in February, seasonally adjusted, declined slightly from January production and was about 3 percent below the level of a year earlier. The manufacturing component of Texas industrial production in February was up fractionally from January because of the rise in nondurables manufacturing, but the manufacturing total was down slightly from February 1970 as a year-to-year decline in durables output more than offset a growth in nondurables production. Manufacturing employment in Texas continued to ease downward during February, but the seasonally adjusted average number of hours worked in Texas manufacturing rose about 1 percent in February. Texas manufacturing employment in February was down about 6 percent, or around 46,000 workers, from a year earlier. Most of these February and year-to-year decreases in Texas manufacturing employment can be explained by reductions in the defense-related aircraft and electronics industries, with most of it in the former.

INDEX OF WHOLESALE PRICES, UNITED STATES 1957-1959=100

Classification	Feb ^P 1971	Percent change	
		Feb 1971 from Jan 1971	Feb 1971 from Feb 1970
All commodities	119.7	1	3
Farm products	113.6	5	**
Processed foods and feeds	126.6	1	1
Industrial commodities	119.6	**	4
Manufactured foods	119.9	1	3

^P Preliminary.

** Change is less than one half of 1 percent.

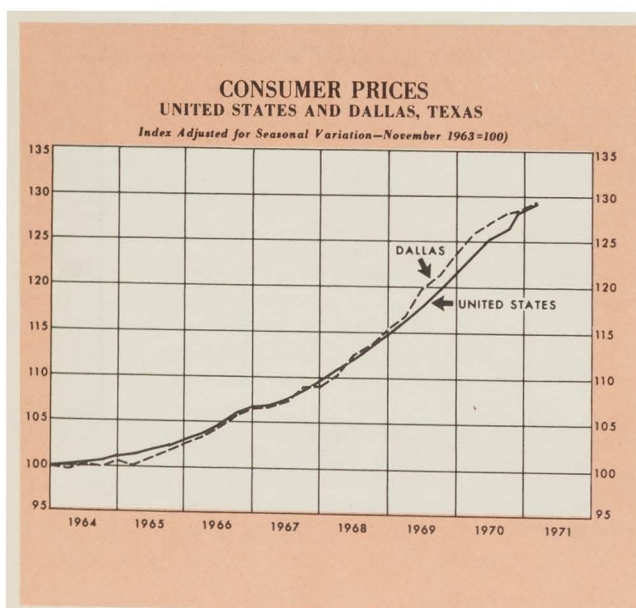
Source: Bureau of Labor Statistics, U.S. Department of Labor

INDEXES OF PRICES RECEIVED BY FARMERS IN TEXAS (1910-1914=100)

Classification	Feb 1971	Jan 1971	Feb 1970	Percent change	
				Feb 1971 from Jan 1971	Feb 1971 from Feb 1970
All farm products	281	272	280	3	**
All crops	206	206	186	**	11
Food grains	198	192	175	3	13
Feed grains and hay	156	151	144	3	8
Potatoes and sweet potatoes	243	250	277	- 3	- 12
Fresh fruit	205	186	212	10	- 3
Commercial vege- tables	484	492	468	- 2	3
Cotton	173	174	154	- 1	12
Oil-bearing crops	305	309	258	- 1	18
Livestock and products	402	381	434	6	- 7
Meat animals	551	507	580	9	- 5
Dairy products	355	360	357	- 1	- 1
Poultry and eggs	178	185	239	- 4	- 26
Wool and mohair	168	168	243	**	- 31

** Change is less than one half of 1 percent.

Source: Statistical Reporting Service, U.S. Department of Agriculture.



A large share of the support for manufacturing production at the national level in recent months has been the result of high rates of steel production in anticipation of a possible steel strike in the summer and of high rates of automobile production to make up production lost during the strike at General Motors last fall. Not much further expansion in steel output can be expected, however, because mills are already producing at close to capacity. Automobile production schedules announced for the three months beginning in April would result in an output 6 percent higher than in the corresponding period of 1970, but the projected output does not appear to represent any seasonally adjusted improvement from current levels. An upswing for defense-related industry in the nation as a whole has been forecast for 1971 and 1972, but it is difficult to see any major upturn in most of the defense-related aerospace operations in Texas.

Oil production has been an important sustaining force for industrial production in Texas for most of the period since early in 1969, but the state's seasonally adjusted levels of crude-oil production and crude-oil runs to stills decreased in February. The Texas oil-production allowables for both March and April were held at the February level of 82.1 percent, but these allowables would indicate a further seasonally adjusted decline in Texas oil production as compared with February output. Some oil experts foresee greater stability in foreign oil supplies and a reduction in

the demand for Texas oil. On the other hand, several industry spokesmen have recently cited continuing uncertainties about foreign supplies as the reason for expecting continued high levels of Texas oil production throughout the remainder of the year.

Texas nonresidential investment trends as measured by permits for nonresidential building weakened in February. The seasonally adjusted index of nonresidential building

SELECTED BAROMETERS OF TEXAS BUSINESS
(Indexes—Adjusted for seasonal variation—1957-1959=100)

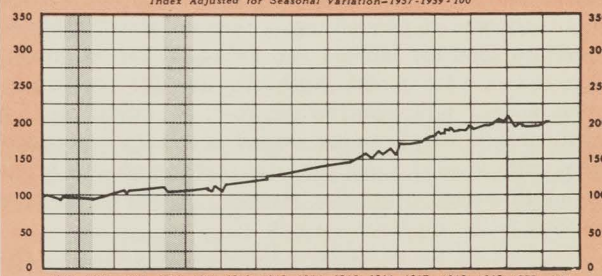
Index	Feb 1971	Jan 1971	Year-to-date average 1971	Percent change	
				Feb 1971 from Jan 1971	Year-to-date average 1971 from 1970
Estimated personal income	225.3 ^P	225.4 ^P	225.4	**	2
Crude-petroleum production	124.4 ^P	127.9 ^P	126.2	- 3	5
Crude-oil runs to stills	138.7	140.9	139.8	- 2	3
Total electric-power use	276.6 ^P	269.0 ^P	272.8	3	6
Industrial electric-power use	250.4 ^P	231.4 ^P	240.9	8	4
Bank debits	323.5	321.4	322.5	1	8
Urban building permits issued	226.6	196.5	211.6	15	29
New residential	215.2	153.2	184.2	40	54
New nonresidential	254.6	266.6	260.6	- 5	14
Total industrial production	181.3 ^P	181.1 ^P	181.2	**	**
Total nonfarm employment	147.8 ^P	147.3 ^P	147.6	**	**
Manufacturing employment	146.9 ^P	147.5 ^P	147.2	**	- 6
Total unemployment	109.2	110.0	109.6	- 1	49
Insured unemployment	96.8	103.2	100.0	- 6	69
Average weekly earnings—manufacturing	155.9 ^P	155.2 ^P	155.6	**	5
Average weekly hours—manufacturing	99.5 ^P	98.8 ^P	99.2	1	**

^P Preliminary.

** Change is less than one half of 1 percent.

INDUSTRIAL PRODUCTION TOTAL MANUFACTURES, TEXAS

Index Adjusted for Seasonal Variation—1957-1959=100



NOTE: Shaded areas indicate periods of decline of total business activity in the United States.
SOURCE: Federal Reserve Bank of Dallas.

INDUSTRIAL PRODUCTION DURABLE MANUFACTURES, TEXAS

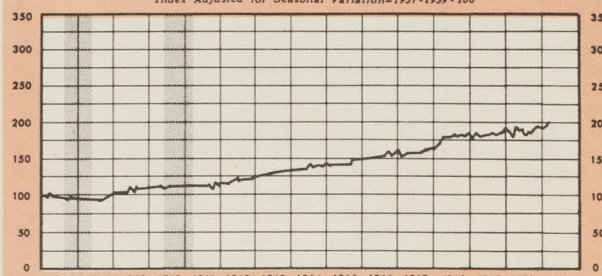
Index Adjusted for Seasonal Variation—1957-1959=100



NOTE: Shaded areas indicate periods of decline of total business activity in the United States.
SOURCE: Federal Reserve Bank of Dallas.

INDUSTRIAL PRODUCTION NONDURABLE MANUFACTURES, TEXAS

Index Adjusted for Seasonal Variation—1957-1959=100



NOTE: Shaded areas indicate periods of decline of total business activity in the United States.
SOURCE: Federal Reserve Bank of Dallas.

authorizations showed a decrease of about 5 percent from both January and the 1970 average. This was consistent with recent and expected national slowdowns in the growth of business expenditures for new plants and equipment. Such spending rose 5.5 percent in 1970, as compared with an increase of 11.5 percent in 1969. The presently projected increase for 1971 is 4.3 percent, with most of the increase expected to represent higher prices. It is generally agreed, however, that this projection, which is based on present business plans, will probably be exceeded if the upturn in business activity occurs as expected.

One sector of the Texas economy that is definitely on an upswing is the homebuilding industry. The seasonally adjusted index of Texas residential building authorizations in February was 40 percent higher than in January, and the two-month total for January and February was 54 percent higher than a year earlier. Authorizations for both single-family homes and apartments rose in February, but apartment authorizations had sagged in January and single-family units showed a much greater year-to-year gain in the two-month period. A similar recovery in homebuilding is underway in the nation as a whole.

The fuel for the recovery in homebuilding has been the general easing of credit conditions. Mortgage interest rates on conventional mortgages for new homes fell again in February for the fourth month in a row to bring the average effective rate down to below 8 percent and to the lowest level since July 1969. During March the bank prime lending rate was cut again, this time by .5 of a percent to 5.25 percent. The nation's monetary authorities have helped to maintain easy credit conditions through expansionary monetary policies, which have contributed to a

rapid 9-percent annual growth rate in the money supply so far this year.

Consumer spending may be finally expanding in the way that had been expected. Although there are no comprehensive current data on consumer spending in Texas, national retail sales showed their third consecutive seasonally adjusted increase in February. To be sure, some of this recent growth was the result of poststrike G.M. automobile sales, but the February gains were general except for furniture and appliance stores. Furthermore, the results of three separate national consumer surveys released in March all pointed to some degree of increase in the future level of consumer spending.

National government policies, in addition to an expansion of the money supply (apparently planned by the Federal Reserve Board for an average annual rate of about 6 percent), include a planned 8-percent increase in federal government expenditures during the present calendar year. And the budgeted increase in expenditures in the fiscal year ending in June 1972 is about the same as that scheduled for the current fiscal year. The federal government will countenance sizable actual deficits (between \$10 billion and \$20 billion on the unified budget basis) in its budgets for the present and coming fiscal years in order to stimulate a recovery in business activity. On the other hand, one aspect of governmental policy is scheduled to have some depressing effects on the Texas economy. This is the announced cutback of employment at military bases in Texas. The principal cutback will be the result of the phasing-out of helicopter pilot training at Fort Wolters, near Mineral Wells. Approximately 2,300 military personnel will be transferred and about 3,000 civilian jobs will be terminated as a result of the closing down of the Fort Wolters operation.

While the recoveries in Texas and national business activity in many respects do not seem to have taken a very firm hold as yet, the prospects for a general economic expansion during 1971 continue to be favorable. The consensus forecast of a gain of approximately 7 percent in money gross national product still seems attainable. In fact, advance estimates based on partial data indicate a first-quarter rise in GNP of about \$25 billion, which is not far from the consensus forecast and well above the increase of only \$4.4 billion in the strike-affected fourth quarter of 1970. This gain plus the moderation of the rise in consumer prices and the fall in the unemployment rate during February are the sorts of developments which, if continued, would turn 1971 into a very satisfactory year indeed.

**BUSINESS-ACTIVITY INDEXES
FOR TWENTY SELECTED TEXAS CITIES**
(Adjusted for seasonal variation—1957-1959=100)

Index	Percent change				
	Feb ^P 1971	Jan ^r 1971	Year-to- date average 1971	Feb 1971 from Jan 1971	Year-to- date average 1971 from 1970
Abilene	148.0	134.3	141.2	10	1
Amarillo	201.9	204.4	203.2	- 1	**
Austin	388.5	357.0	372.8	9	17
Beaumont	193.5	168.6	181.1	15	- 2
Corpus Christi	196.8	183.7	190.3	7	17
Corsicana	178.9	152.8	165.9	17	3
Dallas	330.5	364.1	347.3	- 9	9
El Paso	165.6	162.2	163.9	2	5
Fort Worth	200.7	190.2	195.5	6	8
Galveston	149.9	149.1	149.5	1	7
Houston	297.5	283.7	290.6	5	5
Laredo	295.8	247.8	271.8	19	10
Lubbock	165.1	133.5	149.3	24	5
Port Arthur	130.2	110.6	120.4	18	4
San Angelo	198.3	185.0	191.7	7	9
San Antonio	249.2	219.3	234.3	14	9
Texarkana	229.5	185.3	207.4	24	- 3
Tyler	186.2	166.7	176.5	12	**
Waco	200.1	190.0	195.1	5	- 2
Wichita Falls	148.8	124.0	136.4	20	5

^P Preliminary.

^r Revised.

** Change is less than one half of 1 percent.

TEXAS MOHAIR PRODUCTION, 1967-1969

Year	Goats clipped (1,000 head)	Mohair production (1,000 lbs.)	Price per lb. (cents)	Total value (\$1,000)
1967	3,928	26,335	41	10,797
1968	3,784	25,272	45	11,448
1969	3,046	20,493	66	13,505

Source: Texas Department of Agriculture; U.S. Department of Agriculture.

TEXAS BUSINESS REVIEW



TEXAS IN THE SEVENTIES

14. SAVINGS AND LOAN ASSOCIATIONS-- PAST AND FUTURE

Robert D. Mettlen*

The perils of progress are well illustrated by the recent history of the savings and loan industry in Texas, a chronicle of steady but troubled growth. Within the last decade Texas savings associations have increased their assets and expanded their activities dramatically. Yet twice during the decade, in 1966 and again in 1969, credit "crunches" have challenged the ability of association management to meet the needs of the public and to operate efficiently. Though savings flows have increased markedly during the past several months, and some downward pressure on interest rates has been felt, renewed concern for the future of the industry is appropriate.

Such observations are not to suggest that this financial sector did not experience noticeable growth during the decade of the 1960's. As the accompanying tables and charts will show, assets and savings capital expanded considerably during this time, both for associations nationwide and for those based in Texas. Few, however, would disagree that the events of the 1960's have produced for S & L's a "ball game" considerably different from that enjoyed in the earlier postwar period.

From an asset position nearing \$9 billion in 1945, U.S. savings and loans enjoyed a continuous, if not always uniform, increase in assets each year thereafter to a current level in excess of \$170 billion. At the same time, at least until the mid-1960's, these institutions progressively improved their position as specialized mortgage lenders.

Of the total outstanding mortgage indebtedness on one-to four-family nonfarm homes in the United States during the period, the share held by S & L's grew from approximately 29 percent in the early postwar years to over 44 percent in 1965. That general level has been maintained in subsequent years.

A superficial observation of these facts might suggest that, whereas savings associations have admittedly had a more difficult time lately, these intermediaries have continued to enjoy some growth. Increased attention, however, must be paid to the substantial changes that have taken place in this industry in the recent past.

*Assistant professor of finance and assistant to the president, The University of Texas at Austin. The author wishes to thank Mr. Thomas A. Bailey for his assistance in the preparation of this article.

The remarkable growth rates experienced by S & L's prior to the 1960's can be attributed to a number of factors. Throughout the period they enjoyed a persistent interest-rate advantage over other financial institutions. This advantage, in turn, rested upon such circumstances as a consistently upward-sloping yield curve (that is, short-term interest rates were noticeably below longer-term interest rates); relatively light tax burdens; and, with particular respect to commercial banks, less restrictive liquidity and capital requirements plus a usually beneficial set of interest-rate ceilings on commercial-bank time and savings deposits.

In varying degrees many of these bases of earlier growth eroded during the 1960's. While a thorough analytical treatment of these developments is not possible in this article, some broad observations may be helpful. First, the sleeping giant of prior years, the commercial banks, finally became totally and aggressively awake as the 1960's unfolded. Their exploitation of the negotiable certificate of deposit in the context of higher time- and savings-deposit rate ceilings imposed a new competitive environment upon the entire financial system.

More far-reaching, however, was the type of economic stabilization policies that was followed in the decade. It has

Table 1
SAVINGS CAPITAL, MORTGAGE LOANS OUTSTANDING,
AND TOTAL ASSETS OF ALL INSURED, FHLB-MEMBER
SAVINGS AND LOAN ASSOCIATIONS IN TEXAS, 1960-1970
(End of year; amounts in millions of \$)

	Savings capital	Mortgage loans outstanding	Total assets
1960	2,237	2,082	2,511
1961	2,646	2,469	2,991
1962	3,049	2,957	3,533
1963	3,594	3,512	4,190
1964	4,145	4,066	4,797
1965	4,632	4,523	5,349
1966	4,897	4,840	5,694
1967	5,402	5,182	6,172
1968	5,712	5,599	6,599
1969	5,893	6,036	7,058
1970	(6,337)	(6,477)	(7,705)

Source: Federal Home Loan Bank of Little Rock; data for 1970 do not include some nonreporting institutions and are thus not strictly comparable with reported figures for earlier years.

long been recognized, even if not totally understood, that restrictive monetary policies affect the housing sector to a greater degree than most other spending sectors of the economy. Indeed, the countercyclical behavior of residential construction has been viewed with some favor in the postwar era. Though the parallelism should not be carried too far, it is true that the 1960's, as the 1970's, started with business conditions at unsatisfying levels. As the stabilization-growth strategy unfolded from 1961 to 1966, it became clear that fiscal policy was to pursue an expansionary course, with reliance on shifts to tighter monetary policies whenever some dampening was needed. This emerging strategy was accompanied in its initial stages by operations designed to bolster short-term interest rates for balance-of-payments purposes and to hold down longer-term rates in the interests of domestic expansion. Such policies, of course, could not avoid doing some damage to those institutions that had gone to the greatest lengths in borrowing short and lending long—the S & L's.

Regardless of political persuasion, one must take some pleasure in the fact that the decade of the 1960's was the longest period of sustained economic expansion that this country has known. Our attention has been directed in the last several years to some of the major pains accompanying that growth—noticeably those associated with inflation and less-than-optimal resource allocation. The predicaments encountered by savings associations in these years is a reflection of these broader troubles. For example, who does not know of the lengthy deterioration of conditions in the housing industry and the mortgage market—S & L's investment bread and butter?(For some recent developments in this sphere please see Graham Blackstock's "Texas Construction: Financing the Single-Family Home," *Texas Business Review*, January 1971, pp. 9-11.)

Correspondingly, what was once a relatively simple financial institution (narrow investment specialization and a single primary source of funds) has become much more complicated. It now takes more than a mere few minutes for an association's managing officer to describe all the possible savings plans he can offer, plans which, since 1966, have been subject to various interest-rate ceilings.

On the asset side of an association's balance sheet fewer changes in the institution's historic investment function can

be detected, but these commitments of funds are now made in a more complex environment. Variable rate features are being attached increasingly to the mortgage instrument, a development reflective of the S & L need to deal effectively with periods of rapidly and widely changing interest rates. Additionally, it has recently been reported that the Nixon Administration provided funds to the mortgage market equivalent to 58 percent of all such loans made during the last fiscal year. The devices employed were legion but some of the more major institutional developments may be appropriately noted: Fanny Mae, long a public agency with primary interests in nonconventional mortgages, is now officially private and developing an appetite for conventional mortgages; new institutions like Ginny Mae and the Federal Home Loan Mortgage Corporation have appeared on the scene; and the Federal Home Loan Banks (and Board) have modernized their credit policies so that a consistently expanding flow of funds through S & L's has begun, and hopefully will continue. These changes in FHLBB policies, long over-due, represent one of the most encouraging developments within the regulatory framework of the savings associations, even though it must be admitted that the obligations sold by the FHL Banks to gain funds are sometimes purchased by those who make withdrawals from the very same institutions the FHLB System is set up to help.

Texas associations have not been immune to these developments affecting the industry nationally. Charts A and B show similar rates of growth for both the state and the nation in total assets and in savings. The combined month-end statements of all Texas insured S & L's show that on thirteen occasions from 1962 through 1969 they ended the month with a smaller volume of savings capital

Table 2
NUMBER OF FS LIC-INSURED SAVINGS AND LOAN
ASSOCIATIONS OPERATING IN TEXAS, 1959-1969

Year	Number S & L's
1969	268
1968	266
1967	267
1966	267
1965	266
1964	261
1963	255
1962	247
1961	238
1960	231
1959	216

Source: Federal Home Loan Bank of Little Rock.

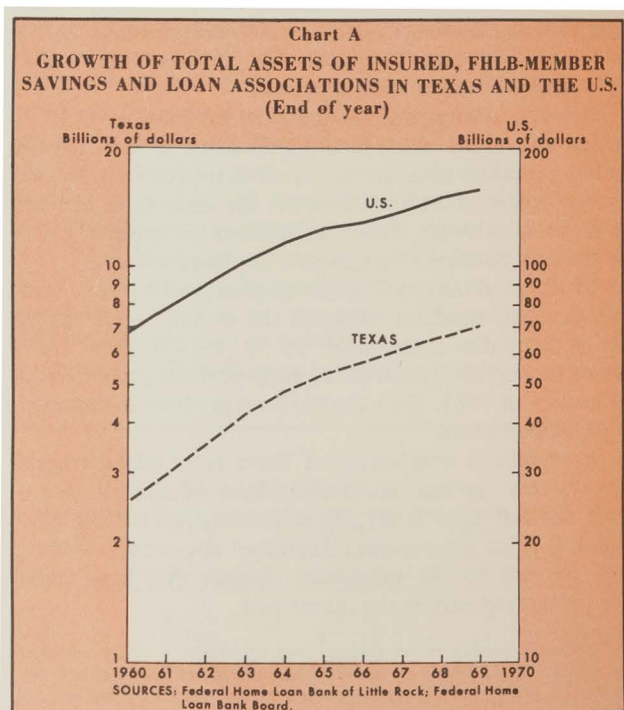


Table 3
STRUCTURAL CHARACTERISTICS OF TEXAS
SAVINGS AND LOAN ASSOCIATIONS
December 31, 1969

Type of charter	Insured associations			Uninsured associations			Total		
	Assoc.	Branches	Total	Assoc.	Branches	Total	Assoc.	Branches	Assoc. & Br.
State	188	174	362	8	0	8	196	174	370
Federal	80	35	115	0	0	0	80	35	115
Total	268	209	477	8	0	8	276	209	485

Source: Federal Home Loan Bank of Little Rock *Membership Directory*; Forty-first *Annual Report of Savings and Loan Association*, Texas Savings and Loan Department. There was a discrepancy between these two sources with respect to the insured status of two associations and to the number of branches operated by state-chartered institutions.

Note: These data exclude six branches operated by an association chartered in another state and sixteen branches approved for operation by state-chartered associations but not open as of December 31, 1969. All insured, state-chartered associations are FHLB-System members.

then they had at the beginning. The increased sensitivity of savers to alternative rates of return is revealed by the fact that each of these occasions immediately follows a quarterly-dividend payment period. Specifically, they were:

January—1968, 1969

April—1966, 1968, 1969

July—1962, 1963, 1965, 1966, 1968, 1969

October—1966, 1969

These data will not surprise savings-association officers, who can easily assert that the above facts understate the volatility of new savings flows. To a degree gross savings balances have a built-in, stable growth factor based on the somewhat "captive" dividend credit.

Table 4
CHARTER CHARACTERISTICS OF FSLIC-INSURED SAVINGS
AND LOAN ASSOCIATIONS IN TEXAS, 1965-1969

	Mutual associations		Permanent-stock associations	Total
	Federal charters	State charters	State charters	
1969	80	26	162	268
1968	84	22	160	266
1967	86	21	160	267
1966	87	21	159	267
1965	87	21	158	266

Sources: Annual Reports of the Texas Savings and Loan Department; Federal Home Loan Bank of Little Rock.

Tables 2, 3, and 4 suggest some of the main features of the structure of the industry in Texas. The number of associations operating in the state has not grown appreciably since the mid-1960's. Most of the growth in the number of S & L offices in Texas has come from the establishment of branch outlets, which are characteristic of this sector but, not without irony, are not permitted in commercial banking. The growth in branching continued through 1970. The Office of the Texas Savings and Loan Commission has reported that approvals were given in 1970 for 37 new branches to be opened by state-chartered associations.

A similarity to commercial banking in the savings and loan industry is the "dual" chartering system. Since 1933 federal charters have been granted by the Federal Home Loan Bank Board. All such associations must be organized as mutual institutions and must be insured by the FSLIC. States may grant charters either to mutual or permanent-stock associations. A categorization of Texas S & L's by type of charter is provided in Table 4. At the end of 1969, 736 permanent-stock associations were operating in the United States; 168 of these, the largest number in any single state, were Texas associations. Their combined size, however, fell far short of the total assets of permanent-stock associations in California, a state where the uses of the permanent-stock organizational device, aggressive branching, and the holding-company vehicle have been fostered most generally.

Additional structural characteristics of the Texas S & L industry are revealed in the size distributions found in

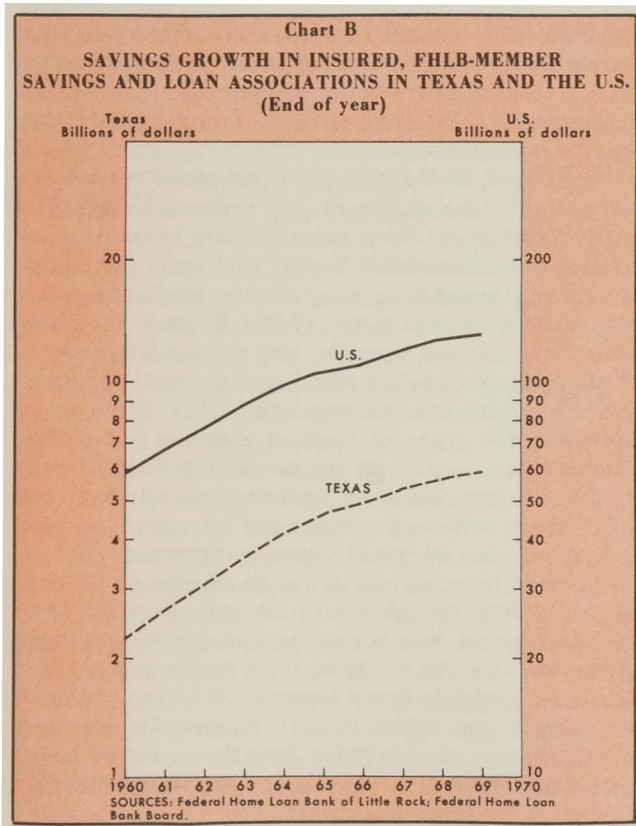


Table 5
COMPARATIVE DISTRIBUTION OF SAVINGS ASSOCIATIONS
BY ASSET SIZE, NUMBER, AND TYPE OF CHARTER
TEXAS AND THE UNITED STATES
December 31, 1969

Asset size (millions of \$)	TEXAS						USA	
	State-chartered S & L's		Federal S & L's		Total		Number of associations	Total assets (\$'000,000)
	Number of associations	Total assets (\$'000)	Number of associations	Total assets (\$'000)	Number of associations	Total assets (\$'000)		
Under 1	1	579	0	—	1	579	855	425
1 to 5	16	44,009	12	43,159	28	87,168	1,114	3,874
5 to 10	49	364,091	17	122,321	66	486,412	1,021	8,158
10 to 25	79	1,257,818	26	426,911	105	1,684,730	1,497	24,806
25 to 50	33	1,146,004	13	414,556	46	1,560,560	730	25,945
50 to 100	13	899,531	10	712,980	23	1,612,511	396	27,747
100 to 150	1	102,748	—	—	1	102,748	113	13,783
150 to 200	1	198,418	1	153,484	2	351,902	57	9,937
200 to 300	2	494,779	—	—	2	494,779	59	13,968
300 and over	1	350,024	1	365,627	2	715,651	56	33,519
TOTALS	196	4,858,001	80	2,239,038	276	7,097,040	5,898	162,162

Sources: *Savings and Loan Fact Book, 1970*; Federal Home Loan Bank of Little Rock; *Forty-first Annual Report of Savings and Loan Associations*, Texas Savings and Loan Department.

Table 6
COMPARATIVE PERCENTAGE DISTRIBUTION OF SAVINGS
ASSOCIATIONS BY ASSET SIZE AND NUMBER
TEXAS AND THE UNITED STATES
December 31, 1969

Asset size (millions of \$)	Percentage distribution by number of associations		Percentage distribution by total assets	
	Texas	USA	Texas	USA
Under 1	0.4	14.5	*	0.3
1 to 5	10.1	18.9	1.2	2.4
5 to 10	23.9	17.3	6.9	5.0
10 to 25	38.0	25.4	23.7	15.3
25 to 50	16.7	12.4	22.0	16.0
50 to 100	8.3	6.7	22.7	17.1
100 to 150	0.4	1.9	1.5	8.5
150 to 400	0.7	1.0	5.0	6.1
200 to 300	0.7	1.0	7.0	8.6
300 and over	0.7	0.9	10.1	20.7
TOTALS**	100	100	100	100

* The value is insignificant.

** Because of rounding totals do not always sum to 100.

Sources: *Savings and Loan Fact Book, 1970*; Federal Home Loan Bank of Little Rock; *Forty-first Annual Report of Savings and Loan Associations*, Texas Savings and Loan Department.

Tables 5 and 6. These data suggest that the industry in the state is not unduly concentrated at either end of the size spectrum. At the end of 1969 two associations held over 10 percent of the total assets of all S & L's in the state; the seven largest controlled 23.6 percent. A comparison with national averages, however, indicates no cause for concern about excessive concentration. Even more satisfying to the observer interested in scale economies is the relative absence of small-sized associations in Texas.

Several factors indicate that Texas S & L's have adopted policies producing a suitable mix of concern for financial

safety and aggressive responsiveness to their customers' needs. At the close of 1969, 1,460 uninsured savings institutions were operating in the United States; only 8 of these were in Texas. Yet in comparison with all other associations in the Little Rock Federal Home Loan Bank District (No. 9), which serves this state, at no time from the beginning of 1961 through 1970 did Texas insured S & L's combined have a ratio of liquid assets to savings capital greater than the District average. Correspondingly, since mid-1966 (the earliest time at which these data were available) all Texas insured associations together had at the end of each month a ratio of borrowed funds (FHLB advances plus other borrowings) to savings capital higher than the District average.

In no sense should these few observations be taken as a full picture of the quality of past performance by Texas savings institutions. They are suggestive, however, of an industry that is reasonably healthy and potentially capable of meeting the problems, many of them familiar ones, that will inevitably emerge in the 1970's. Those at the higher levels in the industry know full well that the future success of savings institutions is a function of the right *number* of people who are *able* to save and *willing* to do so by purchasing the types of financial claims S & L's offer, combined with a sufficient volume of those financial assets in which the association can legally and willingly invest and from which sufficient returns can be earned to build reserves and cover adequately all current expenses.

None of these ingredients can be counted on certainly for the 1970's. Though population projections for Texas indicate a growth rate not unlike that experienced in the 1960's, the financial habits of these people will not lend themselves to tightly drawn forecasts. The extent to which the industry can insure its own progress by innovative management and by obtaining from the regulatory bodies more flexibility both in securing and in investing funds is a question to be answered in the future.

TEXAS BUSINESS REVIEW

TEXAS CONSTRUCTION

HOUSING A PROP FOR THE ECONOMY?

Graham Blackstock

Data for construction in Texas during February 1971 validate, this far at least, the generally accepted prediction that a housing boom, perhaps the most massive in recent years, will be an important factor in strengthening the whole national economy during 1971.

February was a good month for total Texas construction, which gained 12 percent over January in value of building permits issued in urban areas. The entire increase, however, was carried by residential permits, which with their 41-percent gain over January permits in this segment were able to overcome creditably the 12-percent loss from January in nonresidential urban permits. Year-to-date comparisons, too, indicate that residential construction is much more vigorous than nonresidential building. The total value of January-February permits for 1971 was 30 percent greater than the comparable value for 1970, with residential construction contributing heavily to the gain through a 54-percent increase, and nonresidential construction contributing much less significantly through a much smaller 14-percent increase.

In the residential segment of the Texas building industry the February 1971 value of one-family homes increased 23 percent over the January 1971 value, and the two-month year-to-date value increased 76 percent over the corresponding 1970 value. February permits for multiple-family units gained in value over January 1971 permits by 70 percent, with most of the increase attributable to apartment permits, which jumped 95 percent over the January 1971 value, while two-family (-27 percent) and three- and four-family (-35 percent) dwellings lost.

February construction in Texas SMSA's followed the booming trend with a 60-percent increase in the total 1971 year-to-date number of permits for single-family homes over 1970 permits, a 212-percent increase in permits for two-family units, and a 61-percent increase in permits for apartment units. Permits in urban areas outside SMSA's gained in the value (51 percent) and the number (44 percent) of permits issued for single-family homes and in the value (266 percent) and the number (331 percent) of permits for two-family units, but only in the number (21 percent) of apartment units. Surprisingly, the value of permits for apartment construction outside SMSA's dropped in almost the same degree (-22 percent). This contrast with total and with SMSA growth in apartments suggests two facts relative to apartments in the smaller urban areas: apartment units are more popular in more densely populated areas, and apartment complexes in metropolitan areas tend to be more luxurious than in smaller urban locations. Even in metropolitan areas, however, and even in these times of increasing construction costs, the total year-to-date SMSA data indicate that values of apartments are increasing over 1970 values (35 percent) much more slowly than the number of apartment units (61 APRIL 1971

percent), thus emphasizing, even in the apartment segment, the trend of residential construction toward economy.

The housing boom, apparent in the offing, is seen by many observers, including HUD Secretary Romney and President Nixon, as "the economic and political key to 1971 and 1972," as the steadying prop to our wobbling economy.

The basis for this prop is a newly forming market, low- and middle-income families, who have been unable to buy a home during the period of scarce money, high interest, and escalating costs of labor, materials, land, and taxes, but who now, thanks to some changed conditions, are emerging as more than merely potential homeowners. Another segment of this new construction market consists of apartment builders who during the past two years have elected not to build rather than meet the exorbitant demands of insurance companies for equity and a share of income in exchange for capital.

ESTIMATED VALUES OF BUILDING AUTHORIZED IN TEXAS*

Classification	Feb 1971 (thousands of dollars)	Jan-Feb 1971 (thousands of dollars)	Percent change	
			Feb 1971 from Jan 1971	Jan-Feb 1971 from Jan-Feb 1970
ALL PERMITS	225,238	425,465	12	30
New construction	206,418	386,902	14	33
Residential				
(housekeeping)	126,318	216,201	41	54
One-family dwellings	70,267	127,193	23	76
Multiple-family dwellings	56,051	89,008	70	30
Nonresidential buildings	80,100	170,701	- 12	14
Hotels, motels, and tourist courts	15,816	16,382	2,694	407
Amusement buildings	849	11,934	- 92	361
Churches	3,277	6,965	- 11	43
Industrial buildings	7,840	13,101	49	- 39
Garages (commercial and private)	2,324	5,698	- 31	206
Service stations	1,473	3,352	- 22	7
Hospitals and institutions	2,124	7,686	- 62	3
Office-bank buildings	16,564	28,231	42	- 41
Works and utilities	5,893	7,164	364	- 33
Educational buildings	4,612	29,070	- 81	44
Stores and mercantile buildings	16,648	33,285	**	53
Other buildings and structures	2,680	7,833	- 48	48
Additions, alterations, and repairs	18,820	38,563	- 5	4
SMSA vs. NON-SMSA				
Total SMSA†	204,690	382,724	15	35
Central cities	149,423	264,269	30	26
Outside central cities	55,267	118,455	- 13	61
Total non-SMSA	20,549	42,742	- 7	- 4
10,000 to 50,000 population	10,354	19,563	12	- 4
Less than 10,000 population	10,195	23,179	- 21	- 5

* Only buildings for which permits were issued within the incorporated area of a city are included.

** Change is less than one half of 1 percent.

† Standard metropolitan statistical area as defined in 1960 Census and revised in 1968.

Source: Bureau of Business Research in cooperation with the Bureau of the Census, U.S. Department of Commerce.

The predicted boom is based on favorable changes in two of the deterrents to building: reductions in high interest rates and increases in the availability of mortgage capital. With the softening of these two major deterrents to homebuilding, economic analysts see a new situation, highly favorable to the production of housing for families with limited income, in spite of the persistence of the third obstacle, continuing escalation of the costs of construction.

This third deterrent is still highly influential on the housing market, operating to decrease the number of more expensive units sold (many higher-cost homes are selling below original cost) and to increase sales of smaller houses with fewer frills to families of lower income—to slide the market lower on the buyer economic scale. In the face of ever-rising labor and materials costs these families, whose need for housing is urgent, are ready to settle for less house.

The general effect of inflation on Texas housing—through high interest, scarce money, and increasing costs of construction—is interestingly exemplified in an analysis of the values of permits issued from 1960 through 1970. Except for the money-crisis year of 1966 the general trend in the number of permits issued for housing units was upward through 1968, after which the effects of inflation became markedly restrictive, and the number of units authorized began to drop. Almost without exception, however, as inflation became rampant the average unit

value of permits increased from year to year. Looking at these values, an analyst might assume that growing affluence was expressing itself in finer homes—until he remembers the shrinking value of the dollar. An adjustment of these permit values to show changes in the value of the dollar reveals that in real terms homes were becoming smaller and/or less luxurious. The average single-family home that in 1970 cost \$15,567 was worth only \$10,309 in 1959 dollars, and was a lesser house by \$1,033 than the average home authorized ten years earlier. The same thing was happening in two-family and apartment dwelling units. More and more money was required for less and less home.

The families ready to settle for less house are large in number, and their demand for low-cost housing promises to revolutionize the market. The “sleeper” market of less affluent families is now the hope of the industry, at least for the short run.

Lower-cost mortgages (interest down to 7-8 percent from 8.5-9 percent), with resulting lower monthly payments, combined with more abundant mortgage money from increased personal savings, have resulted in an improved psychology, a growing mood of optimism among builders, money lenders, and real-estate men—and among homebuyers. The near-consensus among economic analysts and housing experts, including those who represent the National Association of Homebuilders, is that national

ONE-FAMILY, TWO-FAMILY, AND APARTMENT-BUILDING DWELLING UNITS AUTHORIZED
IN STANDARD METROPOLITAN STATISTICAL AREAS, FEBRUARY 1971[†]
(Values in thousands of dollars)

Standard metropolitan statistical area	One-family dwelling units						Two-family dwelling units						Apartment-building dwelling units					
				Percent change						Percent change						Percent change		
				Jan-Feb 1971 from Jan-Feb 1970						Jan-Feb 1971 from Jan-Feb 1970						Jan-Feb 1971 from Jan-Feb 1970		
	Feb 1971		Jan-Feb 1971	Feb 1971		Jan-Feb 1971	Feb 1971		Jan-Feb 1971	Feb 1971		Jan-Feb 1971	Feb 1971		Jan-Feb 1971	Feb 1971		Jan-Feb 1971
	Value	No. of units	Value	No. of units	Value	No. of units	Value	No. of units	Value	No. of units	Value	No. of units	Value	No. of units	Value	No. of units	Value	No. of units
Abilene	145	7	311	14	127	180	0	0	0	0			0	0	0	0		
Amarillo	720	27	1300	47	101	96	0	0	0	0			3460	214	3460	214	3360	970
Austin	4457	222	7706	376	70	83	979	72	1534	112	656	600	4003	472	4690	569	57	112
Beaumont-Port Arthur- Orange	972	56	1585	93	123	107	0	0	17	2	- 58	- 50	1580	208	1647	216	...	...
Brownsville-Harlingen- San Benito	249	28	569	61	90	33	0	0	0	0			0	0	0	0	-100	-100
Corpus Christi	2267	114	3324	229	141	96	8	2	162	22	98	120	0	0	125	20	- 84	- 78
Dallas	18555	1263	33808	2279	57	61	560	40	1197	84	247	133	8753	1460	19586	3241	7	30
El Paso	3013	176	6006	360	45	19	43	4	123	12	1431	500	3183	342	4565	517	455	307
Fort Worth	8340	445	14159	786	99	77	118	14	409	40	- 5	11	5702	754	8593	1041	41	37
Galveston-Texas City	640	31	972	49	135	58	0	0	0	0			22	5	1017	157	4985	3825
Houston	8365	410	14730	743	55	43	348	32	1086	82			18480	2489	28386	3747	41	101
Laredo	120	12	591	54	121	86	0	0	0	0			0	0	763	128		
Lubbock	1486	57	2688	106	167	121	175	14	238	18			435	50	820	92	91	104
McAllen-Pharr-Edinburg ..	728	57	1678	98	210	58	26	4	127	12	747	200	38	4	112	22		
Midland	550	20	725	27	356	350	0	0	0	0			0	0	0	0		
Odessa	198	8	326	16	10	60	25	2	63	6			0	0	0	0		
San Angelo	613	26	878	47	153	57	0	0	0	0			1122	184	1122	184	214	372
San Antonio	2763	233	6615	644	53	40	80	16	80	16	- 52	- 33	106	40	131	44	- 90	- 84
Sherman-Denison	660	35	1607	101	142	159	45	4	45	4			0	0	225	44	- 92	- 82
Texarkana	139	11	336	34	31	42	0	0	0	0			0	0	0	0		
Tyler	553	27	1020	52	64	73	15	2	55	4	120	100	45	6	45	6	- 44	- 33
Waco	481	22	980	45	51	73	215	14	215	14	258	250	0	0	0	0	-100	-100
Wichita Falls	317	20	584	41	53	58	38	2	38	2			0	0	0	0		
Total SMSA's	56328	3307	102495	6302	71	60	2674	222	5388	430	292	212	46929	6228	7528	10242	35	61
Outside SMSA's	7674	473	15188	953	51	44	113	16	1102	138	266	331	2575	341	3558	500	- 22	21
State total	64002	3780	117683	7255	68	58	2787	238	6490	568	288	234	49504	6569	78845	10742	31	59

[†]Metropolitan areas are listed in accordance with 1968 Bureau of the Census definition. This table includes only the cities reporting in metropolitan areas.

**VALUES OF HOUSING PERMITS ISSUED
TEXAS, 1960-1970**

Year	One-family units			Two-family units			Apartment units		
	Number of units authorized	Average unit value	Unit value adjusted for price changes*	Number of units authorized	Average unit value	Unit value adjusted for price changes*	Number of units authorized	Average unit value	Unit value adjusted for price changes*
1960	47,040	\$ 11,569	\$ 11,342	989	\$ 6,148	\$ 6,027	7,109	\$ 4,984	\$ 4,886
1961	49,581	11,803	11,349	1,066	7,715	7,418	13,390	5,978	5,748
1962	47,075	12,471	11,655	1,250	6,815	6,369	32,986	5,695	5,322
1963	42,010	13,288	12,191	1,809	7,481	6,863	39,213	6,114	5,609
1964	40,931	13,776	12,300	1,982	7,471	6,671	32,829	6,384	5,700
1965	38,370	14,522	12,519	2,159	7,831	6,751	21,233	6,510	5,612
1966	30,794	15,413	12,738	1,376	8,781	7,257	20,970	6,513	5,383
1967	35,368	15,785	12,628	2,062	9,808	7,846	34,699	6,615	5,292
1968	35,429	16,339	12,473	2,080	10,564	8,064	60,119	6,862	5,238
1969	30,066	16,723	11,777	1,620	11,385	8,018	58,439	7,220	5,085
1970	33,832	15,567	10,309	1,832	11,224	7,433	54,814	8,018	5,310

* Bureau of Business Research data adjusted for changes in construction costs on the basis of Department of Commerce composite cost indexes (1957-1959=100).

housing starts will reach 1.8 million in 1971, from fewer than 1.5 million in 1970. Administration spokesmen more optimistically predict a 1971 total of 2 million, the equal of 1950's all-time record.

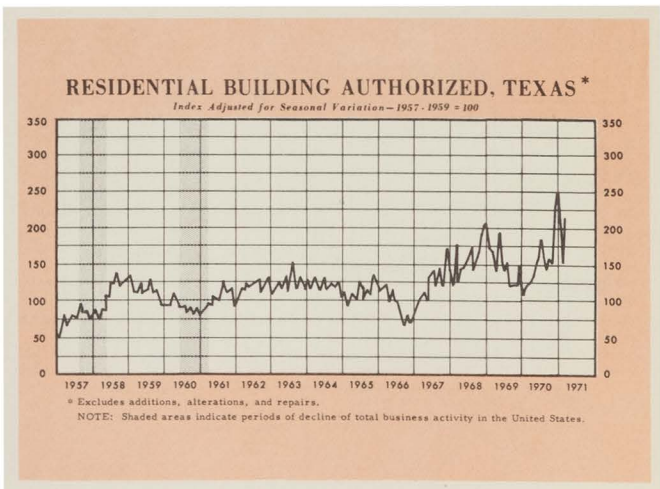
Most of these sales will be in lower price ranges, if present indicators and the logic of the situation can be trusted for prediction. Already sales of lower-price homes are brisk throughout the country. A Dallas homebuilding firm notes a drastic change in the attitude of potential homebuyers in Texas since interest rates began going down, and predicts a 35-percent increase in its sales for 1971, mostly in the modest \$20,000-\$25,000 range. The trend to smaller, less luxurious homes was clearly evident last December, when the median price, unadjusted for inflation, dropped to \$22,300, a decline of \$2,800 from the year-earlier December 1969 median of \$25,100. The median price tag had grown with inflation in 1967, when the December value was \$22,200, an increase of \$600 over the December 1966 median cost of a home, and increased to \$26,500 in December 1968, after which the decline began.

A very important factor in this trend to lower-cost homes and in the emergence of the new lower-income "sleeper" market is federal subsidized housing, which helps to make buyers out of families formerly forced out of the housing market by high interest and scarcity of mortgage money. The various subsidization programs instituted by the National Housing Act of 1968 and the Housing and Urbanization Act of 1970, by making mortgage money available at lower interest rates, allow many more families to qualify for home purchases.

Builders generally prefer conventional financing, because of its relative freedom from red tape, its larger profit offering, and its lack of other restrictions, but during 1970 they had little choice, and they began to sell a market they had largely overlooked heretofore—a new market created in a perfect time of tight money by new government policy, and served mainly through three government programs. The Turnkey I program of the Department of Housing and Urban Development provided for 80,000 starts in 1970, more than twice the annual rate of production by government housing programs for the past thirty years, and

at a 15-percent decrease of cost under its new system of specifications for bids. Section 235 of FHA, which provided for over 8,500 single-family starts in 1969, fostered about 60,000 starts in 1970. Section 236 of FHA, which provided for about 8,200 apartment units in 1969, stimulated production of about 100,000 units in 1970. Subsidized units totaled in 1970 about 25 percent of all housing starts. If the federal government is firmly committed to supply its housing programs sufficient money to gradually relieve the shortage in low-income housing, this segment of the industry could develop a big and stable market, much less vulnerable to the fluctuations of money supply and interest rates. HUD sees for the seventies an annual rate of 600,000 units of federally subsidized housing.

Texas, of course, shares in the benefits of these federal programs, but Texans aren't relying on federal subsidies alone to bolster Texas housing, which spokesmen for the Texas Urban Development Commission consider "one of the strongest props for the economy in 1971." In recent recommendations to the Governor's Office and to the Legislature the Commission defined housing as a "major urban problem," stressing the urgency of the need to stimulate low-cost housing and the rehabilitation of sub-standard homes, urged encouragement of industrialized



housing, and warned of the need to regulate factory-built homes, including mobile homes, through a state code of standards.

With higher-priced housing in the doldrums, with a huge backlog need for low-cost housing, with a growing reservoir of conventional funds, with interest rates dropping, and with massive injections of federal subsidies into the housing industry, economists see the production of low-cost housing as exactly the shot-in-the-arm needed by the economy.

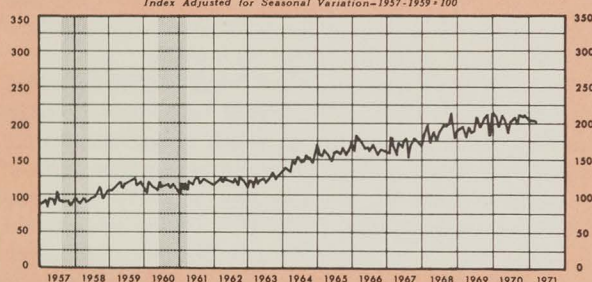
This new low-income market could be a boon to homebuilders and the economy generally for an indefinite period—if certain rather sizable *if's* don't develop into real obstacles. If Congress and the Administration should withdraw support from the 1968 commitment as expenditures mount for accumulating subsidies each year; if builders should return to conventional loans when money loosens, or should rebel at the restrictions on selling prices and profit margins; if the bureaucrats should hamper procedures with a tangle of red tape after the first big scandal breaks; if communities should fail to support

subsidized housing, particularly in urban ghettos; if the flow of savings should be interrupted; if money should become tighter and interest rates higher; if the status of savings and loan associations should be converted to that of commercial banks (which give no priority to mortgage loans), a change currently advocated by influential voices, including the commercial banks and the Federal Reserve System; if Regulation Q should be rescinded, in order to raise the ceilings imposed on loans by commercial banks; if unemployment among middle-income workers should increase, thus reducing the size of the new sleeper market for housing; if wage inflation and materials costs should continue their rapid upward spiral; if economic recovery should be slower than many hope; if renewed inflation should result from the efforts to stimulate the economy—any one of these possibilities, or any combination, if sufficiently pronounced, could spoil the prospects for a thriving homebuilding industry, and could foil the hopes of recovery through the spreading influence of a housing boom.

BUSINESS-ACTIVITY INDEXES FOR TWENTY TEXAS CITIES

AMARILLO BUSINESS ACTIVITY

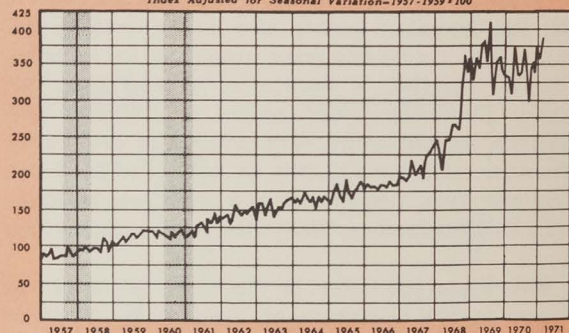
Index Adjusted for Seasonal Variation—1957-1959=100



NOTE: Shaded areas indicate periods of decline of total business activity in the United States.
SOURCE: Based on bank debits reported by the Federal Reserve Bank of Dallas and adjusted for seasonal variation and changes in the price level by the Bureau of Business Research.
FROM: Bureau of Business Research, The University of Texas at Austin.

AUSTIN BUSINESS ACTIVITY

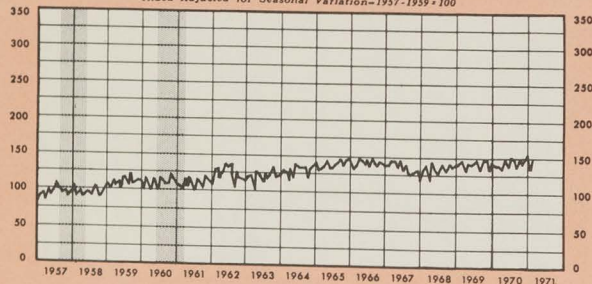
Index Adjusted for Seasonal Variation—1957-1959=100



NOTE: Shaded areas indicate periods of decline of total business activity in the United States.
SOURCE: Based on bank debits reported by the Federal Reserve Bank of Dallas and adjusted for seasonal variation and changes in the price level by the Bureau of Business Research.
FROM: Bureau of Business Research, The University of Texas at Austin.

ABILENE BUSINESS ACTIVITY

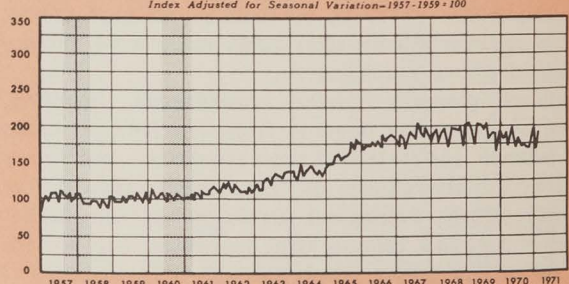
Index Adjusted for Seasonal Variation—1957-1959=100



NOTE: Shaded areas indicate periods of decline of total business activity in the United States.
SOURCE: Based on bank debits reported by the Federal Reserve Bank of Dallas and adjusted for seasonal variation and changes in the price level by the Bureau of Business Research.
FROM: Bureau of Business Research, The University of Texas at Austin.

BEAUMONT BUSINESS ACTIVITY

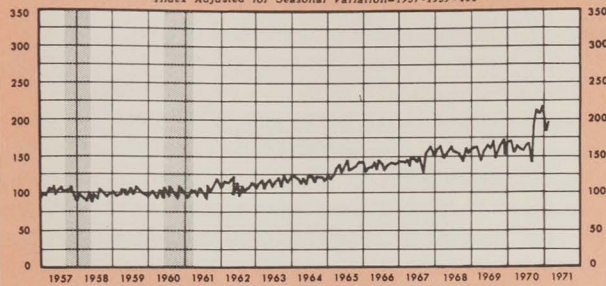
Index Adjusted for Seasonal Variation—1957-1959=100



NOTE: Shaded areas indicate periods of decline of total business activity in the United States.
SOURCE: Based on bank debits reported by the Federal Reserve Bank of Dallas and adjusted for seasonal variation and changes in the price level by the Bureau of Business Research.
FROM: Bureau of Business Research, The University of Texas at Austin.

CORPUS CHRISTI BUSINESS ACTIVITY

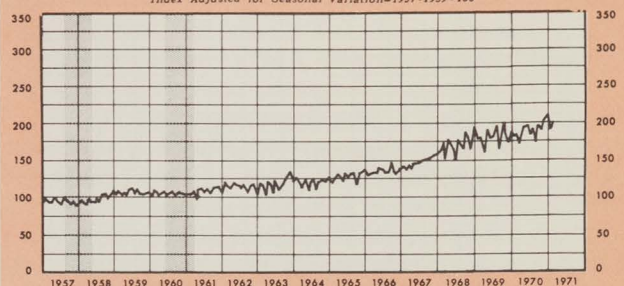
Index Adjusted for Seasonal Variation-1957-1959=100



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FORT WORTH BUSINESS ACTIVITY

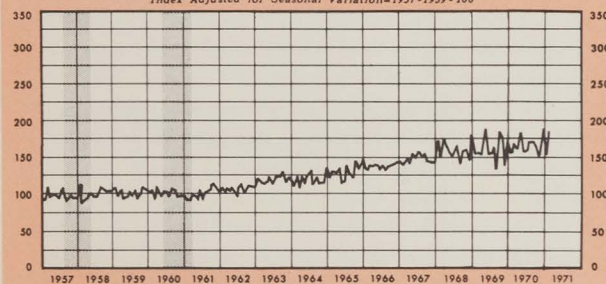
Index Adjusted for Seasonal Variation-1957-1959=100



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FROM: Bureau of Business Research, The University of Texas at Austin.

CORSICANA BUSINESS ACTIVITY

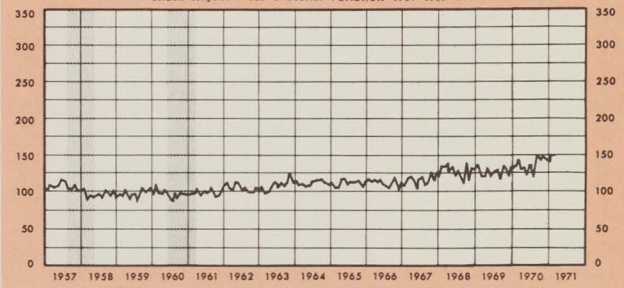
Index Adjusted for Seasonal Variation-1957-1959=100



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GALVESTON BUSINESS ACTIVITY

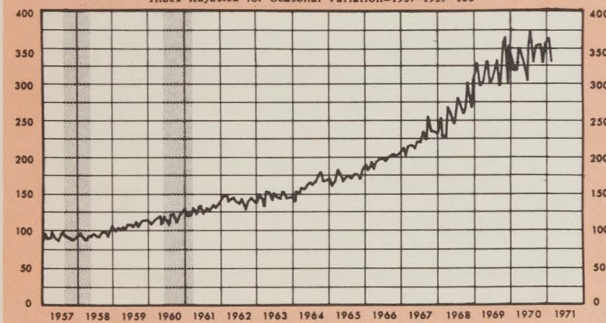
Index Adjusted for Seasonal Variation-1957-1959=100



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DALLAS BUSINESS ACTIVITY

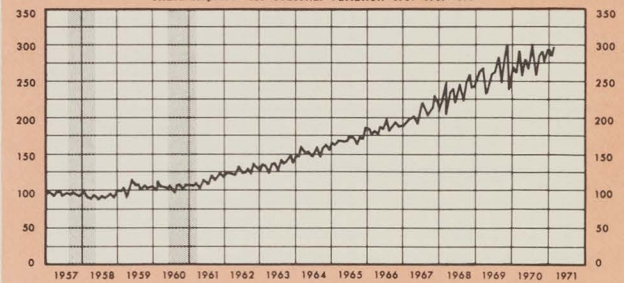
Index Adjusted for Seasonal Variation-1957-1959=100



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FROM: Bureau of Business Research, The University of Texas at Austin.

HOUSTON BUSINESS ACTIVITY

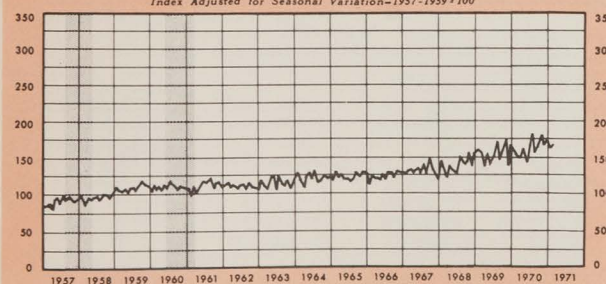
Index Adjusted for Seasonal Variation-1957-1959=100



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EL PASO BUSINESS ACTIVITY

Index Adjusted for Seasonal Variation-1957-1959=100



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SOURCE: Based on bank debits reported by the Federal Reserve Bank of Dallas and adjusted for seasonal variation and changes in the price level by the Bureau of Business Research.
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LAREDO BUSINESS ACTIVITY

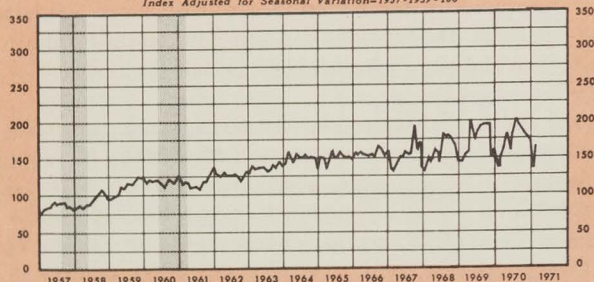
Index Adjusted for Seasonal Variation-1957-1959=100



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LUBBOCK BUSINESS ACTIVITY

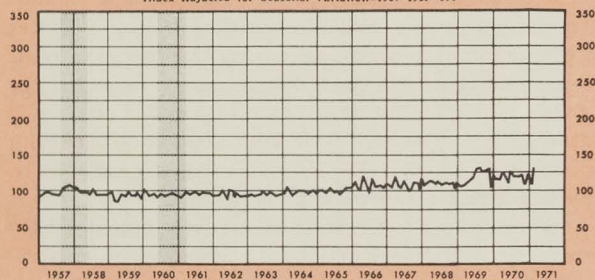
Index Adjusted for Seasonal Variation-1957-1959=100



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SOURCE: Based on bank debits reported by the Federal Reserve Bank of Dallas and adjusted for seasonal variation and changes in the price level by the Bureau of Business Research.
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PORT ARTHUR BUSINESS ACTIVITY

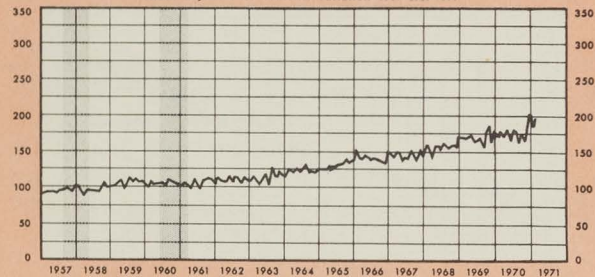
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SAN ANGELO BUSINESS ACTIVITY

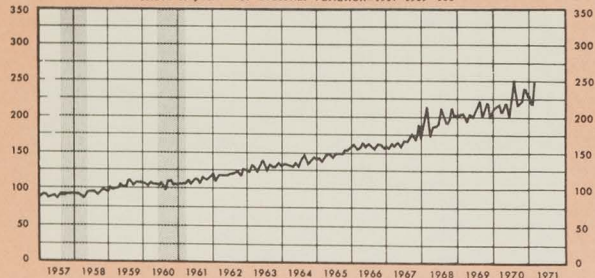
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SAN ANTONIO BUSINESS ACTIVITY

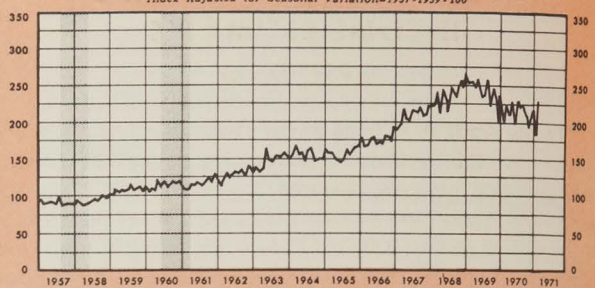
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TEXARKANA BUSINESS ACTIVITY

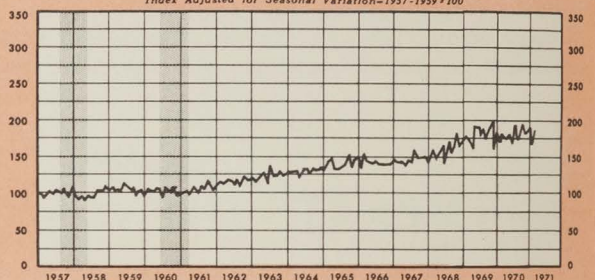
Index Adjusted for Seasonal Variation-1957-1959=100



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TYLER BUSINESS ACTIVITY

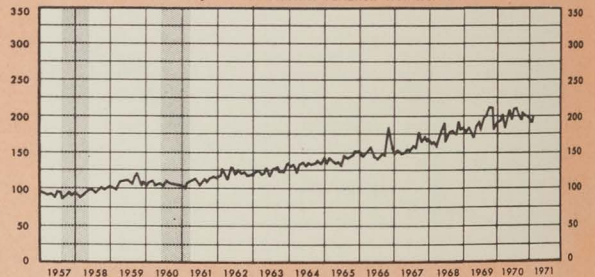
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WACO BUSINESS ACTIVITY

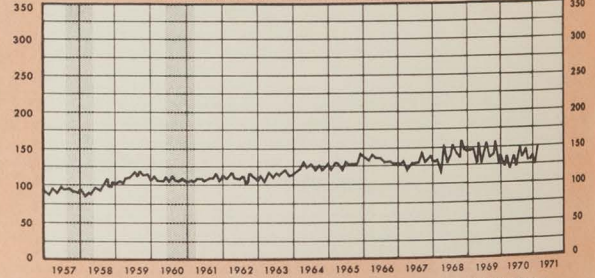
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WICHITA FALLS BUSINESS ACTIVITY

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EVALUATION OF PERSONAL-INCOME ESTIMATES

Joe H. Jones

In the April 1970 issue of the *Texas Business Review* an article by this author introduced a series of monthly estimates of personal income for the state. This new economic time series was presented as a measure of aggregate state economic activity to replace the Texas Business Activity Index formerly reported. A principal purpose for developing these monthly estimates of Texas personal income was to provide the most inclusive measure of state aggregate economic variation which was directly comparable with national income and product measures.

As was explained in the earlier article, determination of gross state product and state income is complicated by the requirement for detailed knowledge of net interstate flows of goods or funds. The determination of personal income for a given state, while posing some problems of data access and interpretation, does not present problems of magnitude similar to those encountered in developing the more inclusive state income and product accounts. The income received by individuals, by state of residence, has been determined from secondary sources by the Office of Business Economics of the U.S. Department of Commerce for a number of years. Quarterly values of state personal income determined by the Department of Commerce offer measures of state economic trends and business cycles experienced in the quarter preceding the date of their availability.

The data on income receipts which would permit a more recent measure of state personal income, or measures of income for shorter time periods than one quarter of a year, are not available. Using related data, however, regression techniques are available for estimating state personal income for the most recent month. The estimating technique presented in the April 1970 *Review* article was developed on linear relationships measured between personal income in Texas, and Texas bank debits and manufacturing employment. For the time period for which the multiple linear regression relationships were deter-

mined, the average difference of the values of personal income estimated by the Bureau of Business Research and those measured by the Department of Commerce was less than 1 percent. The relationships were determined for those quarters in the period from 1964 through the first half of 1969.

The stability of regression relationships under changing conditions is always a proper matter of concern. With the availability now of some additional data on personal income movement in a period of recession, it is appropriate to judge the Bureau personal-income model for validity in providing unbiased estimates of short-period changes in state personal income.

Table 1 shows the regression estimates of state personal income in comparison with the values of personal income as reported by the Department of Commerce. The ratio of the two expressions of personal income shows that the model performed reasonably well in estimating income for three quarters beyond the period containing the data used in the regression model. Well into the recession, however, the estimates provided by the regression model are biased downward approximately 5 percent from the Department of Commerce measures. The model is overstating the effects of the recession on state personal income.

One reason for the overstatement is suggested by the relationship shown in Table 2. As indicated by national personal-income and transfer payments, transfer payments increase as a proportion of personal income during periods of economic recession. This shift in the relationship can be attributed both to income declines and to increases in such transfer payments as unemployment compensation. Without an explicit recognition of this relationship the regression model will continue to overstate the depression of state personal income during periods of high unemployment.

Investigations of the personal-income model are in progress, and an effort is being made to remove the downward bias which is currently recognized in the estimates. An improved model with an increased number of independent variables will be available shortly.

Table 1
TEXAS PERSONAL INCOME AS ESTIMATED BY
THE BUREAU OF BUSINESS RESEARCH AND AS
MEASURED BY THE U.S. DEPARTMENT OF COMMERCE

Time period		Millions of current dollars*		Ratio of BBR estimate to Dept. Com. measurement
Year	Quarter	Dept. Com. measurements	BBR regression estimates	
1969	III	9,249	9,254	1.005
	IV	9,362	9,362	1.000
1970	I	9,541	9,481	.994
	II	9,939	9,503	.956
	III	10,007	9,625	.962

* Quarterly sums seasonally adjusted.

Source: Office of Business Economics, U.S. Department of Commerce, *Survey of Current Business*; and Bureau of Business Research, *Texas Business Review*.

Table 2
RATIO OF TRANSFER PAYMENTS TO PERSONAL INCOME
IN THE UNITED STATES, 1968-1970

Year	Quarter	Ratio of transfer payments to personal income
1968	I	.0841
	II	.0862
	III	.0864
	IV	.0866
1969	I	.0878
	II	.0873
	III	.0868
	IV	.0869
1970	I	.0893
	II	.0991
	III	.0976
	IV	.1010

Source: Office of Business Economics, U.S. Department of Commerce, *Survey of Current Business*.

LOCAL BUSINESS CONDITIONS

Statistical data compiled by Mildred Anderson, statistical associate, Constance Cooledge and Glenda Riley, statistical assistants, and Kay Davis and Lydia Gorena, statistical technicians.

The indicators of local business conditions in Texas which are included in this section are statistics on bank debits, urban building permits, and employment. The data are reported by metropolitan areas in the first table below and by municipalities within counties in the second table.

Standard metropolitan statistical areas (SMSA's) in Texas are defined by county lines; in the first table the counties included in the area are listed under each SMSA. Since the Longview-Kilgore-Gladewater area is functioning as a significant metropolitan complex in its region, although not officially designated as an SMSA by the Bureau of the Census, data for this area have been included in the table for SMSA's. In both tables the populations shown for the SMSA's and for the counties are the preliminary population counts of the 1970 census. In the second table the population values for individual municipalities are also preliminary counts of the 1970 census, unless otherwise indicated. Population estimates made for municipalities in noncensus years are commonly based on utility connections, and these estimates are subject to the errors inherent in a process dependent on base ratios derived in 1960.

The values of urban building permits have been collected from participating municipal authorities by the Bureau of Business Research in cooperation with the Bureau of the Census of the U.S. Department of Commerce. Inasmuch as building permits are not required by county authorities, it must be emphasized that the reported permits reflect construction intentions only in incorporated places. Permits are reported for residential and nonresidential building only, and do not include public-works projects such as roadways, waterways, or reservoirs; nor do they include construction let under federal contracts.

The values of bank debits for all SMSA's and for most central cities of the SMSA's have been collected by the Federal Reserve Bank of Dallas. Bank debits for the remaining municipalities have been collected from cooperating banks by the Bureau of Business Research.

Employment estimates are compiled by the Texas Employment Commission in cooperation with the Bureau of Labor Statistics of the U.S. Department of Labor.

Footnote symbols are defined on pp. 85 and 92.

INDICATORS OF LOCAL BUSINESS CONDITIONS FOR STANDARD METROPOLITAN STATISTICAL AREAS February 1971

Reported area and indicator	Percent change from		
	Feb 1971	Jan 1971	Feb 1970
ABILENE SMSA			
Jones and Taylor Counties; population 113,959			
Urban building permits (dollars)	297,853	- 7	- 69
Bank debits, seas. adj. (\$1,000)	186,439	5	9
Nonfarm employment	40,800	- 1	**
Manufacturing employment	5,620	1	**
Unemployed (percent)	4.1	5	52
AMARILLO SMSA			
Potter and Randall Counties; population 144,396			
Urban building permits (dollars)	5,329,575	359	268
Bank debits, seas. adj. (\$1,000)	499,429	- 3	6
Nonfarm employment	63,400	**	2
Manufacturing employment	8,260	**	5
Unemployed (percent)	3.9	- 11	26
AUSTIN SMSA			
Travis County; population 295,516			
Urban building permits (dollars)	11,832,520	- 21	115
Bank debits, seas. adj. (\$1,000)	853,751	9	30
Nonfarm employment	133,500	1	6
Manufacturing employment	11,810	- 1	**
Unemployed (percent)	2.1	- 16	11
BEAUMONT-PORT ARTHUR-ORANGE SMSA			
Jefferson and Orange Counties; population 315,943			
Urban building permits (dollars)	4,123,832	224	157
Bank debits, seas. adj. (\$1,000)	573,890	12	11
Nonfarm employment	119,000	- 1	**
Manufacturing employment	35,500	- 1	- 6
Unemployed (percent)	5.4	- 4	32
BROWNSVILLE-HARLINGEN-SAN BENITO SMSA			
Cameron County; population 140,368			
Urban building permits (dollars)	565,873	- 5	- 56
Bank debits, seas. adj. (\$1,000)	175,328	5	15
Nonfarm employment	39,900	1	- 1
Manufacturing employment	6,360	3	- 5
Unemployed (percent)	7.1	16	15
BRYAN-COLLEGE STATION SMSA			
Brazos County; population 57,978			
Urban building permits (dollars)	936,178	76	140
Bank debits (\$1,000)	81,683	- 1	23
(Monthly employment reports are not available for the Bryan-College Station SMSA.)			
CORPUS CHRISTI SMSA			
Nueces and San Patricio Counties; population 284,832			
Urban building permits (dollars)	8,199,727	52	98
Bank debits, seas. adj. (\$1,000)	531,875	7	32
Nonfarm employment	95,500	**	6
Manufacturing employment	11,500	1	- 1
Unemployed (percent)	4.1	- 9	5
DALLAS SMSA			
Collin, Dallas, Denton, Ellis, Kaufman, and Rockwall Counties; population 1,555,950			
Urban building permits (dollars)	43,272,333	- 8	11
Bank debits, seas. adj. (\$1,000)	10,377,991	- 8	8
Nonfarm employment	704,000	**	- 2
Manufacturing employment	142,425	- 1	- 17
Unemployed (percent)	3.4	- 8	70
EL PASO SMSA			
El Paso County; population 359,291			
Urban building permits (dollars)	12,139,910	61	186
Bank debits, seas. adj. (\$1,000)	603,563	- 3	11
Nonfarm employment	116,300	1	**
Manufacturing employment	24,200	2	1
Unemployed (percent)	4.7	**	7
FORT WORTH SMSA			
Johnson and Tarrant Counties; population 762,086			
Urban building permits (dollars)	18,912,652	- 30	18
Bank debits, seas. adj. (\$1,000)	2,000,375	4	13
Nonfarm employment	295,700	- 1	- 3
Manufacturing employment	80,225	- 3	- 16
Unemployed (percent)	5.0	**	85

Reported area and indicator	Percent change from		
	Feb 1971	Jan 1971	Feb 1970

GALVESTON-TEXAS CITY SMSA

Galveston County; population 169,812

Urban building permits (dollars)	1,526,082	- 33	146
Bank debits, seas. adj. (\$1,000)	271,001	1	**
Nonfarm employment	59,000	2	- 5
Manufacturing employment	11,650	1	- 1
Unemployed (percent)	5.7	- 3	63

HOUSTON SMSA

**Brazoria, Fort Bend, Harris, Liberty, and
Montgomery Counties; population 1,985,031**

Urban building permits (dollars)	68,147,056	62	81
Bank debits, seas. adj. (\$1,000)	8,871,314	- 4	6
Nonfarm employment	863,300	**	1
Manufacturing employment	148,000	**	1
Unemployed (percent)	2.8	12	40

LAREDO SMSA

Webb County; population 72,859

Urban building permits (dollars)	446,850	- 70	- 23
Bank debits, seas. adj. (\$1,000)	88,448	17	18
Nonfarm employment	25,100	**	1
Manufacturing employment	1,420	- 1	- 10
Unemployed (percent)	12.1	- 13	7

LONGVIEW-KILGORE-GLADEWATER METROPOLITAN AREA

Gregg County; population 75,929

Urban building permits (dollars)	1,147,425	28	- 23
Bank debits (\$1,000)	114,016	- 8	11
Nonfarm employment	35,400	**	1
Manufacturing employment	10,050	- 11	**
Unemployed (percent)	4.7	**	62

(Building permits and bank debits are included for those portions of Kilgore and Gladewater in Rusk County and Upshur County.)

LUBBOCK SMSA

Lubbock County; population 179,295

Urban building permits (dollars)	3,122,747	- 31	- 4
Bank debits, seas. adj. (\$1,000)	370,787	20	12
Nonfarm employment	68,100	- 1	3
Manufacturing employment	7,410	- 2	1
Unemployed (percent)	3.7	- 5	32

McALLEN-PHARR-EDINBURG SMSA

Hidalgo County; population 181,535

Urban building permits (dollars)	1,108,152	- 52	113
Bank debits, seas. adj. (\$1,000)	153,183	10	15
Nonfarm employment	47,600	2	1
Manufacturing employment	4,630	- 1	- 5
Unemployed (percent)	6.6	**	5

MIDLAND SMSA

Midland County; population 65,433

Urban building permits (dollars)	682,000	190	369
Bank debits, seas. adj. (\$1,000)	171,767	4	- 1
Nonfarm employment	61,600	**	1
Manufacturing employment	5,120	2	1
Unemployed (percent)	3.6	- 8	38

(Employment data are reported for the combined Midland and Odessa SMSA's since employment figures for Midland and Ector Counties, composing one labor-market area, are recorded in combined form by the Texas Employment Commission.)

Reported area and indicator	Percent change from		
	Feb 1971	Jan 1971	Feb 1970

ODESSA SMSA

Ector County; population 91,805

Urban building permits (dollars)	396,515	- 2	- 4
Bank debits, seas. adj. (\$1,000)	136,310	3	- 3
Nonfarm employment	61,600	**	1
Manufacturing employment	5,120	2	1
Unemployed (percent)	3.6	- 8	38

(Employment data are reported for the combined Midland and Odessa SMSA's since employment figures for Midland and Ector Counties, composing one labor-market area, are recorded in combined form by the Texas Employment Commission.)

SAN ANGELO SMSA

Tom Green County; population 71,047

Urban building permits (dollars)	1,890,370	482	- 8
Bank debits, seas. adj. (\$1,000)	120,721	4	14
Nonfarm employment	22,800	- 1	- 4
Manufacturing employment	4,120	2	7
Unemployed (percent)	4.0	**	8

SAN ANTONIO SMSA

Bexar and Guadalupe Counties; population 864,014

Urban building permits (dollars)	8,597,375	40	31
Bank debits, seas. adj. (\$1,000)	1,690,781	8	19
Nonfarm employment	290,200	**	**
Manufacturing employment	35,050	1	- 1
Unemployed (percent)	4.4	5	16

SHERMAN-DENISON SMSA

Grayson County; population 83,225

Urban building permits (dollars)	922,846	- 36	- 76
Bank debits, seas. adj. (\$1,000)	93,379	4	4

(Monthly employment reports are not available for the Sherman-Denison SMSA.)

TEXARKANA SMSA

**Bowie County, Texas, and Miller County, Arkansas;
population 101,198**

Urban building permits (dollars)	1,101,593	29	- 43
Bank debits, seas. adj. (\$1,000)	130,897	20	6
Nonfarm employment	39,700	**	- 6
Manufacturing employment	9,210	- 1	- 27
Unemployed (percent)	6.3	- 6	15

(Since the Texarkana SMSA includes Bowie County in Texas and Miller County in Arkansas, all data, including population, refer to the two-county region.)

TYLER SMSA

Smith County; population 97,096

Urban building permits (dollars)	969,115	- 4	- 69
Bank debits, seas. adj. (\$1,000)	191,712	1	7
Nonfarm employment	38,800	1	- 1
Manufacturing employment	11,660	3	- 7
Unemployed (percent)	3.8	- 3	41

WACO SMSA

McLennan County; population 147,553

Urban building permits (dollars)	1,063,551	- 19	14
Bank debits, seas. adj. (\$1,000)	261,976	5	2
Nonfarm employment	57,700	**	**
Manufacturing employment	11,390	**	- 4
Unemployed (percent)	4.9	- 4	- 13

WICHITA FALLS SMSA

Archer and Wichita Counties; population 127,621

Urban building permits (dollars)	841,814	- 29	116
Bank debits, seas. adj. (\$1,000)	211,555	5	12
Nonfarm employment	48,500	**	1
Manufacturing employment	5,430	1	1
Unemployed (percent)	3.7	- 5	42

** Absolute change is less than one half of 1 percent.

INDICATORS OF LOCAL BUSINESS CONDITIONS FOR INDIVIDUAL MUNICIPALITIES
FEBRUARY 1971

COUNTY City	Population*	Urban building permits			Bank debits		
		Feb 1971 (dollars)	Percent change from		Feb 1971 (thousands of dollars)	Percent change from	
			Jan 1971	Feb 1970		Jan 1971	Feb 1970
ANDERSON	27,789						
Palestine	14,525	98,375	- 24	65	19,180	- 6	4
ANDREWS	10,372						
Andrews	8,625	59,750	- 7	13	9,984	18	6
ANGELINA	49,349						
Lufkin	23,049	125,400	- 68	- 47	...	...	...
ARANSAS	8,902						
Aransas Pass	5,813	...	...	...	10,522	- 2	47
ATASCOSA	18,696						
Pleasanton	5,407	...	...	...	6,076	- 7	17
AUSTIN	13,831						
Bellville	2,371	1,600	- 97	- 68	6,507	- 5	5
BAILEY	8,487						
Muleshoe	4,525	...	...	...	13,836	- 38	1
BASTROP	17,297						
Smithville	2,959	74,109	473	...	2,421	- 17	- 24
BEE	22,737						
Beeville	13,506	23,940	- 2	- 22	18,327	- 10	17
BELL	124,483						
Bartlett	1,622	...	...	...	1,110	- 25	9
Belton	8,696	127,600	120	365	...	...	...
Killeen	35,507	587,042	25	- 49	31,606	- 1	- 10
Temple	33,431	482,795	- 40	- 92	56,302	- 11	14
BEXAR	830,460						
(In San Antonio SMSA)							
San Antonio	654,153	7,296,623	928	24	1,491,373	- 2	19
BOWIE	67,813						
(In Texarkana SMSA)							
Texarkana	52,179	1,101,593	39	- 43	102,658	**	5
BRAZORIA	108,312						
(In Houston SMSA)							
Angleton	9,770	131,800	50	155	18,072	13	**
Clute	6,023	...	...	...	5,042	**	41
Freeport	11,997	37,750	29	66	26,682	- 2	8
Pearland	6,444	390,800	139	428	7,584	- 7	21
BRAZOS	57,978						
(Constitutes Bryan-College Station SMSA)							
Bryan	33,719	689,350	53	112	71,570	- 1	26
College Station	17,676	246,828	203	277	10,113	- 3	6
BREWSTER	7,780						
Alpine	5,971	87,000	394	136	5,537	- 1	16
BROWN	25,877						
Brownwood	17,368	467,703	363	- 44	...	...	...
BURLESON	9,999						
Caldwell	2,308	...	...	...	3,517	- 19	10
BURNET	11,420						
Marble Falls	2,209	...	...	...	6,041	3	64
CALDWELL	21,178						
Lockhart	6,489	324,750	52	...	7,861	- 12	17

COUNTY City	Population*	Urban building permits			Bank debits		
		Feb 1971 (dollar)	Percent change from Jan 1971	Feb 1970	Feb 1971 (thousands of dollars)	Bank debits from Jan 1971	Feb 1970
CAMERON	140,368						
(Constitutes Brownsville- Harlingen-San Benito SMSA)							
Brownsville	52,522	238,540	- 37	10	57,337	- 17	18
Harlingen	33,503	204,205	7	- 77	70,788	- 2	22
La Feria	2,642	2,600	- 84	- 50	2,473	- 11	- 22
Los Fresnos	1,297	...	...	...	1,624	- 19	- 6
Port Isabel	3,067	...	...	...	2,532	- 4	8
San Benito	15,176	120,428	...	- 26	7,155	- 13	- 3
CASTRO	10,394						
Dimmitt	4,327	...	...	...	15,302	- 45	4
CHEROKEE	32,008						
Jacksonville	9,734	387,000	...	...	23,161	- 7	11
COLLIN	66,920						
(In Dallas SMSA)							
McKinney	15,193	87,200	- 37	186	14,886	- 3	18
Plano	17,872	1,887,569	- 32	353	19,133	6	99
COLORADO	17,638						
Eagle Lake	3,587	...	...	...	4,769	- 19	3
COMAL	24,165						
New Braunfels	17,859	334,151	- 40	93	20,991	- 7	14
COOKE	23,471						
Gainesville	13,830	24,900	- 95	- 56	18,037	- 11	20
Muenster	1,411	0	...	...	2,986	- 14	- 11
CORYELL	35,311						
Copperas Cove	10,818	311,510	- 35	199	3,950	1	39
CRANE	4,172						
Crane	3,427	25,000	- 29	28	2,040	- 22	- 7
DALLAS	1,327,321						
(In Dallas SMSA)							
Carrollton	13,855	4,235,807	288	727	13,358	- 3	33
Dallas	844,401	18,915,405	- 15	5	9,241,904	- 20	7
Farmers Branch	27,492	699,936	- 4	28	26,360	15	37
Garland	81,437	5,008,353	68	18	54,767	- 20	- 6
Grand Prairie	50,904	1,439,195	- 25	- 33	34,777	2	26
Irving	97,260	1,411,443	- 56	- 70	74,034	- 12	7
Lancaster	10,522	470,000	23	287	8,639	5	- 16
Mesquite	55,131	950,975	- 36	- 66	22,904	- 3	14
Richardson	48,582	1,987,650	82	23	48,392	- 20	8
Seagoville	4,390	...	...	...	10,296	- 30	59
DAWSON	16,604						
Lamesa	11,559	80,500	226	...	28,105	- 36	17
DEAF SMITH	18,999						
Hereford	13,414	47,900	- 92	- 94	...	...	...
DENTON	75,633						
(In Dallas SMSA)							
Denton	39,874	1,008,341	- 74	38	52,789	- 9	13
Justin	741	0	...	...	1,312	- 15	26
Lewisville	9,264	1,009,360	305	...	12,993	2	48
Pilot Point	1,663	12,000	- 68	...	2,413	- 10	20
DE WITT	18,660						
Yoakum	5,755	56,550	160	...	11,546	- 13	176
EASTLAND	18,092						
Cisco	4,160	...	...	...	4,234	- 14	- 1
ECTOR	91,805						
(Constitutes Odessa SMSA)							
Odessa	78,380	396,515	- 2	- 4	129,591	- 3	17
ELLIS	46,638						
(In Dallas SMSA)							
Ennis	11,046	...	...	...	8,768	- 15	8
Midlothian	2,322	15,250	- 24	- 99	1,986	- 7	7
Waxahachie	13,452	75,500	43	2	17,880	- 18	13

COUNTY City	Population*	Urban building permits			Bank debits		
		Feb 1971 (dollars)	Percent change from		Feb 1971 (thousands of dollars)	Percent change from	
			Jan 1971	Feb 1970		Jan 1971	Feb 1970
EL PASO (Constitutes El Paso SMSA)	359,291						
El Paso	322,261	12,138,500	61	186	561,645	- 14	11
ERATH Stephenville	18,141 9,277	79,500	- 27	- 47	13,519	- 18	1
FANNIN Bonham	22,705 7,698	94,900	- 95	...	...	...	...
FAYETTE Schulenburg	17,650 2,294	188,100	...	...	...	...	...
FORT BEND (In Houston SMSA)	52,314						
Richmond	5,777	110,160	- 60	...	13,807	20	17
Rosenberg	12,098	114,150	- 24	- 15	9,699	- 2	54
GAINES Seagraves	11,593 2,440	0	...	...	3,073	- 28	9
Seminole	5,007	27,700	38	- 71	6,679	- 31	- 6
GALVESTON (Constitutes Galveston-Texas City SMSA)	169,812						
Dickinson	10,776	...	...	...	15,644	27	- 5
Galveston	61,809	537,787	- 72	30	142,067	- 16	7
La Marque	16,131	157,165	500	321	18,003	- 12	- 28
Texas City	38,908	831,130	142	397	40,938	- 9	4
GILLESPIE Fredericksburg	10,553 5,326	83,720	84	25	15,186	- 23	13
GONZALES Nixon	16,375 1,925	0	...	...	...	...	...
GRAY Pampa	26,949 21,726	160,000	281	228	32,605	- 20	- 5
GRAYSON (Constitutes Sherman-Denison SMSA)	83,225						
Denison	24,923	227,330	- 52	- 72	27,294	- 7	- 4
Sherman	29,061	657,716	- 26	- 79	51,511	- 23	2
GREGG (Constitutes Longview-Kilgore- Gladewater Metropolitan Area)	75,929						
Gladewater	5,574	69,100	122	48	5,908	- 17	- 4
Kilgore	9,495	78,625	125	214	16,226	- 10	3
Longview	45,547	999,700	20	- 29	91,882	- 7	14
GUADALUPE (In San Antonio SMSA)	33,554						
Schertz	4,061	7,650	38	- 96	1,015	- 2	45
Seguin	15,934	101,933	- 9	- 78	22,040	1	22
HALE Hale Center	34,137 1,964	0	...	...	...	...	...
Plainview	19,096	70,600	- 81	56	48,246	- 39	6
HARDEMAN Quanah	6,795 3,948	0	...	...	6,133	- 23	**
HARDIN Silsbee	29,996 7,271	...	...	...	11,619	7	21
HARRIS (In Houston SMSA)	1,741,912						
Baytown	43,980	661,085	45	- 49	67,103	- 2	- 4
Bellaire	19,009	115,495	833	44	54,953	- 7	20
Deer Park	12,773	322,441	138	- 20	16,193	4	28
Houston	1,232,802	63,225,850	73	86	7,443,213	- 15	5
Humble	3,278	75,000	- 94	- 65	10,349	- 2	26
La Porte	7,149	130,256	49	...	6,616	7	15
Pasadena	89,277	788,282	- 14	160	...	...	...
South Houston	11,527	219,200	...	...	...	...	...
Tomball	2,734	137,000	...	...	15,915	- 10	24
HARRISON Hallsville	44,841 1,038	...	...	...	1,113	- 20	1
Marshall	22,937	920,348	432	...	30,710	9	13

COUNTY City	Population*	Urban building permits			Bank debits		
		Feb 1971 (dollar)	Percent change from		Feb 1971 (thousands of dollars)	Bank debits from	
			Jan 1971	Feb 1970		Jan 1971	Feb 1970
HASKELL	8,512						
Haskell	3,655	40,500	137	...	5,153	- 21	5
HAYS	27,642						
San Marcos	18,860	776,800	62	292	16,446	14	23
HENDERSON	26,466						
Athens	9,582	49,500	- 40	- 72	13,645	- 12	17
HIDALGO	181,535						
(Constitutes McAllen-Pharr- Edinburg SMSA)							
Alamo	4,291	...	...	...	4,065	1	21
Donna	7,365	90,369	163	108	5,810	16	25
Edinburg	17,163	413,971	- 40	283	28,710	10	12
Elsa	4,400	66,800	...	243	5,157	21	26
McAllen	37,636	341,800	- 74	141	56,099	- 5	13
Mercedes	9,355	...	...	...	7,495	3	10
Mission	13,043	67,775	- 52	69	19,233	- 3	16
Pharr	15,829	18,885	- 49	- 21	6,207	- 4	**
San Juan	5,070	1,000	- 84	- 27	3,391	- 12	- 4
Weslaco	15,313	103,052	40	- 7	18,903	**	35
HOCKLEY	20,396						
Levelland	11,445	75,050	- 88	340	24,554	- 32	13
HOOD	6,368						
Granbury	2,473	...	...	...	2,368	- 25	- 23
HOPKINS	20,710						
Sulphur Springs	10,642	174,860	4	25	24,787	- 9	15
HOWARD	37,796						
Big Spring	28,735	15,279	- 91	- 83	52,236	- 23	5
HUNT	47,948						
Greenville	22,043	770,195	79	825	27,665	- 4	13
HUTCHINSON	24,443						
Borger	14,195	34,300	122	...	...	...	...
JACKSON	12,975						
Edna	5,332	...	...	...	9,780	20	28
JASPER	24,692						
Jasper	6,251	78,000	469	127	16,913	8	10
Kirbyville	1,869	...	...	...	2,635	- 13	- 12
JEFFERSON	244,773						
(In Beaumont-Port Arthur- Orange SMSA)							
Beaumont	115,919	2,658,332	253	291	322,886	- 2	6
Groves	18,067	123,689	26	12	14,488	- 6	23
Nederland	16,810	...	...	...	11,284	4	12
Port Arthur	57,371	783,498	211	75	97,370	9	16
Port Neches	10,894	208,901	126	352	17,484	**	5
JIM WELLS	33,032						
Alice	20,121	199,952	88	206	39,507	- 26	6
JOHNSON	45,769						
(In Fort Worth SMSA)							
Cleburne	16,015	239,983	- 40	75	21,572	- 14	12
KARNES	13,462						
Karnes City	2,926	8,800	- 90	...	4,601	7	- 1
KAUFMAN	32,392						
(In Dallas SMSA)							
Terrell	14,182	1,437,282	629	...	...	...	...
KIMBLE	3,904						
Junction	2,654	0	...	...	2,626	- 12	7
KLEBERG	33,166						
Kingsville	28,711	420,648	352	136	22,848	- 18	17
LAMAR	36,062						
Paris	23,441	131,159	- 42	- 78	...	...	...
LAMB	17,770						
Littlefield	6,738	...	...	...	10,052	- 35	11

COUNTY City	Population*	Urban building permits			Bank debits		
		Feb 1971 (dollar)	Percent change from		Feb 1971 (thousands of dollars)	Bank debits from	
			Jan 1971	Feb 1970		Jan 1971	Feb 1970
LAMPASAS	9,323						
Lampasas	5,922	53,150	- 41	...	9,647	- 16	8
LAVACA	17,903						
Hallettsville	2,712	11,530	- 74	- 72	4,767	- 5	11
Yoakum	5,755	56,550	160	...	11,546	- 13	176
LEE	8,048						
Giddings	2,783	26,334	933	- 57	6,320	- 14	10
LIBERTY	33,014						
(In Houston SMSA)							
Dayton	3,804	119,125	297	481	8,133	5	39
Liberty	5,591	11,400	- 88	175	15,112	- 7	12
LIMESTONE	18,100						
Mexia	5,943	1,303,700	...	...	8,429	- 4	- 3
LLANO	6,979						
Kingsland (1969)	1,200	...	...	...	5,067	- 3	99
Llano	2,608	31,200	...	- 97	5,103	- 17	20
LUBBOCK	179,295						
(Constitutes Lubbock SMSA)							
Lubbock	149,101	3,108,747	- 28	- 3	357,275	- 24	12
Slaton	6,583	0	...	...	6,159	- 27	3
LYNN	9,107						
Tahoka	2,956	0	...	...	5,921	- 47	1
McCULLOCH	8,571						
Brady	5,557	41,150	- 27	146	7,912	- 11	4
McLENNAN	147,553						
(Constitutes Waco SMSA)							
McGregor	4,365	2,000	67	- 85	4,705	1	10
Waco	95,326	1,020,701	- 21	14	223,717	- 10	2
MATAGORDA	27,913						
Bay City	11,733	60,150	789	- 71	21,502	- 20	- 1
MAVERICK	18,093						
Eagle Pass	15,364	74,172	38	- 12	12,478	- 3	21
MEDINA	20,249						
Castroville	1,893	69,780	926	...	1,573	11	23
Hondo	5,487	132,660	141	139	4,865	- 9	5
MIDLAND	65,433						
(Constitutes Midland SMSA)							
Midland	59,463	682,000	190	369	157,283	- 12	- 1
MILAM	20,028						
Cameron	5,546	35,000	...	...	6,956	- 13	6
Rockdale	4,655	26,725	43	...	8,374	- 6	20
MILLS	4,212						
Goldthwaite	1,693	...	...	...	4,848	- 20	8
MITCHELL	9,073						
Colorado City	5,227	...	...	...	6,211	- 25	2
MONTGOMERY	49,479						
(In Houston SMSA)							
Conroe	11,969	261,700	- 52	403	38,400	**	19
MOORE	14,060						
Dumas	9,771	7,100	- 81	- 93	...	...	...
NACOGDOCHES	36,362						
Nacogdoches	22,544	323,923	5	- 16	33,068	- 15	- 12
NAVARRO	31,150						
Corsicana	19,972	135,018	- 50	- 15	32,894	- 5	10
NOLAN	16,220						
Sweetwater	12,020	94,550	79	991	20,166	- 22	24
NUECES	237,544						
(In Corpus Christi SMSA)							
Bishop	3,466	3,500	...	...	2,552	- 11	- 3
Corpus Christi	204,525	7,725,428	89	100	416,252	- 6	31
Port Aransas	1,218	...	...	...	1,178	- 3	62
Robstown	11,217	140,260	- 77	168	17,661	- 2	45

COUNTY City	Population*	Urban building permits			Bank debits		
		Feb 1971 (dollar)	Percent change from		Feb 1971 (thousands of dollars)	Bank debits from	
			Jan 1971	Feb 1970		Jan 1971	Feb 1970
ORANGE	71,170						
(In Beaumont-Port Arthur- Orange SMSA)							
Orange	24,457	258,424	233	101	57,218	2	27
PALO PINTO	28,962						
Mineral Wells	18,411	57,700	170	**	27,377	- 9	1
PANOLA	15,894						
Carthage	5,392	35,200	- 83	- 22	5,438	- 12	11
PARKER	33,888						
Weatherford	11,750	98,500	24	44	22,509	- 8	**
PARMER	10,509						
Friona	3,111	83,300	342	- 93	20,441	- 27	8
PECOS	13,748						
Fort Stockton	8,283	44,850	66	519	...	...	...
POTTER	90,511						
(In Amarillo SMSA)							
Amarillo	127,010	5,305,875	373	282	441,500	- 17	6
RANDALL	53,885						
(In Amarillo SMSA)							
Amarillo (See Potter)							
Canyon	8,333	23,700	- 40	- 61	10,310	- 17	- 2
REEVES	16,526						
Pecos	12,682	...	...	...	21,468	- 16	- 6
REFUGIO	9,494						
Refugio	4,340	0	...	...	4,913	- 14	20
RUSK	34,102						
Henderson	10,187	146,350	62	40	18,224	- 14	14
Kilgore	9,495	78,625	125	214	16,226	- 10	3
SAN PATRICIO	47,288						
(In Corpus Christi SMSA)							
Aransas Pass	5,813	...	...	...	10,522	- 2	47
Sinton	5,563	70,200	15	36	9,216	- 19	30
SAN SABA	5,540						
San Saba	2,555	0	...	...	6,845	- 31	16
SCURRY	15,760						
Snyder	11,171	6,000	- 71	- 90	18,560	- 4	35
SHACKELFORD	3,323						
Albany	1,978	0	...	...	2,869	- 26	2
SHERMAN	3,657						
Stratford	2,139	0	...	...	11,663	- 25	- 4
SMITH	97,096						
(Constitutes Tyler SMSA)							
Tyler	57,770	859,715	- 15	★ 73	171,315	- 9	6
STEPHENS	8,414						
Breckenridge	5,944	7,500	- 91	650	...	...	...
SUTTON	3,175						
Sonora	2,149	37,365	...	346	2,984	- 15	1
TARRANT	716,317						
(In Fort Worth SMSA)							
Arlington	90,643	7,670,705	- 56	75	109,107	- 12	5
Eules	19,316	1,792,916	265	941	15,540	- 5	23
Fort Worth	393,476	5,090,398	18	- 39	1,552,155	- 11	13
Grapevine	7,023	36,887	11	43	8,322	10	28
North Richland Hills	16,514	360,000	- 72	46	15,773	- 14	6
White Settlement	13,449	54,000	79	40	5,509	5	- 43
TAYLOR	97,853						
(In Abilene SMSA)							
Abilene	89,653	294,278	- 2	- 70	144,845	- 11	9
TERRY	14,118						
Brownfield	9,647	70,026	114	- 29	28,973	- 25	20
TITUS	16,702						
Mount Pleasant	8,877	111,195	24	438	19,033	- 12	18

COUNTY City	Population*	Urban building permits			Bank debits		
		Feb 1971 (dollar)	Percent change from Jan 1971	Feb 1970	Feb 1971 (thousands of dollars)	Bank debits from Jan 1971	Feb 1970
TOM GREEN (Constitutes San Angelo SMSA) San Angelo	71,047 63,884	1,890,370	482	- 8	106,954	- 14	14
TRAVIS (Constitutes Austin SMSA) Austin	295,516 251,808	11,832,520	- 19	140	865,527	12	30
UPSHUR Gladewater	20,976 5,574	69,100	122	48	5,908	- 17	- 4
UPTON McCamey	4,697 2,647	...	...	...	1,827	- 15	- 1
UVALDE Uvalde	17,348 10,764	84,780	42	44	20,123	- 5	11
VAL VERDE Del Rio	27,471 21,330	158,814	- 6	311	18,402	- 14	2
VICTORIA Victoria	53,766 41,349	455,009	29	49	90,806	- 14	3
WALKER Huntsville	27,680 17,610	1,135,870	...	352	19,332	- 14	- 26
WARD Monahans	13,019 8,333	21,500	...	4	13,748	8	- 2
WASHINGTON Brenham	18,842 8,922	192,325	- 28	13	20,113	- 11	13
WEBB (Constitutes Laredo SMSA) Laredo	72,859 69,024	446,850	- 70	- 23	79,413	- 1	18
WHARTON El Campo	36,729 8,563	68,985	135	- 26	18,972	- 20	17
WICHITA (In Wichita Falls SMSA) Burkburnett Iowa Park Wichita Falls	121,862 9,230 5,796 97,564	20,600 22,028 799,186	- 50 34 - 29	- 38 - 81 124	7,673 3,457 178,125	- 21 - 15 - 6	- 3 - 2 13
WILBARGER Vernon	15,355 11,454	23,800	- 78	1	22,395	- 24	1
WILLACY Raymondville	15,570 7,987	3,000	- 70	- 96	10,870	- 15	27
WILLIAMSON Bartlett Georgetown Taylor	37,305 1,622 6,395 9,616	...	...	...	1,110 8,750 12,466	- 25 ** - 18	9 28 2
WINKLER Kermit	9,640 7,884	2,725	- 88	- 6	...	...	...
WISE Decatur	19,687 3,240	26,400	...	40	5,065	- 14	- 11
YOUNG Graham Olney	15,400 7,477 3,624	37,000 9,200	- 55 - 39	...	13,981 5,593	- 8 - 6	24 4
ZAVALA Crystal City	11,370 8,104	70,515	- 23	- 47	6,562	12	30

* For 1970 unless otherwise indicated.

** Absolute change is less than one half of 1 percent.

... No data, or inadequate basis for reporting.

BAROMETERS OF TEXAS BUSINESS

(All figures are for Texas unless otherwise indicated.)

All indexes are based on the average months for 1957-1959 except where other specification is made; all except annual indexes are adjusted for seasonal variation unless otherwise noted. Employment estimates are compiled by the Texas Employment Commission in cooperation with the Bureau of Labor Statistics of the U.S. Department of Labor. The symbols used below impose qualifications as indicated here: p—preliminary data subject to revision; r—revised data; *—dollar totals for the fiscal year to date; †—employment data for wage and salary workers only.

	Feb 1971	Jan 1971	Feb 1970	Year-to-date average	
				1971	1970
GENERAL BUSINESS ACTIVITY					
Estimates of personal income (millions of dollars, seasonally adjusted)	\$ 3,233 ^p	\$ 3,235 ^p	\$ 3,172 ^r	\$ 3,234	\$ 3,165
Income payments to individuals in U.S. (billions, at seasonally adjusted annual rate)	\$ 828.9 ^p	\$ 826.7 ^p	\$ 781.5 ^r	\$ 827.8	\$ 779.7
Wholesale prices in U.S. (unadjusted index)	119.7 ^p	118.6 ^p	116.4 ^r	119.2	116.2
Consumer prices in U.S. (unadjusted index)	138.9	138.6	132.5	138.8	132.2
PRODUCTION					
Total electric-power use (index)	276.6 ^p	269.0 ^p	255.1 ^r	272.8	256.9
Industrial electric-power use (index)	250.4 ^p	231.4 ^p	233.3 ^r	240.9	230.7
Crude-oil production (index)	124.4 ^p	127.9 ^p	119.5 ^r	126.2	120.6
Average daily production per oil well (bbl.)	18.3	18.3	17.0	18.3	17.0
Crude-oil runs to stills (index)	138.7	140.9	134.4	139.8	135.6
Industrial production in U.S. (index)	164.8	165.4	170.5	165.1	170.5
Texas industrial production—total (index)	181.3 ^p	181.1 ^p	179.5 ^r	181.2	180.4
Texas industrial production—total manufactures (index)	200.8 ^p	200.5 ^p	202.3 ^r	200.7	204.0
Texas industrial production—durable manufactures (index)	200.2 ^p	203.4 ^p	220.4 ^r	201.8	223.6
Texas industrial production—non-durable manufactures (index)	201.3 ^p	198.6 ^p	190.2 ^r	200.0	190.9
Texas industrial production—mining (index)	136.9 ^p	137.0 ^p	132.2 ^r	137.0	131.6
Texas industrial production—utilities (index)	271.1 ^p	271.1 ^p	258.3 ^r	271.1	260.2
Urban building permits issued (index)	226.6	196.5	163.3	211.6	163.9
New residential building authorized (index)	215.2	153.2	122.2	184.2	119.9
New nonresidential building authorized (index)	254.6	266.6	223.7	260.6	229.0
AGRICULTURE					
Prices received by farmers (unadjusted index, 1910-14=100)	281	272	280	277	280
Prices paid by farmers in U.S. (unadjusted index, 1910-14=100)	403	399	386	401	385
Ratio of Texas farm prices received to U.S. prices paid by farmers	70	68	73	69	73
FINANCE					
Bank debits (index)	323.5	321.4	297.5	322.5	298.0
Bank debits, U.S. (index)	394.3	369.8	337.8	382.1	334.2
Reporting member banks, Dallas Federal Reserve District					
Loans (millions)	\$ 6,580	\$ 6,660	\$ 5,980	\$ 6,620	\$ 6,007
Loans and investments (millions)	\$ 9,561	\$ 9,589	\$ 8,535	\$ 9,575	\$ 8,590
Adjusted demand deposits (millions)	\$ 3,387	\$ 3,366	\$ 3,116	\$ 3,377	\$ 3,199
Revenue receipts of the state comptroller (thousands)	\$328,754	\$244,572	\$304,436	\$ 286,633	\$ 264,329
Federal Internal Revenue collections (thousands)	\$713,429	\$535,670	\$625,930	\$4,613,257*	\$4,523,190*
Securities registrations—original applications					
Mutual investment companies (thousands)	\$ 24,050	\$ 30,224	\$ 52,235	\$ 132,117*	\$ 215,692*
All other corporate securities					
Texas companies (thousands)	\$ 8,199	\$ 3,403	\$ 13,170	\$ 74,011*	\$ 71,708*
Other companies (thousands)	\$ 2,085	\$ 10,856	\$ 22,445	\$ 98,771*	\$ 163,066*
Securities registration—renewals					
Mutual investment companies (thousands)	\$ 34,036	\$ 44,438	\$ 24,977	\$ 244,002*	\$ 190,124*
Other corporate securities (thousands)	\$ 1,500	\$ 1,563	\$ 101	\$ 6,293*	\$ 3,620*
LABOR					
Total nonagricultural employment in Texas (index)†	147.8 ^p	147.3 ^p	147.8 ^r	147.6	147.6
Manufacturing employment in Texas (index)†	146.9 ^p	147.5 ^p	156.5 ^r	147.2	157.2
Average weekly hours—manufacturing (index)†	99.5 ^p	98.8 ^p	99.5 ^r	99.2	99.5
Average weekly earnings—manufacturing (index)†	155.9 ^p	155.2 ^p	147.8 ^r	155.6	148.3
Total nonagricultural employment (thousands)†	3,607.8 ^p	3,603.1 ^p	3,608.5 ^r	3,605.5	3,607.5
Total manufacturing employment (thousands)†	706.9 ^p	710.3 ^p	453.3 ^r	708.6	756.8
Durable-goods employment (thousands)†	373.8 ^p	377.3 ^p	421.9 ^r	375.6	425.6
Non-durable-goods employment (thousands)†	333.1 ^p	333.0 ^p	331.4 ^r	333.1	331.3
Total civilian labor force in selected labor-market areas (thousands)	3,473.6	3,476.9	3,443.6	3,475.3	3,436.4
Nonagricultural employment in selected labor-market areas (thousands)	3,265.9	3,269.1	3,271.6	3,267.5	3,268.2
Manufacturing employment in selected labor-market areas (thousands)	591.0	594.9	640.8	593.0	640.3
Total unemployment in selected labor-market areas (thousands)	135.7	138.2	99.5	137.0	95.7
Percent of labor force unemployed in selected labor-market areas	3.9	4.0	2.9	4.0	2.8

MONETARY ACCOMMODATION OF REGIONAL INTEGRATION IN LATIN AMERICA

Lawrence F. Ziegler

The Bureau of Business Research is pleased to add to its several publications on economic problems in Latin America this study of monetary accommodation in the complex of adjustments that will be required by the formation of a Latin American Common Market.

Such a common market is essential to significant industrialization, which, in turn, is essential to economic growth in the underdeveloped countries. When a nation oriented to the single-country concept of development moves, however, toward the multicountry concept of a regional economy, problems develop.

From realistic acceptance of this fact, Dr. Ziegler progresses into his discussion of ways in which the major monetary problems might be solved. His analysis takes cognizance of the new problems accompanying each possible solution and of the involvement of financial institutions on all levels—domestic, regional, and international. It recognizes the inevitable narrowing of national control of economic policy and the importance of the period of transition before a Latin American Common Market can be operating in the 1980's. It progresses always on the assumption of workability to "keep trade moving."

The author, Dr. Lawrence F. Ziegler, is assistant professor of economics at The University of Texas at Arlington.

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