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# 1952



## ANNUAL REPORT

***FEDERAL RESERVE BANK  
OF ST. LOUIS***



ANNUAL REPORT 1952

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OF ST. LOUIS

## *To the Member Banks*

Again it is with pleasure that I transmit to you a report of progress, the Annual Report of the Federal Reserve Bank of St. Louis for the year 1952.

The ability of this country to produce an amazing amount of goods and services and still maintain stability was again proved in 1952. Both in furthering production and in maintaining stability, our banking community has had a part of which we can well be proud.

Because of the close inter-relationship between banking and general business and the intimate concern of a central bank with both, this report

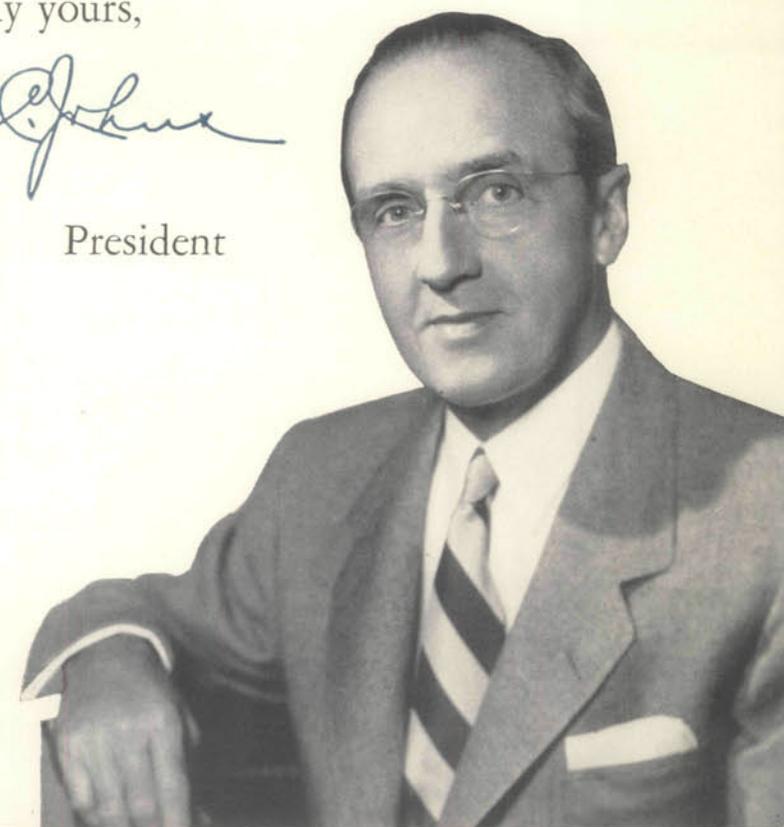
reviews the history of each during the year. And it pays particular attention to our Eighth District economy. It is encouraging to note that district banking and industry shared in the general prosperity of the nation.

The report shows that the Federal Reserve Bank of St. Louis was busier than ever in 1952 carrying out its many duties.

Very truly yours,



President





# The Economic

# Record

**R**ECORD DEMAND, growth in output and capacity, and a fair measure of price stability highlighted the economic record for 1952. In brief, the progress and stability that characterized most of 1951 was extended another year.

During 1952 the over-all rate of business activity slowed somewhat around mid-year as strikes, drouth, and unseasonably hot weather interrupted industrial production, agriculture, and trade and as the nation's attention centered on politics. But recovery was brisk, and the year closed with a flourish. For 1952 as a whole, Government and consumers bought more goods and services than in the preceding year. And business, while spending less to build inventories, increased its expenditures on plant and equipment to record levels in 1952.

In face of this expanding demand, consumer prices tended to level off, showing much less rise than in 1951 or 1950, and wholesale commodity prices as a group eased off between 2 and 3 per cent.

In large part, 1952's economic stability can be attributed to enlarged capacities and supplies which made it possible to meet without great strain the increase in demand, and to monetary-credit policies which had some influence in holding the rise in demand within the limits which could be met by the economy.

## Total Demand

Total demand increased in 1952. When final figures are in, gross national expenditures should be about \$345 billion—a new record, some \$15 to \$16 billion (5 per cent) more than in 1951. As in that year, about half the increase in dollar spendings represented higher prices; the other half, greater physical volumes.

Consumer purchases were instrumental in pushing the year's total demand to a new high level. Retail sales were several per cent greater than in 1951. Two factors lay behind the increase: first, total personal income was somewhat higher in 1952 than a year earlier as employment increased slightly, wages rose and the work



of 1952

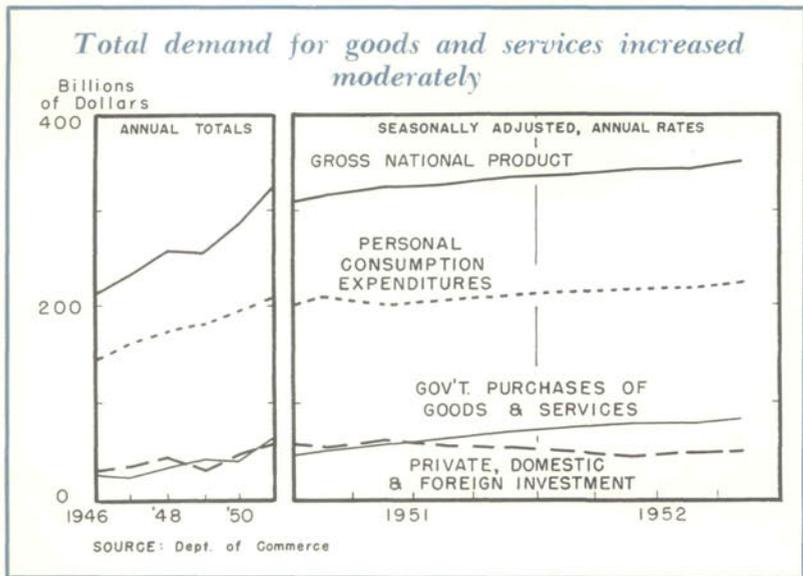
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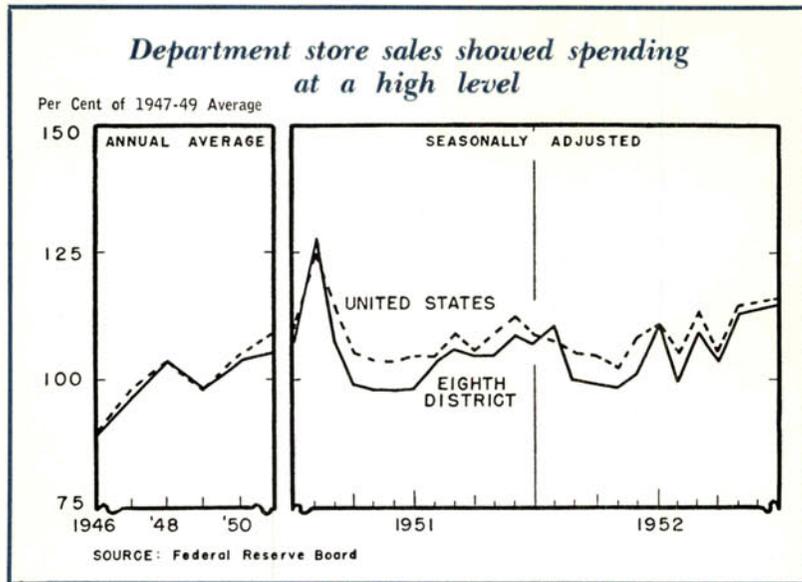
week lengthened; second, consumer spending was aided by the rapid expansion of consumer credit, which was made available on easier terms following the suspension of Regulation W in May.

There were, however, substantial shifts in the type of consumer spending throughout the year. Durable goods sales were below the level of the preceding two or three years. The decline reflected reduced consumer demand for many items and restricted output for some other durable goods. Demand was restrained because consumers had recently purchased a large volume of new durable goods and expected supplies to be adequate. Beginning in late spring, durable goods sales increased although interrupted in July and August when automobile sales were reduced by effects of the steel strike.



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Nondurable goods sales were about 5 per cent larger than in 1951. Much of this increase reflected higher prices.

Within the Eighth District, consumer spending responded in about the same fashion as nationally. At district department stores, for example, consumer buying in the first quarter averaged less than during the heavy buying early in the first quarter of 1951. The 1952 Easter shopping season was somewhat disappointing although the date of Easter occurred later than in 1951. Consumer interest perked up in May and June—mainly as a result of extremely warm weather and the removal of instalment credit controls. Sales during the third quarter reflected to some extent results of the steel strike. In the last quarter, sales during October were at a 21-month peak, slumped contraseasonally in November, then rose sharply during December. At year's end, districtwise and nationally, consumer spending was at a high level and rising.

The other important area of demand instrumental in raising the total to a new record came from Government purchases of goods and services—both the Federal Government and state and local governments. Greatest growth came in Federal defense spending. National security outlays in the fourth quarter were about three times the pre-Korea rate and totaled \$50 billion for the year as a whole, compared with \$37 billion in 1951. After rising substantially in early 1952, security outlays showed little change in the third quarter, then increased further in the last quarter of the year. For 1952 as a whole the expansion in defense outlays was at a slower rate than during 1951, in part due to the problems attending production and planning of complex military items. Another factor



was the stretch-out instituted to help maintain over-all economic stability by reducing the pressure that would come from a rapidly rising level of military output.

Increased demand from consumers and from Government was offset, in part, by reduced business expenditures in 1952. Outlays for additional business inventories declined during the year in an amount about sufficient to offset the increase in consumer spending. The slower rate of inventory accumulation reflected cutbacks in production of some items and lower prices of some materials. After the downward adjustment of some lines and reductions occasioned by the steel strike, inventories again increased in the last half of the year.

While business demand to add to inventories decreased, on balance for the year, expenditures on new plants and equipment did not. In fact, such investment increased to a new high level. Larger outlays by manufacturers and public utilities more than offset a decline in these expenditures by commercial firms.

## Employment

In response to the moderate increase in total demand, employment in the nation rose slightly during 1952. Total civilian employment averaged 61.3 million persons compared with 61.0 million employed in 1951. Employment in agriculture continued its long-term downtrend, with an average of 210,000 fewer persons at work during 1952 than during the previous year. Nonfarm employment, seasonally adjusted, was relatively stable at levels close to the June 1951 peak through May, but dropped in June and July during the steel strike. In the latter part of the year the demand for labor strengthened as production was increased, and in the final month of the year nonfarm employment was two per cent larger than in December 1951.

Despite the growth in civilian employment, the total number of persons in the civilian labor force changed little during 1952. There is usually a year-to-year increase in the labor supply, but in 1952 induction of young men into the armed services and additions of women and older men to the labor force about balanced out so that net, during most of the year, the civilian labor force was reported at approximately the same level as in comparable months in 1951.

As a result of expansion of labor demand without any particular increase in supply, unemployment decreased further in 1952. On the average about 1.7 million persons, or 2.7 per cent of the labor force, were seeking work during the year, compared with 1.9 million or a 3 per cent rate in 1951.



Average hourly earnings in manufacturing industries in November were 6 per cent higher than a year earlier. In addition to higher wage rates, this increase reflected overtime pay associated with longer hours, and a greater proportion of workers in the higher paying defense industries. The average work week in manufacturing fell off somewhat in the first part of the year, but rose in the latter part. At year end it was about one hour longer than twelve months earlier.

In the district's six major industrial areas, nonfarm employment averaged only one per cent larger than in 1951. In most of these areas that increase largely reflected a greater volume of defense production and construction of defense facilities, offset in part by reduced output of civilian goods. Evansville led the larger areas of the district with an average increase of 7 per cent in nonfarm employment from 1951 to 1952. In other major areas the increases closely approximated the average for the district.

While employment in the six metropolitan areas of this district averaged slightly higher than in 1951, the manpower reserves for all but a few occupations or skills were adequate. Until November all six major areas were classed as having a moderate surplus of labor supply over requirements. Improvement in activity in the fourth quarter of 1952 brought balanced labor market conditions in St. Louis, Evansville, and Little Rock, although the others (Louisville, Memphis, Springfield) remained unchanged. During the year the supply of labor continued to exceed substantially requirements at two smaller areas: Vincennes, Indiana, and Herrin-Murphysboro-West Frankfort, Illinois.

## Income

Reflecting the greater employment at higher wage rates and longer hours, personal income also hit a new peak in 1952. For the year as a whole, personal income was about 6 per cent above the previous year's record level. Expansion of wage and salary payments accounted for most of the increase. Income of farm proprietors nationally was slightly below the 1951 level, as a result of declining farm prices and increasing production costs. Interest, dividends and income of nonfarm proprietors were slightly higher than in 1951.

Personal income after taxes rose 4 per cent in 1952 from the previous year, somewhat less than total personal income increased, because of higher individual income tax rates (the 1951 increase took effect late in that year but applied to all of 1952). It is of interest to note, however, that the gain in personal income after

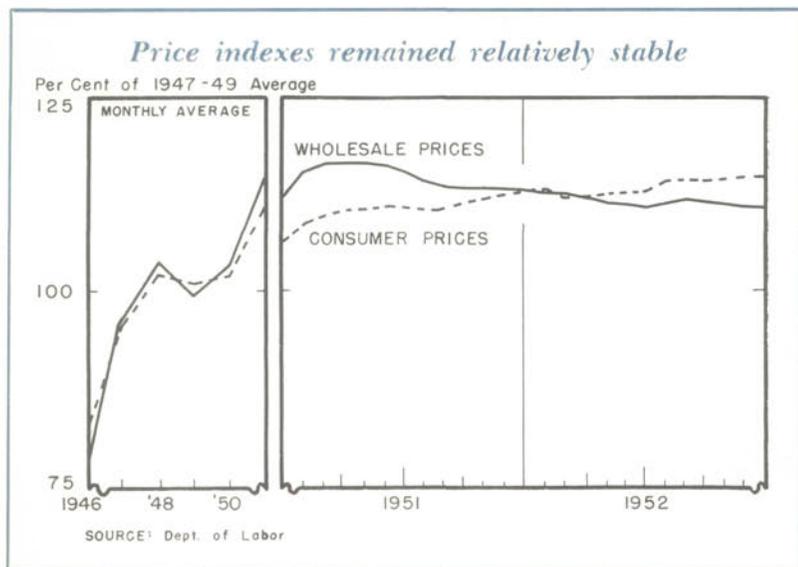


taxes can be approximately matched by the 1.7 per cent growth in population and the 2 per cent rise in consumer prices. Per capita disposable income in real terms likely changed little in 1952 from 1951 levels.

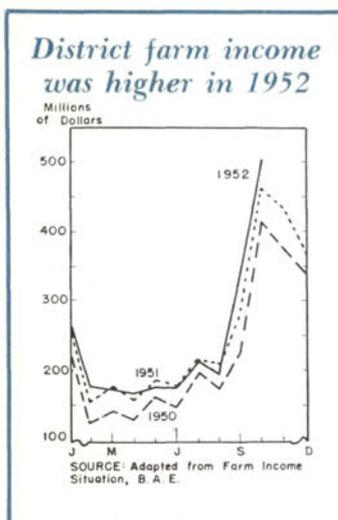
## Prices

Despite increasing total demand, record employment and income, prices remained fairly steady during 1952. For the year as a whole, consumer prices averaged 2 per cent higher than in 1951. This increase reflected higher food, fuel and rent costs, offset in part by lower prices of apparel and housefurnishings. However, the wholesale price index declined over the year and averaged 3 per cent less than in 1951. The decline was due in part to the large supplies of many items, especially farm products such as livestock and cotton, and partly to the retreat of many commodities from speculative peak prices. Wholesale prices of commodities other than farm products and foods were fairly stable in 1952.

Price controls were in effect on many products during 1952, although ceilings were suspended when no longer needed as a result of price declines. But the fair measure of price stability that characterized 1952 rested mainly on the increased supply of goods and services plus growth in our capacity to produce, which enabled increased demand to be met, and the monetary and credit policies followed in 1952.



## Agricultural Output



Increased agricultural output helped meet the increasing demand and maintain price stability. Farm products marketed in the nation were about 4 per cent greater in 1952 than in 1951. However, farm output in this district probably increased somewhat more than nationally. Increased output here was reflected in higher district agricultural income than in either 1951 or 1950.

The district income gain was achieved despite some of the worst drouths since the 'thirties. Explanation of the concurrence of high farm income and drouth lies in the timing and distribution of the dry spells. They spread over southern Missouri and northwestern Arkansas in June and July; over sections of Kentucky, Indiana, Illinois, and Tennessee in July and August; and over all of the district during September and October. Thus, on the one hand, harmful effects were substantial. Thousands of acres of timber land were burned over with particular harm to young trees. Pasture and winter wheat were adversely affected to an extent which will not be fully known until next spring. And in some areas crops were complete failures. On the other hand, there were some beneficial effects from the dry weather and the timing of the dry spells permitted some crops to reach bumper proportions. Cotton farmers, for example, had to do less spraying and chopping than usual and in the dry fall weather were able to harvest a high quality crop totaling 3.8 million bales, 14 per cent larger than in 1951. Similarly, a tremendous wheat crop was harvested in the district measuring 50.8 million bushels, 25 per cent larger than in 1951. And production of both rice and soybeans was above a year earlier.

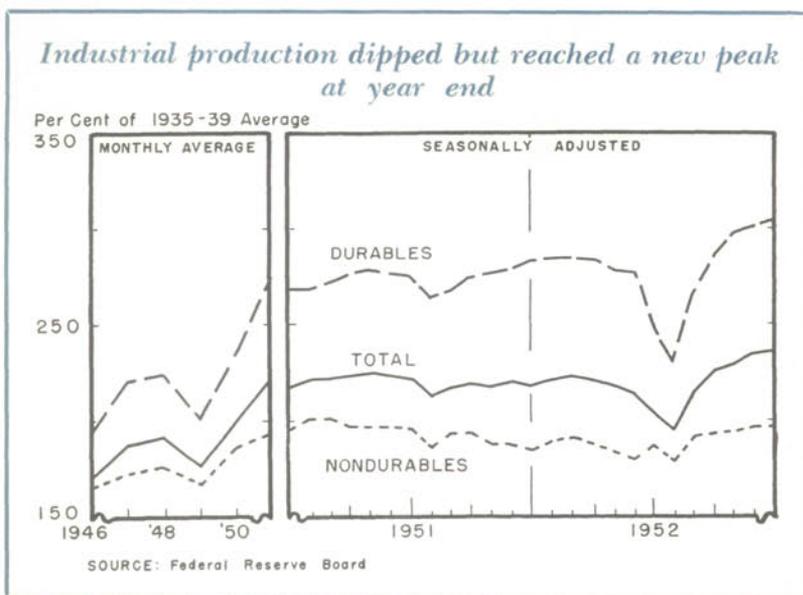
Even in the case of those cash crops which the drouth hurt most generally, corn and tobacco, the beneficial and detrimental effects appeared to balance out in the over-all picture. The burley tobacco crop in Kentucky was only 3 per cent less than the record 1951 crop. And the 345 million bushel corn crop of the district was but 1 per cent below a year ago. However, yields varied widely for both. For example, northern Missouri and parts of Illinois and Indiana had excellent corn crops, but other parts of these states and the southern states of the district had far-below-average results.

There was little selectivity, however, in the effect of the drought on livestock production, for dried out pastures and burned hay crops were common throughout the district. As a result, considerable culling of herds was necessary to balance livestock numbers with feed and pasture supplies. Furthermore, market prices declined as forced marketing increased.

On balance, the review of district agriculture in 1952 should stress the fact that, although total output and farm income in the district were high, many individual farmers had lower incomes than usual.

## Industrial Production

Substantial industrial output also aided in meeting the increased demands on the economy in 1952. The year's production of factories and mines in both district and nation had two predominant features: 1) a big dip at mid-year due to the steel mill shutdown and 2) a new peak of output reached at year end. This contrasted with a much more stable production level in 1951. Also, total industrial production this year failed to quite reach that of 1951, which thus remained the best year in this respect since 1943, the World War II peak. The narrow margin of difference was shown by the Federal Reserve Board index of industrial production which was 219 this year as against 220 last year. In some other respects, however, the two years were similar. Durable goods production





was stronger than nondurable in both years, and defense orders, which increased in 1952, supplied much of the drive behind the factory wheels. For example, in five major cities of the district, use of electric power by the defense-important electrical machinery and primary metals working industries was at a rate more than 10 per cent over 1951 for the first ten months of the year.

The striking way in which district and national industrial operations moved together was clearly shown at the time of the nationwide steel strike. Then, some district manufacturers were hard hit even though local furnaces were in operation for some of the period. And St. Louis area steel ingot output was affected enough to reduce operations this year to 83 per cent of capacity from 98 per cent last year.

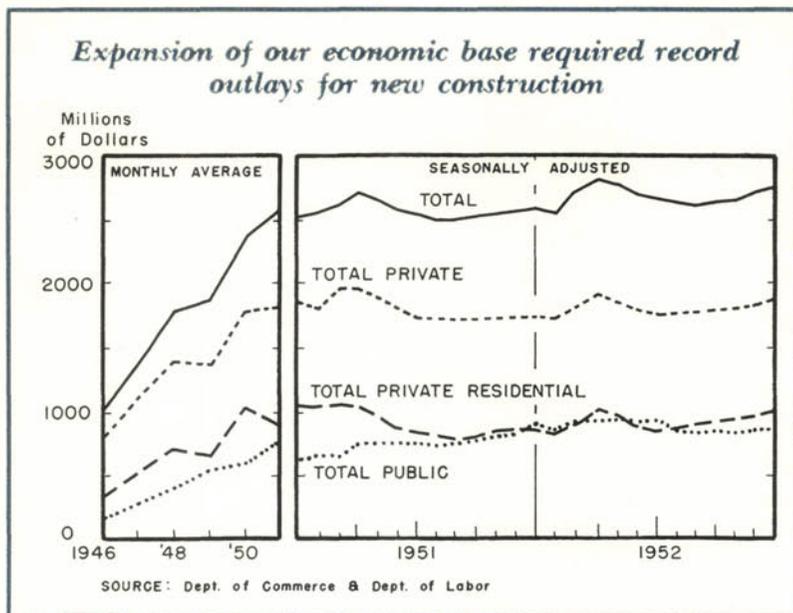
In nondurables output (textiles, apparels, shoes, and whiskey) the district pattern also closely resembled that of the nation. After low production for many months, the district textile and apparel industries recovered in the fall as markets firmed. District shoe production advanced over the previous year's monthly rate of output in April, and by the end of August total output was 6 per cent above that of 1951. Whiskey distilling, however, was low all year. In fact, by the third quarter it appeared that total gallonage would be only about one-half that of last year. Mountainous stocks applied the brake on production.

Among district extractive industries, lumber and oil production ran at practically the same level as during 1951 (with the exception of a strike affecting oil production in May), while mines produced about 15 per cent less coal than last year, following national experience.

## Capacity to Produce

In addition to greater agricultural output and the substantial and rising volume of industrial production, another factor contributed to price stability during 1952: the enlarged capacity of our economic machine. This growth in capacity is measured partly by business investment in plants and equipment (at a new peak in 1952), partly by expenditures on construction of housing, hospitals, roads, schools and other facilities, all of which tend, directly or indirectly, to increase our ability to turn out goods and services.

Exclusive of equipment expenditures, which were greater in 1952 than in 1951, business, Government and individual outlays for construction remained at a high level in 1952. In fact, because of higher unit costs, total construction activity reached a new peak



—\$32 billion—in 1952. As in 1951, the defense mobilization program was primarily responsible for a shift in types of construction activity. Public expenditures were 15 per cent greater than in 1951, the increase resulting largely from substantially more spending for Atomic Energy Commission plants and for military and naval facilities. In all, total private outlays remained at the 1951 level. Construction outlays for industrial buildings and public utilities were increased somewhat further in 1952, but construction of commercial buildings was reduced by materials restrictions and credit controls in effect for the first nine months of the year.

In the Eighth Federal Reserve District construction activity in all major categories, except residential, increased at a faster rate during 1952 than in all the nation, and moved on to a new peak. The total value of work contracted in the district in 1952 was about 20 per cent more than in 1951. Public construction was roughly one-half larger than in 1951 and private construction also increased somewhat. The value of contract awards for residential construction in the district was slightly ahead of 1951. Public housing units under construction in this district increased 33 per cent in the year ended September 30.

The effect of the defense effort on district construction stood out sharply in an 83 per cent increase for manufacturing plant construction contracts awarded in the district and in the granting of \$830 million in certificates of necessity for rapid amortization of industrial (or electric power) facilities.



## Monetary and Credit Developments

**D**URING 1952 monetary and credit policies played a significant role, along with increased output and capacity, in maintaining stability in the national and district economies. Federal Reserve policy was directed toward holding bank credit expansion to an amount consistent with requirements of a growing economy operating at a high level without inflation.

Underlying credit demands were heavy and stemmed from both Government and civilian sectors of the economy. Businesses and consumers expanded their borrowing throughout the year—business, to help finance a record expenditure for plant and equipment and to meet higher working capital needs at a time when corporate funds available for reinvestment from current earnings were shrinking; consumers, to help pay for housing and durable consumer goods. The growth in consumer credit was sharp following the suspension of the consumer instalment credit regulation in May 1952 and real estate mortgage credit increased during the year, although less rapidly than in 1951. State and local governments borrowed funds to finance construction of schools, highways, and other public facilities. Finally, the Federal Government, which had operated with a billion surplus (cash basis) in 1951, ran a moderate cash deficit in 1952 and engaged in sizable new money borrowings.

In general, Federal Reserve policy was one of neutrality—one of resisting additions to reserves and bank credit in excess of seasonal and growth requirements. But the market, responding to the heavy demands for funds, with a minimum of Federal Reserve intervention, translated this policy of neutrality into one of restraint. Banks became more selective in extending credit, and interest rates for both short-term funds and longer-term capital were more flexible and tended to work up moderately during the year. Thus, progress was made during the year toward enlisting the support of market forces in the adjustment of credit supply and credit demand to their appropriate levels.

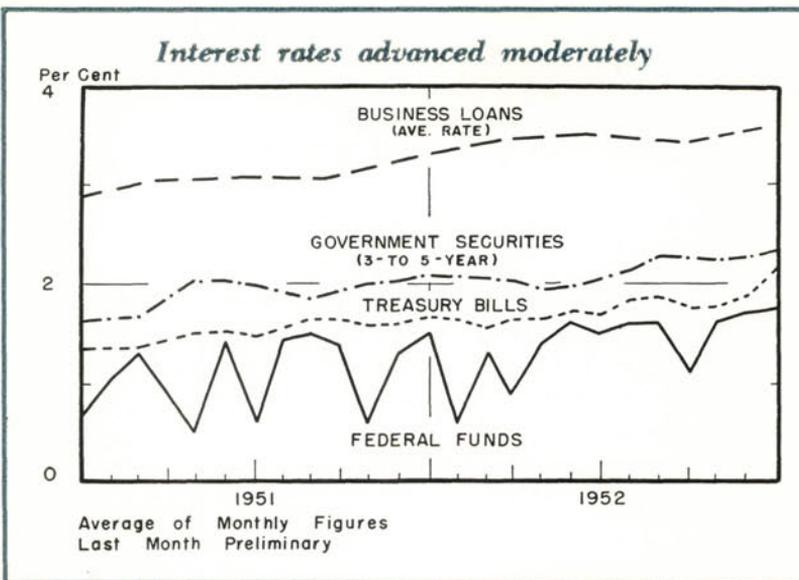
A large part of the increase in demand for credit that developed in the year was supplied from savings of individuals and businesses; a relatively smaller part was supplied through creation of additional bank credit. Liquid assets of individuals increased in 1952 approximately one-third more than they increased in the preceding

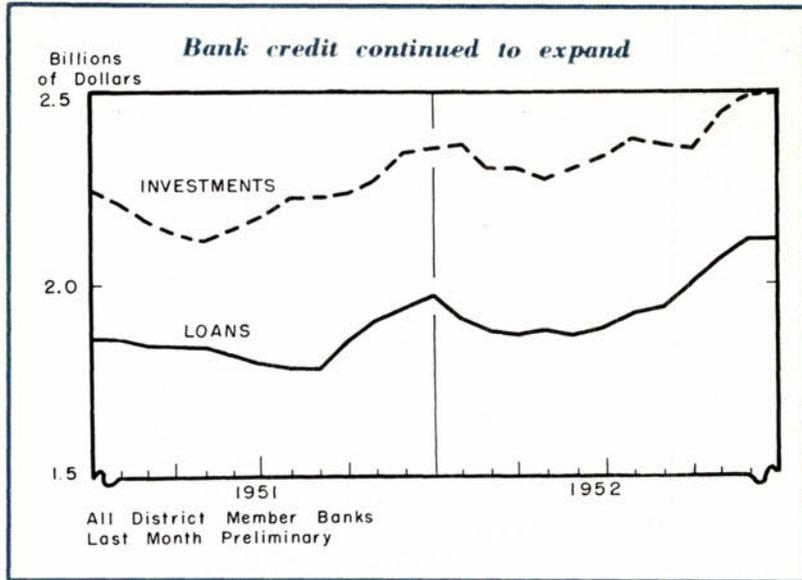


year and were put to work by the institutions in which they were accumulated by means of loans and security and mortgage purchases. To some extent growth in these assets was a response to slightly higher yields available in 1952 than in previous years; part of it reflected growth in personal income after taxes during the year.

Some of the increase in demand for credit was supplied by expanding earning assets of the commercial banking system, and additional central bank credit was made available for this purpose. But the reserve position of member banks was kept fairly tight over most of the year. One development in 1952, reminiscent of the 1920's, was the resumption of rather large-scale member bank borrowing to adjust reserve positions. Since only a small part of the additional central bank credit required by expansion of currency in circulation and normal growth in commercial bank credit in 1952 was met by net System purchases of Government securities, member banks were obliged to rediscount to maintain the reserves required by law. Borrowings reached \$2.4 billion on December 27—the highest level since 1921. Banks in the district, as well as nationally, were under pressure for funds during most of 1952.

Despite general tightness of reserves, the year 1952 was a profitable one for Eighth District member banks. According to preliminary reports, gross earnings reached an all-time peak. The increased gross earnings reflected several factors—enlarged loan volumes, expanded investment portfolios, and a higher average rate of return on bank earning assets.





During 1952 loans rose about 5 per cent at district member banks, the same as in 1951. The largest growth, percentagewise, was at the smaller banks. Investments were increased about 6 per cent, mostly in United States Government securities. Consumer loans accounted for a sizable share of district bank loan expansion. These loans showed little change in the early months of the year, but after suspension of Regulation W in May increased substantially. The greatest increase in consumer loans came in borrowing for repair and modernization, but loans in all other categories increased also. Loans for financing real estate also worked up during 1952, increasing about half again as much as in 1951. On the other hand, loans to businesses at the larger banks, after expanding on a seasonally adjusted basis in the second and third quarters, declined sharply in the final quarter and closed the year slightly below a year ago. Food manufacturers and commodity dealers reduced their borrowing, while contractors, public utilities, and metal manufacturers increased their borrowing.

Nationally, growth in bank credit was at about the same rate as in the district, but was more concentrated in loans. Consumer loans also rose substantially; borrowing to purchase real estate and securities increased moderately. In contrast with the district, a major portion of the loan expansion went to businesses, with the largest borrowers, by type of business, being metal and metal products manufacturers.

Primarily as a result of the bank loan expansion, the nation's private money supply rose approximately \$9 billion during 1952.



However, a large share of the growth in the money supply took the form of an increase in relatively inactive savings deposits. The increase in demand deposits and currency—active elements in the money supply—amounted to about 4 per cent for the year and was less than in the previous year.

### FACTORS AFFECTING MEMBER BANK RESERVES

(In Millions of Dollars)

(+) indicates addition to reserves

(-) indicates reduction in reserves

Money Market:	1st Quarter*	2nd Quarter*	3rd Quarter*	4th Quarter*	Aggregate 4 Quarters
Currency .....	+1,074	-485	- 433	-1,177	-1,021
Treasury Operations .....	+ 316	-114	- 85	- 97	+ 20
Gold and Foreign .....	+ 735	+ 5	- 136	+ 21	+ 625
Float .....	- 562	+167	- 139	+ 229	- 305
Miscellaneous .....	+ 106	- 15	+ 123	- 344	- 130
<b>Total</b> .....	<b>+1,669</b>	<b>-442</b>	<b>- 670</b>	<b>-1,368</b>	<b>- 811</b>
Deposit Changes .....	+ 137	-121	- 280	- 539	- 803
System Open Market Operations .....	- 975	+ 36	+1,151	+ 982	+1,194
Borrowings .....	- 626	+136	+ 94	- 245	- 641
<b>Total Changes</b> .....	<b>+ 205</b>	<b>-391</b>	<b>+ 295</b>	<b>-1,170</b>	<b>-1,061</b>
Excess Reserves at End of Period	776	385	680	490**	490**

\*Based on closing Wednesday figures of each quarter.

\*\*Deficit—required reserves on closing date were larger than total reserves.



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# 1952 Operations

## of the Federal Reserve

THE WORK LOAD at the Federal Reserve Bank of St. Louis was heavier in 1952 than in the year before. People in this District used checks more than ever, and the total number processed through this Bank hit an all-time high. But the large check volume did not reduce the use of currency and coin, which also increased. Commercial banks borrowed more heavily from this Bank and the Government had a larger volume of banking business to do, requiring much fiscal agency work. All of this added up to increased activity for a staff smaller in size than a year earlier.

### Research And Field Service

In the operation of our central banking system each Reserve Bank is charged, among other things, with the responsibility of keeping abreast of economic developments in its district. The Federal Reserve Bank of St. Louis continued to accomplish this purpose in 1952, as in previous years, through analysis of statistical information obtained from financial institutions and others, and through field work which obtained opinion at the "grass roots" level. Such information helped keep directors and officers informed and, when combined with data collected by the other Reserve Banks, served a similar purpose for the Board of Governors of the Federal Reserve System.

In the Bank's periodical, the *Monthly Review*, reports on the current business situation and research articles on district business and banking were distributed to bankers and others. For the first time, an input-output analysis of a Federal Reserve district was published. A banking study was inaugurated in 1952 on the flow of funds between the Eighth District and other areas. And a detailed revision of the small areas for income analysis was made and current data presented. In addition, many other special publications and reports were released to meet specific needs.



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# *Bank of St. Louis*

The regional development program, which this Bank has carried on for a number of years, was expanded in 1952, particularly in the field of agriculture. Fifteen agriculture field meetings were held, six more than in the previous year. Five of the 1952 meetings were held in Arkansas, five in Kentucky, three in Mississippi and two in Tennessee. One forestry meeting was held in Missouri. Meetings were under the joint sponsorship of state universities, state bankers associations and this Bank. Approximately 1,600 commercial bankers, directors and others attended the meetings.

During the entire postwar period there has been a growing interest in objectives, problems and techniques of money and credit policies which was intensified by the two recent Congressional inquiries. As a result, requests for information and speakers with working experience in the monetary-credit field have increased substantially. This Bank responded to this widespread interest by inaugurating an educational program last spring. Officers and members of the staffs of the Research and the Field Service Departments lectured before money and banking classes in five district colleges. Ordinarily the sessions consisted of the showing of one of our films followed by a lecture on the economic functions of the commercial banking system and the way the Federal Reserve System influences the money supply by actions affecting the level and cost of bank reserves. The 1952 program was exploratory, and it is hoped that, by concentrating on appearances in schools having formal money and banking classes, from 20 to 30 classes can be handled in 1953.

Officers and field representatives of this Bank made 2,100 visits to commercial banks in 1952, an increase over the previous year of more than 600. Contacts with the public were made through guided tours of the Bank buildings in St. Louis and branch cities, through the showing of films on banking subjects, and through the currency exhibit. Some 3,700 people, mainly from schools and colleges within the district, visited the Bank, a somewhat larger number than in 1951. Banking films were shown to 125 groups, of which 15 were banking groups, 83 school groups, and 27 club and other groups. The currency exhibit was displayed at 15 banks.



## Personnel

At the close of 1952 the Federal Reserve Bank of St. Louis employed 1,248 officers and employees. This number represented a net decrease of 13 for the year and resulted from a net increase of two officers, and a net decrease of 15 employees.

During the past year a number of changes were made in the official family of this Bank. At the December meeting of the Board of Directors, Frederick L. Deming was elected First Vice President, effective January 1, 1953. Under The Federal Reserve Act, the appointment of First Vice President is subject to the approval of the Board of Governors of the Federal Reserve System. Mr. Deming's appointment was so approved.

The new First Vice President was born in Des Moines, Iowa, on September 12, 1912. He was educated in the St. Louis public schools and at Washington University in St. Louis, from which he received an A.B. degree in 1934, an A.M. in 1935, and a Ph.D. in economics in 1941. He joined the staff of the St. Louis Reserve Bank in 1941 and served successively as Assistant Manager and Manager of the Research Department, Assistant Vice President and Vice President.

Mr. Deming succeeded Olin M. Attebery who retired December 31, 1952 under the provision of the Retirement System of the Federal Reserve Banks. Mr. Attebery began his banking career in 1904 with American Exchange Bank in St. Louis. He joined the Reserve Bank staff in 1914 before the Bank was open for business and was an officer since 1917.

The Board of Directors at its July meeting promoted Willis L. Johns, Stephen Koptis and Woodrow W. Gilmore to Assistant Vice Presidents, William J. Abbott, Jr., to Director of Research, and gave official status to the position of Chief Examiner held by George E. Kroner. Also in July, Marvin L. Bennett was promoted to Assistant Manager of the Little Rock Branch. During the year Harold B. Klein, Counsel, and Jerome H. Gales, Assistant Vice President, resigned to take other positions, and Clay Childers, Assistant Manager of the Little Rock Branch, retired.

Although there was a net decrease of 15 in the number of employees, it was necessary during 1952 to hire 584 persons, as separations amounted to 599.

The Bank's program of Training and Executive Development, covering training assignments and discussion seminars for trainees and other key personnel, continued during 1952. The seminars covered the subjects of general credit controls, personnel problems and policies, and salary administration. During the year five advanced trainees received official appointments, while six others from the



advanced training group received promotions to higher levels of authority and responsibility. As part of its formal training program, the Bank encouraged senior personnel to attend various schools of banking. Twelve men from the St. Louis office and branches were enrolled in graduate banking schools in 1952. Seven were graduated, two were second year students and three were first year students.

## Services for Member Banks

**Check Collection**—In the last two decades the use of checks in the Eighth District has grown by leaps and bounds. From a total of approximately 40 million checks handled in 1932, the number increased in each succeeding year so that by 1952 it had reached a total of 180 million items, and the check value of \$8 billion had grown to nearly \$57 billion. The year just ended marked the nineteenth consecutive year in which volume surpassed that of the year before. As compared with 1951, the dollar volume of checks handled increased approximately \$4 billion and the number of checks increased by approximately 22 million. A large part of the increase was due to the handling of 9 million more postal money orders in 1952 than in the six months of 1951 during which the punch card type of money order was circulated. Another 6 million resulted from a marked increase in the number of United States Treasury checks, and the remaining 7 million reflected the continued rise in the number of checks drawn on commercial banks. A new volume record for a single day's business was established in each of the Bank's offices. The record daily amounts and dates were:

Office	Date	Number of Items Handled
Little Rock	April 7	81,000
Louisville	June 4	180,000
Memphis	November 5	121,000
St. Louis	November 12	745,000

1127000  
 300  
 337100000  
 1127000

The check routing symbol program made further progress. A survey conducted near the close of the year indicated that 87 per cent of all checks on par banks in this district bore the routing symbol as compared with 80 per cent a year earlier.

**Noncash Collections**—Other items were handled for collection, such as drafts, promisory notes, stocks, bonds and coupons. Volume handled in 1952 was substantial with United States Government interest coupons alone numbering 720,000 pieces. In addition to Government interest coupons, 378,000 other "noncash" collections having a total value of \$365 million were handled. The number of these "noncash" items was slightly below 1951 but the dollar volume was \$2.3 million larger.



**Transfer of Funds**—The fast tempo of business today makes it desirable to make transfers and payments as promptly and efficiently as possible. To this end, member banks made use of an important Reserve Bank service, the telegraphic transfer of funds. In 1952 this Bank made 106,000 such transfers, representing a total of \$28 billion. The number of transfers was not substantially changed from the previous year, but the dollar volume was up \$6.0 billion.

**Money**—Although the use of checks to settle economic transactions has increased substantially and greater volumes of funds are transferred quickly by wire, currency is still indispensable and its use increased in 1952. During the year, over 217 million pieces of currency were counted and sorted, an increase over 1951 of almost 9 million pieces. Dollar volume at \$1.3 billion was \$73 million above 1951. For a wide variety of reasons coin demand has risen fairly sharply and the number of coins counted at this Bank in 1952 exceeded the 1951 number by 24 million pieces, 333 million compared with 309 million. Increased coin demand was felt most in the wrapped coin field. Use of this service reached a peak in 1952 during which 135 million coins were wrapped with a value of \$11 million—an increase over a year ago of 30 million wrapped coins.

Currency shipments to banks were about 2,000 fewer in 1952 than in 1951, but the number of coin shipments increased by approximately 25,000. Part of the increase reflected greater demand, but a large part was due to a change in the postal laws, which reduced the maximum weight of individual coin shipments from seventy pounds to forty in some areas, and from seventy pounds to twenty in others.

**Safekeeping**—The safekeeping of securities, primarily for commercial banks, is another service of this Bank that was used increasingly in 1952. Safekeeping facilities are available to member banks and, for the convenience of the United States Treasury and other public bodies, to nonmember banks. Nonmember safekeeping is on a restricted basis, available only for Treasury Savings Bonds and securities pledged to secure Treasury Tax and Loan Accounts or other public deposits. During the year 473 member and 476 nonmember banks made use of this service. There were 147,000 securities deposited and withdrawn—20,000 more than in 1951. And, at the end of the year, 164,000 securities were held for safekeeping as compared with 159,000 in 1951. As part of the safekeeping service, maturing coupons on securities were clipped and credited to the commercial banks' accounts. The number of coupons clipped (278,000) was larger than in the previous year, but the dollar amount (\$20 million) was smaller.



**Purchase and Sale of Government Securities**—In the course of a year member banks purchase and sell a large dollar volume of United States Treasury securities. As an accommodation for member banks and upon their request, this Bank handles all or part of such transactions. Slightly over \$120 million of Government securities were bought or sold for member banks during 1952. In addition this Bank made total payments of \$426 million against deliveries of securities which member banks had purchased direct. It also made deliveries of securities sold direct by member banks against receipt of funds totaling \$394 million.

**Accounting**—At the close of the year, there were 493 member banks maintaining reserve accounts and 37 nonmember banks carrying accounts for settlement of check clearings. Throughout the year these banks were furnished with daily transcripts of entries that arose from collection and clearings of checks, noncash collections, transfers of funds, money shipments and receipts and other deposits and withdrawals of bank funds. A considerable volume of accounting work arose from operations as Fiscal Agent for the United States Government, activity in the Interdistrict Settlement Fund, transactions of the System Open Market Account, and internal operating income and expense items.

## Credit Operations

As mentioned elsewhere in this report, member bank reserve positions were tight during most of 1952. One of the ways member banks obtained reserve funds when needed for short periods was to exercise their privilege of borrowing from this Bank. Advances made in 1952 amounted to \$6.4 billion, over two and a half times the amount borrowed in 1951. The number of notes discounted in 1952 also increased, 1,491 as compared with 997. Daily average amount of borrowings outstanding was \$41 million, as compared with \$13 million the previous year. The \$149 million peak of outstandings in 1952 came at the end of November. The previous year's peak of \$54 million was registered toward the end of February.

**Regulation V**—Regulation V authorizes the Bank, acting for the Departments of the Army, Navy, Air Force, Commerce, Interior and Agriculture, the Defense Materials Procurement Agency, the Atomic Energy Commission, and the General Services Administration, to issue guarantees of loans made by financing institutions to companies engaged in production deemed essential for national defense. During the year, 20 guarantees were approved. Of these, 15 were executed for \$7.7 million, and 5 applications amounting



to \$357,000 were withdrawn after approval. The dollar amount of guarantees approved in 1952 was about one and a half times the amount approved in 1951.

**Regulation W**—Regulation W was suspended on May 7. During that part of the year when it was in effect, 2,137 investigations were made. At the time of the suspension, almost 13,900 registration certificates had been issued to lenders and vendors whose businesses came within the scope of the Regulation.

**Regulation X**—Regulation X was suspended on September 15. While it was in effect 675 investigations were made. On the suspension date registration certificates had been issued to slightly over 3,400 registrants.

## Services for the Government

**Fiscal Agency**—In their capacity as fiscal agents for the United States Government, the Reserve Banks perform two general types of services: (1) servicing the public debt and (2) collecting and disbursing Treasury funds.

One of the important functions in servicing the debt is the processing of savings bonds. Although most savings bond sales in the district during 1952 were made through the 1,381 commercial banks and 207 other qualified issuing agents, the work of record keeping and tabulation was done by this Bank. Issuing agents sold \$185 million worth of savings bonds in 1952, and this Bank \$65 million. These totals were approximately \$10 million above 1951 sales totals. The 1,559 paying agents in this district retired \$183 million of savings bonds in the past year, and this Bank \$45 million. Combined value of retired savings bonds was approximately \$39 million below that of the previous year.

Another debt-servicing function is the issuance of new offerings of Government securities. When a new offering is made this Bank receives the applications of banks, dealers and others who wish to buy, and makes allotments of securities in accordance with instructions from the Treasury. Number of pieces so allotted in 1952 exceeded the previous year by 5,850. In addition to new issues, debt servicing involves retirement of securities at maturity and exchanges of denominations or kinds. At this Bank the dollar total of redemptions and exchanges were up almost \$800 million in 1952, but the 127,000 pieces handled were about 33,000 less than in the previous year. The drop was due to demand for larger denomination bonds and to the maturity in 1951 of the Armed Forces Leave Bonds.



The second major type of service done by the Bank for the Treasury, the collecting and disbursing of Treasury funds, was also a considerably larger one than a year ago. The receipts, mainly from purchasers of Government securities and from income taxes withheld on wages and for taxes under the Federal Insurance Contributors Act were handled through the Treasury Tax and Loan Account. At the end of the year there were 996 qualified depositaries for the Treasury Tax and Loan Account. Transactions handled by this Bank numbered 122,000, about 13,000 above 1951. Collateral held at the close of the year amounted to slightly less than \$19 million. In the handling of withheld income and employment taxes, this Bank processed 61,000 receipts from employers, 191,000 from qualified depositaries, and 244,000 from Directors of Internal Revenue. The combined volume of such items exceeded by about 80,000 the number handled in the previous year.

## Examination

Following established policy, examinations were made jointly with the several State Banking Departments of the district except in a few instances where practicable schedules could not be arranged. In addition, a number of investigations, both joint and independent, were made. A table showing the number of examinations and investigations undertaken during the year follows.

### Examinations of State Member Banks

	Joint	Independent
Commercial Departments	152	8
Trust Departments	31	10
Holding Company Affiliates	—	2
Affiliates Other than Holding Companies	8	2

### Investigations

Holding Company Affiliates	1	1
Affiliates Other than Holding Companies	29	22
Credit Investigations	—	1

## Audit

During the year, the records at this Bank were reviewed and audited by the staff of the Audit Department in accordance with an approved frequency schedule. An annual balance sheet audit was conducted at each of the branches and individual audits were made of all operating departments at St. Louis. Reports of audits were submitted directly to the Chairman of the Board of Directors and reviewed by the Audit Committee of Directors.



# Comparative Statement of Condition

## ASSETS

	Dec. 31, 1952	Dec. 31, 1951
Gold Certificates .....	\$ 636,609,319	\$ 554,749,934
Redemption Fund .....	51,900,848	49,274,118
Other Cash .....	19,663,019	18,944,006
	\$ 708,173,186	\$ 622,968,058
Total Cash .....		
Discounts and Advances.....	1,246,000	55,000
U. S. Government Securities.....	1,302,581,000	1,286,902,000
	\$1,303,827,000	\$1,286,957,000
Total Loans and Securities.....		
F. R. Notes of Other Banks.....	12,217,600	10,529,300
Uncollected Items .....	174,821,538	136,889,537
Bank Premises (Net).....	3,025,873	3,265,547
Other Assets .....	8,489,139	6,982,842
	\$2,210,554,336	\$2,067,592,284
Total Assets .....		

## LIABILITIES

Federal Reserve Notes.....	\$1,230,997,725	\$1,167,160,705
Deposits:		
Member Bank—Reserve		
Account .....	731,517,679	740,737,142
U. S. Treasurer—General		
Account .....	31,174,886	3,560,640
Other Deposits .....	34,298,114	31,340,025
	\$ 796,990,679	\$ 775,637,807
Total Deposits .....		
Deferred Availability Items.....	142,973,597	87,484,985
Other Liabilities .....	587,687	605,061
	\$2,171,549,688	\$2,030,888,558
Total Liabilities .....		

## CAPITAL ACCOUNTS

Capital Paid in.....	\$ 8,800,000	\$ 8,365,500
Surplus (Section 7).....	23,628,311	21,788,221
Surplus (Section 13b).....	521,318	522,837
Other Capital Accounts.....	6,055,019	6,027,168
	\$2,210,554,336	\$2,067,592,284
Total Liabilities and Capital		
Accounts .....		



# Comparative Statement of Earnings and Expenses

	1952	1951
EARNINGS .....	\$24,679,860	\$21,225,423
EXPENSES:		
Operating Expenses.....	\$ 5,061,182	\$ 5,058,269
Assessment for Expenses of Board of Governors .....	157,300	151,700
Federal Reserve Currency.....	635,951	512,303
Total Current Expenses.....	\$ 5,854,433	\$ 5,722,272
Current Net Earnings.....	\$18,825,427	\$15,503,151
Additions to Current Net Earnings:		
Profit On Sales of U. S. Government Securities .....	\$ 108,609	\$ .....
Other Additions.....	7,490	6,244
Total Additions.....	\$ 116,099	\$ 6,244
Deductions From Current Net Earnings	\$ 2,920	\$ 87,289
Transferred to Reserves for Contingencies .....	24,873	22,607
Paid United States Treasury (Interest on Outstanding Federal Reserve Notes) .....	16,560,583	13,435,403
Net Earnings After Reserves and Payments to United States Treasury .....	\$ 2,353,150	\$ 1,964,096
Dividends Paid.....	513,060	471,209
Transferred to Surplus (Section 7).....	\$ 1,840,090	\$ 1,492,887
SURPLUS ACCOUNT (SECTION 7)		
Surplus January 1.....	\$21,788,221	\$20,295,334
Transferred to Surplus—as above.....	1,840,090	1,492,887
Surplus December 31.....	\$23,628,311	\$21,788,221



# Directors and Officers

## DIRECTORS

### Chairman

RUSSELL L. DEARMONT, *Chief Counsel for Trustee*  
Missouri-Pacific Lines  
St. Louis, Missouri

### Deputy Chairman

WM. H. BRYCE, *Vice-President and Director*  
Dixie Wax Paper Company  
Memphis, Tennessee

M. MOSS ALEXANDER, *President*  
Missouri-Portland Cement Company  
St. Louis, Missouri

WM. A. McDONNELL, *President*  
First National Bank in St. Louis  
St. Louis, Missouri

PHIL E. CHAPPELL, *President*  
Planters Bank & Trust Company  
Hopkinsville, Kentucky

JOSEPH H. MOORE, *Farmer*  
Charleston,  
Missouri

J. E. ETHERTON, *President*  
Carbondale National Bank  
Carbondale, Illinois

RALPH E. PLUNKETT, *President*  
Plunkett-Jarrell Grocer Company  
Little Rock, Arkansas

LOUIS RUTHENBURG, *Chairman of Board*  
Servel, Incorporated  
Evansville, Indiana

## OFFICERS

DELOS C. JOHNS, *President*

FREDERICK L. DEMING,  
*First Vice-President*

HOWARD H. WEIGEL,  
*Vice-President and Secretary*

WM. E. PETERSON,  
*Vice-President*

JOSEPH C. WOTAWA,  
*Vice-President*

DALE M. LEWIS, *Vice-President*

F. N. HALL,  
*Assistant Vice-President*

WILLIS L. JOHNS,  
*Assistant Vice-President*

G. O. HOLLOCHER,  
*Assistant Vice-President*

STEPHEN KOPTIS,  
*Assistant Vice-President*

EARL R. BILLEN,  
*Assistant Vice-President*

W. W. GILMORE,  
*Assistant Vice-President*

JOHN J. CHRIST,  
*Assistant Vice-President*

WM. J. ABBOTT, JR.,  
*Director of Research*

GEO. E. KRONER, *Chief Examiner*

G. W. HIRSHMAN, *General Auditor*

## MEMBER OF FEDERAL ADVISORY COUNCIL

VANCE J. ALEXANDER, *Chairman of Board*  
Union Planters National Bank  
Memphis, Tennessee

# Branch Directors and Officers

## LITTLE ROCK

### DIRECTORS

STONEWALL J. BEAUCHAMP, *President*  
Terminal Warehouse Co.,  
Little Rock, Arkansas

HARVEY C. COUCH, JR., *President*  
Union National Bank  
Little Rock, Arkansas

GAITHER C. JOHNSTON,  
Investments  
Dermott, Arkansas

H. C. MCKINNEY, JR., *President*  
First National Bank  
El Dorado, Arkansas

SHUFORD R. NICHOLS, *Farmer,  
Ginner and Cotton Broker*  
Des Arc, Arkansas

THOS. W. STONE, *President*  
The Arkansas National Bank  
Hot Springs, Arkansas

SAM B. STRAUSS, *President*  
Pfeifers of Arkansas  
Little Rock, Arkansas

### OFFICERS

C. M. STEWART, *Vice-President and Manager*

M. L. BENNETT, *Assistant Manager*      CLIFFORD WOOD, *Assistant Manager*

W. J. BRYAN, *Assistant Manager*

## LOUISVILLE

### DIRECTORS

SMITH BROADBENT, JR., *Farmer*  
Cadiz,  
Kentucky

MAGNUS J. KREISLE, *President*  
Tell City National Bank  
Tell City, Indiana

M. C. MINOR, *President*  
Farmers National Bank  
Danville, Kentucky

NOEL RUSH, *President*  
Lincoln Bank and Trust Co.,  
Louisville, Kentucky

PIERRE B. MCBRIDE, *President*  
Porcelain Metals Corp.,  
Louisville, Kentucky

ALVIN A. VOIT, *President*  
Mengel Company  
Louisville, Kentucky

IRA F. WILCOX, *Vice-President and Cashier*  
The Union National Bank  
New Albany, Indiana

### OFFICERS

C. A. SCHACHT, *Vice-President and Manager*

FRED BURTON, *Assistant Manager*      L. K. ARTHUR, *Assistant Manager*

L. S. MOORE, *Assistant Manager*

## MEMPHIS

### DIRECTORS

HENRY BANKS, *Farmer*  
Clarkedale,  
Arkansas

JOHN A. MCCALL, *President*  
First National Bank  
Lexington, Tennessee

M. P. MOORE, *Owner*  
Circle M Ranch  
Senatobia, Mississippi

WILLIAM B. POLLARD, *President*  
National Bank of Commerce  
Memphis, Tennessee

C. H. REEVES, *President*  
Merchants and Farmers Bank  
Columbus, Mississippi

CAFFEY ROBERTSON, *President*  
Caffey Robertson Company  
Memphis, Tennessee

BEN L. ROSS, *Chairman of Board*  
Phillips National Bank  
Helena, Arkansas

### OFFICERS

PAUL E. SCHROEDER, *Vice-President and Manager*

C. E. MARTIN, *Assistant Manager*      S. K. BELCHER, *Assistant Manager*

H. C. ANDERSON, *Assistant Manager*