THIRTY-FOURTH

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR THE YEAR

1947

LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, April 9, 1948.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

Pursuant to the requirements of Section 10 of the Federal Reserve Act, as amended, I have the honor to submit the Thirty-fourth Annual Report, prepared by direction of the Board of Governors of the Federal Reserve System, covering operation during the calendar year 1947.

Yours respectfully,

M. S. ECCLES, *Chairman pro tem.*

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ANNUAL REPORT OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Inflationary forces continued to dominate the nation's economy during 1947 and the early months of 1948. Monetary and fiscal policies were directed toward reducing the influence of credit expansion in furthering inflation. In view of the wartime growth of the public debt, however, and the responsibility of the Federal Reserve System for maintaining an orderly market for Government securities, the Federal Reserve authorities were unable to make use of established instruments to restrain credit expansion to the extent that was previously possible. Accordingly, the Board of Governors recommended to the Congress the adoption of legislation that would restore to the System the power to impose more effective restraints.

Total demand by consumers, businesses, and government, based on rising incomes, on the use of previously accumulated savings, and on new borrowing, exceeded the capacity of the economy to supply goods and services. Aggregate output, which at the beginning of 1947 was larger than in any previous peacetime period, showed little further growth in the course of the year. Prices rose under the pressure of vigorous demands, and the total value of the nation's product of goods and services continued to increase. Employment was close to the maximum level possible with the existing labor force. The large volume of employment, rising wage rates, high prices for farm products, and large profits by businesses were reflected in a further growth of national income.

Consumer expenditures, which had necessarily been less than income during the war period because of the scarcity of goods available for purchase and the effect of rationing and price controls, increased after the war more rapidly than personal incomes. This reflected the increased availability of goods and the willingness of many consumers to spend freely notwithstanding sharply advanced prices. Many consumers drew upon their large wartime accumulations of savings and others borrowed to supplement current incomes. Although current personal savings were considerably below the abnormally high wartime level, individuals in the aggregate continued to add to their holdings of liquid assets.

Heavy business expenditures for equipment, plant, and inventories, prompted by expanding markets and increased earnings, added to the total volume of buying. Farmers, with incomes at record high levels, were likewise active buyers of equipment, as well as of consumers' goods. There was also a sharp expansion in expenditures of State and local governments. Growing domestic expenditures were reinforced by exceptionally active demand for American goods from abroad, reflecting acute needs on the part of war-ravaged Europe and large purchasing power on the part of other countries.

Expenditures by the Federal Government in 1947 were an important factor in total demand, as measured by peacetime standards, although somewhat smaller than in 1946. At the same time, Government cash receipts exceeded cash payments, and a substantial amount of Government securities was retired, particularly of bank-held securities. These fiscal and debt-management developments had an anti-inflationary impact. They not only withdrew funds from current incomes of businesses and individuals and thereby reduced amounts available for spending; they also had the effect of withdrawing reserves from banks, thereby making it necessary for many banks to liquidate Government securities in order to maintain their reserve positions and at the same time meet the growing demand for loans.

Increased expenditures by businesses and by State and local governments were financed in part by a large volume of security offerings for new money and a rapid expansion of bank loans. Growing investment in housing resulted in an expansion of mortgage loans, and consumer credit also increased substantially.

Vigorous and widespread bank credit demand in 1947 stemmed largely from forces accompanying the high level of economic activity and sharply rising prices. Some of the loans extended by banks facilitated expansion in production of goods and services but, since there was little over-all increase in the total volume of output, the additional money supplied by increases in bank loans was an important inflationary factor. Some of the funds made available through bank loans were used by businesses to bid for scarce materials and manpower or by consumers to swell the demand for limited supplies of goods and services. Thus by borrowing from banks some producers were able to bid away productive resources from others, who in turn were induced by active business conditions to seek additional credit with which to protect their own operations. Similarly, borrowing by consumers was a factor in the rising prices of many consumer items. Some borrowers, moreover, encouraged by inflationary price advances, sought bank loans to purchase and withhold supplies from the market. Loans of this type retarded production and stimulated price advances.

In summary, inflationary developments, which had begun because of wartime shortages of goods in relation to income, were carried forward through 1947 by a rising spiral of costs, prices, and incomes, supported by use of past savings and by substantial credit expansion. With additions to the supply of domestic goods limited, with supplies from abroad still small and needs large, with the economy's total expenditures increasing, and with an already abundant money supply and capacity for further credit expansion, the threat of further inflation continued into 1948.

MONETARY POLICY IN 1947

Policies pursued by the Federal Reserve authorities since 1946, together with measures adopted by the Treasury in connection with management of the public debt, have been designed to absorb bank deposits and bank reserves and to restrain further over-all monetary expansion. With a vigorous demand for loans on the part of nearly all groups of borrowers and with decreases in net earnings, banks have been under pressure to expand their loans. Funds to meet current demands for credit have been made available by the large inflow of gold or have been readily obtainable by banks through selling some part of their greatly expanded holdings of Government securities. Reserves have also been supplied more recently through sales of Government securities by nonbank investors. In the absence of other buyers, a large portion of the securities offered for sale have been purchased by the Federal Reserve Banks in accordance with the System's policy of maintaining an orderly and stable market for the vast volume of Government securities outstanding.

Effective limitations on credit expansion could be accomplished only by absorption of bank reserves through a reduction in Federal Reserve holdings of Government securities or by voluntary restraint on the part of borrowers and lenders. Since banks, and at times during the year other investors as well, were selling Government securities on balance in order to obtain funds for other purposes, it was not possible for the Reserve System to reduce its holdings to the extent necessary. In any event, a vigorous attempt to do so would have brought about disorderly conditions in the market for Government securities with widespread repercussions throughout the economy.

Some restraint was effected through the use of an excess of Treasury cash receipts over expenditures to retire Government securities held by the Federal Reserve Banks. This excess, which reflected not only a small surplus in budget accounts but also receipts for Government trust accounts invested in special issues and sales of new issues of nonmarketable securities in excess of redemptions, represented the balance of funds being withdrawn from banks by Treasury transactions. When used to retire securities held by the Reserve Banks, these funds are not returned to the market, as they would be if used to retire securities held by others.

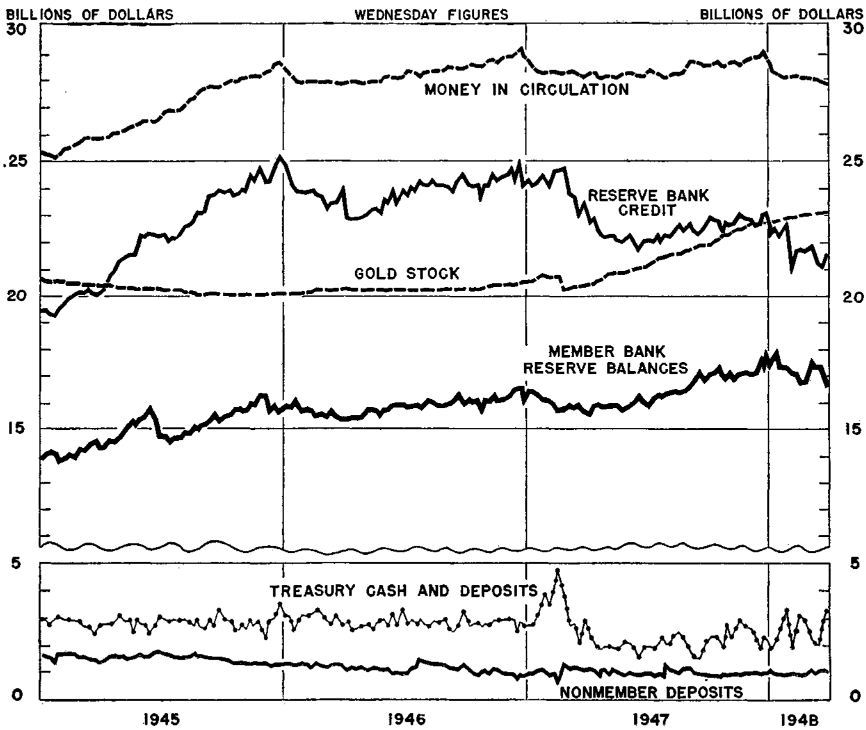
Banks losing funds through these transactions had to sell Government securities in order to maintain their reserve positions, and particularly to expand loans. These securities, if not taken by other buyers, were purchased by the Federal Reserve Banks, which thereby made additional reserves available to banks. Even though securities were readily salable by banks, the need to sell securities to adjust reserve positions and make loans was a factor of restraint on credit expansion by some banks.

During the early months of 1947, banks obtained reserves from the gold inflow and a seasonal return of currency from circulation. Although the

Treasury had a large excess of cash receipts over expenditures, much of this excess was returned to the banks through substantial retirement of securities held by commercial banks and other holders. In this period, therefore, banks were able to meet substantial losses of deposits and also expand their loans.

In the second quarter of the year, a larger portion of debt retirements were of securities held by Federal Reserve Banks, including a portion of the weekly issues of Treasury bills. These operations utilized Treasury balances accumulated during the first quarter in a manner that did not add to reserves. Bank reserves were increased, however, by the gold inflow, as is shown in the accompanying chart, and bank loans and deposits increased.

MEMBER BANK RESERVES, RESERVE BANK CREDIT, AND RELATED ITEMS

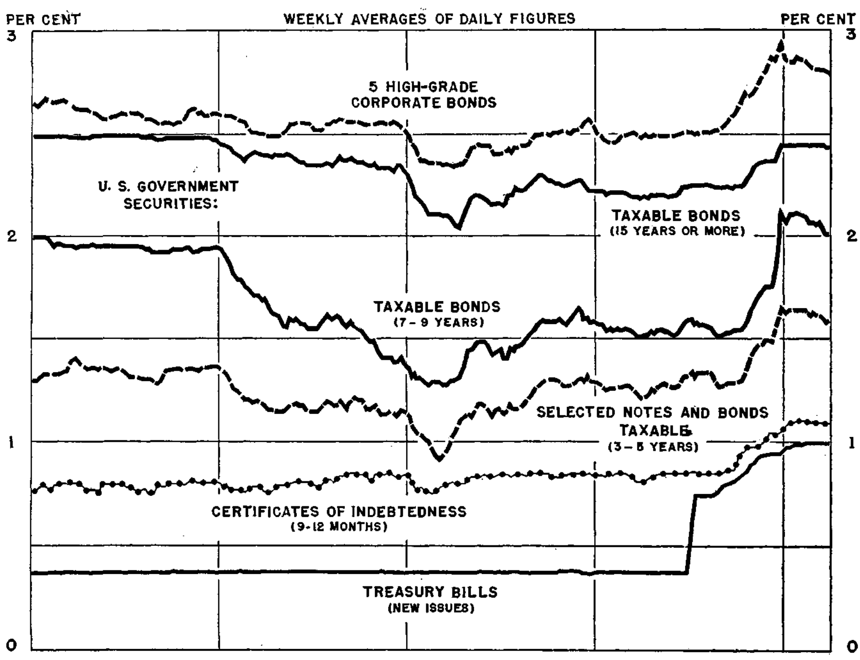


In the middle part of the year, there was a strong demand for Government bonds on the part of banks and other investors. The Treasury sold substantial amounts of marketable bonds from Government trust funds to meet some of this demand. These sales withdrew funds from the banks which were used to retire maturing debt. There was a growth in the total of bank loans and investments and, notwithstanding the continued gold inflow, banks sold certificates to the Federal Reserve in order to obtain additional reserves.

Beginning in July the Federal Reserve System and the Treasury adopted measures to permit some rise in interest rates on short-term Government securities in order to increase their attractiveness to banks and other investors and to place an additional restraint on further monetary expansion. The System discontinued its buying rate on Treasury bills, which had been fixed at ⅜ per cent since 1942. The rate on bills rose during the remainder of the year to nearly 1 per cent, as is shown in the chart. The length of term to maturity of newly offered Treasury certificates was shortened in August and September and subsequently higher issuing rates were placed on new issues; these rates rose from ⅞ per cent to 1⅛ per cent by the end of the year.

In October the Treasury sold to institutional investors a 2½ per cent long-term, nonmarketable bond, redeemable at a discount prior to maturity. This issue, together with sales of marketable securities from Government trust funds, absorbed funds seeking investment. After October Federal Reserve holdings of maturing securities other than bills were paid off in full. In this way the Treasury excess of cash receipts was withdrawn from the market and not put back, thereby exerting a maximum of pressure on the reserve position of banks.

YIELDS ON TREASURY AND CORPORATE SECURITIES



NOTE: Latest figures shown are for week ended Apr. 3, 1948. The Treasury series include all securities within the classes specified with the following exceptions: the 3–5 year series and, since Dec. 15, 1945, the 7–9 year series, include only selected issues. For data, see *Federal Reserve Bulletin* for April 1948, tables on p. 427.

These official measures, designed to restrict the supply of available funds, were accompanied by increased demand for bank credit and for investment funds. Offerings of corporate securities increased and those of State and local government issues continued in large volume; there was a growing demand for mortgage and consumer credit as well as for commercial loans. As a result, bank credit expanded sharply in the last half of 1947.

Growing demands for funds, coupled with measures to absorb the supply available for investment and to restrict credit extension, resulted in a rise in money rates and bond yields during the last half of 1947. In October this movement began to affect the Government bond market. During part of November and December, the Federal Reserve and the Treasury through limited purchases supported prices of Government bonds at the levels they had reached in the market, which were in most cases still substantially above par. On December 24 prices of Treasury bonds were permitted to decline to a new level, which maintained the 2½ per cent yield on the longest-term Treasury bond and yields on other issues at appropriate levels in relation to this rate and to the 1⅛ per cent rate on Treasury certificates. The Federal Reserve System became an active buyer at the new level.

Large amounts of Treasury bonds were purchased by the Reserve Banks during December 1947 and the early weeks of 1948 in providing support to the market. A substantial portion of these purchases were from insurance companies and other institutional investors and some were from banks. At the same time banks, as well as other investors, increased their holdings of Treasury bills, certificates, and notes. Since these were largely purchased from Federal Reserve accounts and since during the period the Treasury had a substantial cash surplus, which it continued to use to retire securities held by the Federal Reserve Banks, the total Federal Reserve portfolio of Government securities declined during the early weeks of 1948.

In the middle of January 1948, as a measure of restraint upon the use of Federal Reserve Bank credit, the Federal Reserve Banks increased their discount rates on advances to member banks from 1 to 1¼ per cent. The Board of Governors also took action late in January to increase from 20 to 22 per cent, effective February 27, 1948, the reserves required to be maintained against net demand deposits by member banks in central reserve cities (New York and Chicago). The requirement for banks in these cities had been at 20 per cent since the latter part of 1942, when it had been reduced from 26 per cent, the maximum permitted under existing law.

In view of the expanding volume of bank lending and the accompanying inflationary developments, the Federal and State bank-supervisory agencies issued in November a joint statement urging banks to curtail speculative loans, to guard against overextension of consumer credit, and to confine financing to loans which would help production and not merely increase consumer demand.

Toward the end of 1947 the American Bankers Association sponsored an organized effort by banking leaders to encourage voluntary restraint on inflationary bank credit extension among the country's 15,000 commercial banks. To the extent that individual banks restrict voluntarily their lending and investing programs, anti-inflationary monetary and supervisory policies pursued by the Federal Reserve System and the Treasury are reinforced and made more effective. Such voluntary action, to be effective in restricting credit expansion, requires the adoption by individual banks of rigid standards in all lending operations, with a view to preventing further expansion in the total volume of bank deposits as well as avoiding loans that may involve a high degree of risk.

INADEQUACY OF EXISTING MONETARY INSTRUMENTS

Since 1945 the Federal Reserve authorities have been confronted by a redundant money supply and demands on the part of banks for additional reserves to support further credit expansion. In this situation, which was largely created through the processes of war finance, the central problem of monetary policy has been to restrain further growth in bank credit, which would add to an already excessive supply of money and thereby increase postwar inflationary pressures. In view of the large volume and widespread distribution of Government securities, which can be sold to the Federal Reserve Banks, thereby creating additional bank reserves, and in view of the need for assuring support to the market for these securities, customary instruments of monetary policy have had only limited applicability to the restraint of credit expansion. Accordingly, in recent *Annual Reports* and in other public statements the Board has pointed out the present inadequacies of these instruments.

The commercial banks of the country hold nearly 70 billion dollars of Government securities, and others, excluding Government agencies and the Federal Reserve, hold another 70 billion of marketable issues that can be readily sold, not to mention some 60 billion of nonmarketable issues redeemable practically on demand. Substantial amounts of marketable issues are regularly being bought and sold in the market, and constant Federal Reserve operations are essential for the maintenance of an orderly market and reasonable stability of prices. In these circumstances, it is not possible for the System to confine its open market operations to meeting the economy's current needs for bank credit. To permit a gradual decline in prices of Government securities, moreover, might result in heavy liquidation of investor holdings.

Inflationary potentialities latent in the postwar monetary situation and limitations of the Reserve System's statutory powers for exerting an effective anti-inflationary influence under conditions brought about by the war were first pointed out in the Board's *Annual Report* for 1945. Developments since that time have emphasized the dilemma of the System in undertaking restrictive action within the existing framework of its authority while maintaining a responsibility for the orderliness and stability of the Government securities market. The Board believes that it would be unwise to set aside this responsibility in view of likely adverse effects on financial institutions, on the Government's fiscal and debt-management operations, and on the financial position of business.

After extensive study of the problem of bank credit restraints, the Board concluded that, in order to be in a position to meet further contingencies of inflationary bank credit expansion without abandoning support of the Government securities market, some workable addition to the System's existing authority may be needed, at least on a temporary basis. Rapid bank credit expansion during the second half of 1947 clearly indicated that existing restraints are not adequate for these objectives. In response to a request from committees of Congress, in a session called to consider emergency measures to aid European recovery and to cope with inflationary developments in the economy, the Chairman of the Board of Governors presented an analysis of the credit situation and the Board's proposal for legislation to permit the imposition of more effective restraints.

Strengthening of monetary policy to regulate over-all bank credit expansion in accordance with the economy's needs could be accomplished by legislation extending authority to increase the statutory reserve requirements of member banks and to require nonmember banks to hold additional reserves in an amount corresponding to the increase for member banks. In adjusting to higher reserve requirements, banks would be obliged to sell Government securities and thus to reduce their earning assets.

Late in 1940, the Board of Governors, the Presidents of the Federal Reserve Banks, and the Federal Advisory Council, in recognition of the inflationary dangers presented by imminent war, recommended to the Congress that additional authority to raise basic reserve requirements for member banks be granted to the Federal Reserve System and that nonmember banks be made subject to similar requirements. In its *Annual Reports* for 1945 and 1946, the Board again urged such an authority as a possible means of meeting the postwar problem of regulating the pace of monetary expansion.

Over the longer run, authority to vary the level of primary reserve requirements might well be adjusted to a revised basis of reserve requirements for individual banks. The present structure of reserve requirements is based on cities in which banks are located and traces back to the National Banking Act, under which banks in certain designated cities were authorized to hold the basic reserves of other banks. A new system of reserve requirements related to the type of deposit business which individual banks perform might be substituted for this outmoded set of standards. Under the new pattern all banks should be required to maintain the same amount of reserves against any one type of deposit and variations in requirements should be entirely in accordance with the type of deposit, e.g., interbank balances, other demand deposits, and savings deposits. This would greatly moderate the arbitrary inequities among banks which result from existing statutory requirements. In addition, vault cash should be made eligible as a reserve asset. The role of interbank balances in our banking system could be given greater recognition, but in such a way that shifts in correspondent balances would not affect the reserve position of the banking system as a whole.

An alternative solution to the current problem of restrictive monetary policy, which would not require banks to reduce their holdings of earning assets, would be a temporary special reserve authority along the lines proposed by the Board to the called session of the 80th Congress. Under this plan banks were not to be required to add to their reserve balances with Federal Reserve Banks, but would be permitted to hold as special reserves certain cash assets not now eligible as reserves for member banks, and in addition certain earning assets, namely, Treasury bills, certificates, and short-term notes. Specified cash assets in excess of existing reserve requirements and customary operating funds would be counted toward the special reserve, and an allowance of 20 per cent of demand deposits and 6 per cent of time deposits was proposed as an adequate allowance for these established banking needs. Maximum statutory limits of 25 per cent of gross demand deposits and 10 per cent of time deposits were suggested for the special reserve requirement.

Under this measure banks would be restricted as to the amount and types of securities they could sell to obtain additional reserves but would not have to reduce their total holdings of securities in order to meet the requirement. Most banks would probably find it unnecessary to make any adjustment in existing assets at the time of the initial imposition of the requirement. The authority would make it possible for the Federal Open Market Committee to require banks to immobilize a portion of their greatly expanded holdings of Government securities instead of permitting them to treat these holdings as excess reserves, which can be used at will to expand loans. The special reserve requirement could be adjusted by the Committee from time to time in accordance with changes in reserves resulting from gold or currency movements or from purchases or sales of Government securities by the Federal Reserve Banks.

The special requirement would not compel any bank to hold Government securities if it preferred to hold cash assets. It would, however, encourage the holding of short-term Government securities and help to maintain a stable market for such issues. The authority, by thus partially insulating a portion of the public debt, would make it possible to limit the volume and raise the cost of private credit without necessarily increasing the interest cost to the Government. It would not prevent banks from obtaining additional funds to meet deposit withdrawals or make essential loans, but would impose some restraint on credit expansion.

The Board believes that the proposed plan would be the most effective and practical method of dealing with the present monetary and credit situation because it could be used to exert pressures at the places where restraint on bank credit expansion is needed, namely, in the field of private loans. At the same time the plan would protect the interests of the Government, the general public, and the banking system.

Use of temporary authority to increase commercial bank reserve requirements, on the basis of either an extension of the existing pattern or a special reserve, would be subject to proper statutory safeguards and governed by the continuation or resumption of excessively rapid bank credit expansion. If present inflationary pressures should relax, the authority need not be applied, or if already applied, its requirements could be eased or withdrawn if necessary to discourage liquidation of bank credit.

Potential expansion of bank credit on the basis of any increase in reserves could be reduced by higher levels of reserve requirements. In addition, provision of authority to establish such levels would enable the Federal Reserve System to use its customary instruments of open market operations and discount rates with greater effectiveness and flexibility than postwar conditions have heretofore permitted.

Another measure to help curb prevailing inflationary credit tendencies, recommended by the Board to the 80th Congress, is the re-establishment of control over the terms of consumer instalment credit. Regulation of consumer credit by the Federal Reserve System, which had been in effect under Executive Order since September 1, 1941, was terminated on November 1, 1947, by congressional action. Temporary restoration of the Board's authority, so far as it related to consumer instalment credit, was subsequently approved by the Senate—in December, by S. J. Res. 157; the House of Representatives referred the resolution to its Committee on Banking and Currency, which has taken no action on the matter.

The Board favors this legislation as a timely anti-inflationary measure. The Board continues to recommend, as an anticyclical measure, the enactment of permanent legislation authorizing the regulation of consumer instalment credit. For the reasons set forth in the Board's *Annual Reports* for 1945 and 1946, permanent authority would assist in "the over-all program of stabilizing the national economy at a high level of production and employment."

Re-establishment of this control at the present time would help to dampen consumer demand, especially for durable goods, financed on time-payment plans. This would help to restrain further inflationary growth in consumer expenditures and reduce upward pressures on consumer and other prices. Consumer instalment credit regulation would also discourage many American families from going too heavily into debt on easy terms for goods, in many cases of inferior quality, selling at inflated prices. In this way, it would assist in deferring consumer buying until such time as inflationary tendencies have abated and an increase of consumer expenditures would be desirable in the interest of general economic stability. It would also diminish the deflationary effects of debt liquidation in a period of declining incomes.

The Board fully recognizes that the current inflationary problem has its genesis largely in the monetary upheaval due to war expenditures and also that many of the basic and continuing causes of present inflationary developments lie outside the field of monetary and banking matters. The Board, nevertheless, believes that the Federal Reserve System should be prepared to take such action in the monetary field as seems necessary to help accomplish the purpose for which the System was established, namely, to provide the basis for a supply of money and credit regulated to the best interests of the economy.

LEGISLATIVE PROPOSALS

As stated in the previous section, the Board recommended to Congress in 1947 specific legislation to authorize the establishment of a temporary special reserve requirement on commercial banks and also to restore authority to regulate consumer instalment credit. These proposals were especially designed to deal with current inflationary developments in the economy. Other legislative proposals made by the Board were the following.

Bank holding company legislation. The Board has repeatedly pointed out the inadequacy of the existing law relating to bank holding companies and the need for new legislation to provide more effective supervision and control of such companies. The Board has recommended legislation which would treat bank holding companies in much the same manner as banks themselves and include provisions regulating expansion and requiring the divorcement of all activities unrelated to banking. During 1947, hearings were held by the Senate and House Committees on Banking and Currency, and the Senate Committee reported favorably a bill, S. 829, designed to carry out the Board's recommendations. The Board believes that this legislation is urgently needed and that action with respect to it should not be delayed.

Reserve Bank guarantee of loans to business. The Board again recommends the enactment of legislation, discussed in its *Annual Report* for 1946, which would give the Federal Reserve Banks more effective authority to guarantee in part business loans made through established banking channels. This proposal is designed primarily to strengthen and make more effective the existing facilities for financing smaller business enterprises. It is intended particularly to assure the availability of long-term loans to supply necessary capital which such businesses could not otherwise obtain.

Section 13b of the Federal Reserve Act now authorizes the Federal Reserve

Banks to make and to guarantee industrial loans, but it contains provisions which are so restrictive as to impair seriously the ability of the Reserve Banks to assist in business financing. Under the Board's proposal, Section 13b would be repealed and the authority to make loans directly to business enterprises would be eliminated. In lieu of Section 13b, a new statutory provision would be enacted which would give the Reserve Banks more adequate authority to guarantee loans than they now possess. The maximum maturity of a guaranteed loan would be 10 years, and the maximum proportion of a loan which could be guaranteed would be 90 per cent. With the repeal of Section 13b, the Reserve Banks would be required to return funds heretofore advanced to them by the Treasury for use in their industrial loan activities. The appropriation of about 139 million dollars available under existing law for industrial loan operations of the Reserve Banks would be repealed and Government funds no longer would be used for this purpose.

Hearings on the Board's proposal were held by the Senate and House Committees on Banking and Currency during 1947 and the Senate bill, S. 408, was reported favorably by the Senate Committee. While the proposed authority would not be used extensively under existing conditions, the Board believes that this legislation should be enacted to provide stand-by authority for use as the need arises.

Capital requirements for member banks. As stated in its *Annual Report* for 1946, the Board believes that the law governing the establishment of branches by national and State member banks should be amended to eliminate requirements, particularly with respect to capital, which result in unwarranted discrimination against these classes of banks. It also believes that consideration should be given to the modification of the capital requirements for the admission of State banks to membership in the Federal Reserve System.

GOVERNMENT FINANCE

Development of a budget surplus in 1947, for the first calendar year since 1930, was an anti-inflationary influence. This surplus amounted to only 1.8 billion dollars but, as is indicated in the accompanying table, it compared with a deficit of 3.5 billion in 1946 and one of 43.7 billion in 1945. By using this surplus and drawing down the balance in its general fund, the Treasury reduced the public debt by 2.2 billion dollars to 257 billion. Moreover, as previously pointed out, by using cash received from the sale of nonmarketable securities, the marketable public debt was reduced from 177 billion dollars to 166 billion, and a large part of this decline was in the holdings of the banking system.

Budget Expenditures and Receipts and Changes in Public Debt
[In billions of dollars]

	Calendar year		
	1947	1946	1945
Expenditures[1]	42.1	45.1	89.8
Net receipts	44.0	41.6	46.0
Budget surplus (+) or deficit (−)[1]	+1.8	−3.5	−43.7
Change in:			
General fund balance	−0.4	−22.5	+3.8
Gross public debt	−2.2	−19.0	+47.5
Marketable public debt	−10.9	−22.2	+37.1

[1] Including net transactions of trust accounts, etc., and clearing account items, which are not ordinarily reflected in the budget surplus or deficit.

Total marketable debt that matured or was called during the year amounted to 38 billion dollars, excluding weekly maturities of Treasury bills. Of this total, 30 billion consisted of certificates, 6.3 billion of notes, and 1.5 billion of bonds. About 9 billion of these redemptions were paid off in cash and the remainder were refunded into certificates and short-term notes. In addition, Treasury bills in the amount of nearly 2 billion dollars were paid in cash. Major changes in the composition of the marketable and nonmarketable debt are shown in the following table.

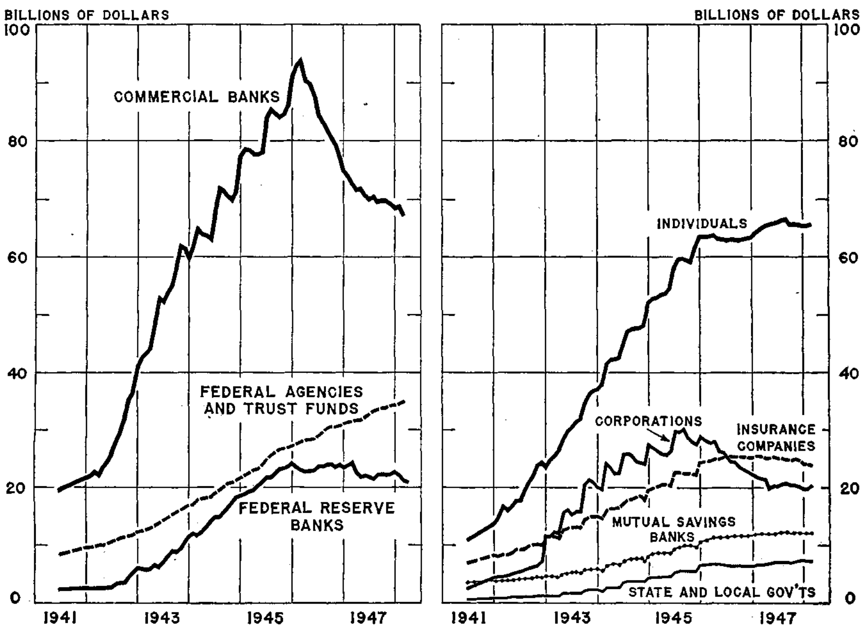
Public Debt Outstanding, by Type of Issue[1]
[Par value, in billions of dollars]

Type of issue	1947	1946	1945
Interest-bearing debt: total	**254.2**	**257.6**	**275.7**
Marketable issues: total	*165.8*	*176.6*	*198.8*
Treasury bills	15.1	17.0	17.0
Certificates	21.2	30.0	38.2
Treasury notes	11.4	10.1	23.0
Treasury bonds, due or callable:			
Within 1 year	6.4	1.5	2.3
1–5 years	46.4	35.8	25.3
After 5 years	65.0	82.0	92.8
Other	0.2	0.2	0.2
Nonmarketable issues: total[2]	*59.5*	*56.5*	*56.9*
Savings bonds	52.1	49.8	48.2
Savings notes	5.4	5.7	8.2
Armed forces leave bonds	0.8	0.6	....
Investment bonds	1.0	....	....
Depositary bonds	0.3	0.3	0.5
Special issues	*29.0*	*24.6*	*20.0*
Matured debt and debt bearing no interest	**2.7**	**1.5**	**2.4**
Gross public debt	**256.9**	**259.1**	**278.1**

[1] Excludes guaranteed securities, which are included in the table on p. 15.
[2] Excludes special issues, which are shown separately below.
Note: Figures are for Dec. 31; details may not add to totals because of rounding.

Changes in ownership of the public debt resulted primarily from the debt-retirement program but also to an important extent from purchases and sales in the market. The largest decline—nearly 6 billion dollars—was in holdings of commercial banks; about two-thirds of this reduction reflected retirement of matured issues and the remainder sales to maintain reserve positions in view of Treasury withdrawals of funds and expanding demand for loans. The net decline in Federal Reserve holdings of less than a billion dollars reflected retirements of about 3 billion offset by purchases in the market. Individuals added to their holdings of savings bonds. State and local governments further increased their holdings of marketable securities, while corporations continued to reduce theirs. These and other changes are reflected in the accompanying chart.

OWNERSHIP OF U. S. GOVERNMENT SECURITIES



NOTE: Chart relates to interest-bearing debt, direct and guaranteed. Reported holdings are shown for (1) Federal agencies and trust funds and (2) Federal Reserve Banks, and Treasury estimates for other groups. Figures are for June and December 1941 and for end of each month thereafter.

Every class of investor, but particularly insurance companies, commercial banks, and mutual savings banks, offered bank-eligible bonds for sale in the market. Net offerings were absorbed by the Federal Reserve in support of the market. Restricted bonds were sold from United States agency accounts during the summer in order to restrain declines in long-term interest rates. They were originally taken up by institutional investors, but subsequently these investors sold restricted issues, which were purchased by the Treasury and the Federal Reserve. Mutual savings banks purchased enough restricted bonds to cancel their sales of bank-eligible bonds. Commercial banks and to a small extent insurance companies, in addition to selling bonds, sold certificates and notes principally to the Federal Reserve. On the other hand, commercial banks, and to a lesser extent corporations, acquired Treasury bills from the Federal Reserve. Net changes in holdings of the various classes of issues by the major groups of holders are shown in the table.

CHANGES IN OWNERSHIP OF UNITED STATES GOVERNMENT SECURITIES DURING 1947
[Partly estimated; par value, in billions of dollars]

Type of issue	Total out-standing	U.S. Gov't agencies and trust funds	Federal Reserve Banks	Com-mercial banks	Mutual savings banks	Insurance com-panies	Indiv's, corp's, municip's, and others
Marketable issues: total	**−10.9**	**−1.0**	**−0.8**	**−5.8**	(1)	**−1.4**	**−1.9**
Treasury bills	−1.9	(1)	−3.3	+0.9	(1)	+0.1	+0.4
Certificates	−8.8	(1)	−0.7	−5.1	−0.1	−0.2	−2.7
Treasury notes	+1.3	(1)	+1.1	−0.8	−0.1	−0.4	+1.5
Treasury bonds: total	*−1.5*	*−1.0*	*+2.1*	*−0.8*	*+0.2*	*−1.0*	*−1.0*
Due or callable:							
Within 1 year	+5.0	(1)	+0.2	+3.7	+0.2	+0.1	+0.8
1–5 years	+10.6	−0.2	+0.8	+6.7	+0.8	+1.0	+1.5
5–10 years	−17.0	−0.2	+0.4	−11.2	−1.5	−2.0	−2.6
After 10 years:							
Bank eligible	....	+0.1	+0.1	+0.1	(1)	−0.2	−0.1
Restricted	....	−0.8	+0.6	−0.1	+0.6	+0.2	−0.5
Other	(1)	(1)	....	(1)	(1)	(1)	(1)
Nonmarketable issues: total[2]	**+2.8**	**+0.1**	....	**−0.1**	**+0.2**	**+0.4**	**+2.3**
Special issues	**+4.4**	**+4.4**	....	....	....	....	....
Total, interest-bearing securities[3]	**−3.7**	**+3.4**	**−0.8**	**−5.9**	**+0.2**	**−1.0**	**+0.4**

[1] Less than .05 billion dollars.
[2] Excludes special issues, which are shown separately below.
[3] Includes guaranteed securities, which are excluded in the table on p. 13.
Note: Detailed figures may not add to totals because of roundings.

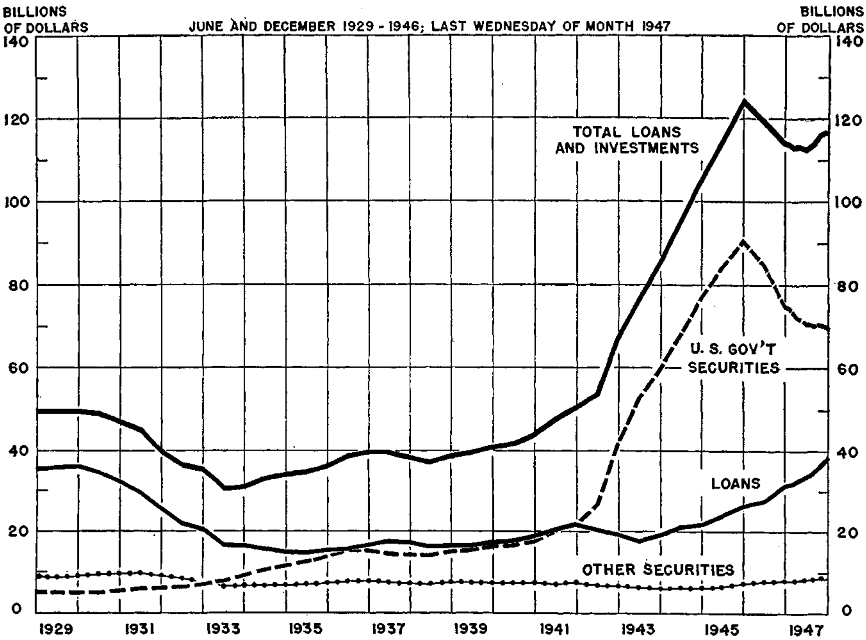
Treasury transactions through the surplus and through sales of nonmarketable securities, as has been explained in other sections of this report, had the effect of drawing funds from bank deposits and bank reserves, while retirement of securities returned a portion of the funds. Factors that expanded deposits and reserves, however, more than offset the drain from Treasury operations.

BANK CREDIT DEVELOPMENTS

Strong demand for bank credit by most of the major users other than the United States Government—businesses, consumers, real estate owners, and State and local governments—was the most striking characteristic of the banking situation in 1947. Bank loans increased by about 7 billion dollars, the largest annual increase in the history of American banking. This loan growth, which followed a sharp revival of bank lending activities in 1945 and 1946, raised the year-end volume of outstanding loans at commercial banks above 38 billion dollars, some 2 billion higher than the previous peak in 1929.

This growth in loans, together with an increase of about a billion dollars in holdings of other securities, as is shown in the chart, exceeded the further decrease in commercial bank portfolios of United States Government securities. As a consequence, there was a growth in total loans and investments, following a decline in 1946. Bank reserves also increased, as a result of an inflow of gold, which was only partly offset by other factors affecting reserves. Total deposits at commercial banks showed a renewed growth, following the reduction due to the large withdrawals from war loan accounts in 1946.

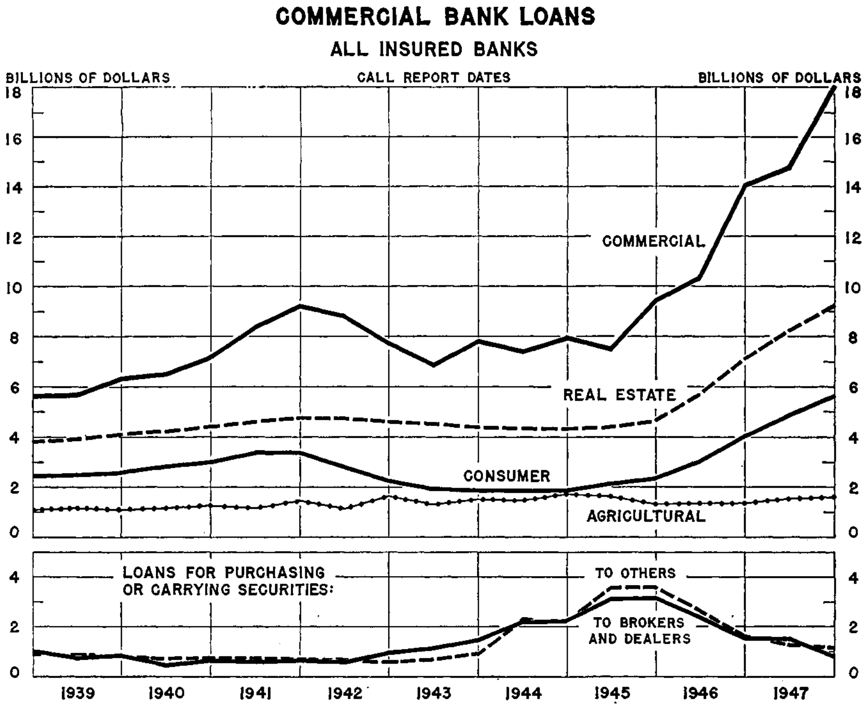
LOANS AND INVESTMENTS OF ALL COMMERCIAL BANKS



NOTE: Figures are for all commercial banks in the United States. U. S. Government securities and other securities are for June dates only through 1935. Monthly figures are partly estimated.

Nature of loan expansion. Use of bank credit by business continued to grow in 1947, as is shown in the chart on the following page. During the year commercial and industrial loans at all insured commercial banks increased by close to 4 billion dollars, nearly the same growth as occurred in 1946. At the end of the year bank loans to business were over 18 billion dollars, more than twice the amount outstanding at the cessation of hostilities in mid-1945.

Vigorous business demand for bank credit reflected sharply increased needs for working capital at current levels of costs, prices, and sales, as well as an extraordinarily large current volume of expenditures for plant and equipment. Many companies, particularly those engaged in processing foods and other



NOTE: All insured commercial banks in the United States. Commercial loans include commercial and industrial loans, open market commercial paper, and acceptances. Consumer loans are partly estimated prior to Dec. 31, 1942.

agricultural commodities, used bank credit because of higher raw material prices and actual and anticipated advances in other business costs such as wages and transportation expenses. Some concerns borrowed to finance a growing volume of business. A part of the expenditures of big utility companies, oil companies, and manufacturers of machinery were financed out of bank loans. Many of these loans were arranged on a term basis, while many were short-term advances. In numerous instances, bank loans were used as an interim source of funds in anticipation of retained profits or until new security issues were floated. Their effect, however, was to expand the volume of bank credit. Borrowings of instalment finance companies at banks, which are included in business loans, reflect a part of the growth in consumer credit.

Farmers as a group have shown little increase in their borrowing at banks since the end of the war. Much of the growth that has occurred is attributable to credit grants for purchase of farm machinery and equipment and for other capital improvements. Loans on farm real estate by banks have increased only moderately.

Active residential and nonresidential construction, the extensive relocation of families in recent years, and rising real estate values resulted in further extension of bank credit to owners of urban real estate. Urban mortgage loans of insured commercial banks increased 2 billion dollars over the year and at the end of 1947 amounted to 8.5 billion, or almost one-fourth of the banks' total loan portfolios. A substantially larger portion of new urban mortgage business was handled by banks in 1947 than in prewar years.

Consumers had recourse to bank credit in increasing volume in 1947 to finance purchases of durable goods, expenditures for current living, and outlays for other purchases. Bank loans to consumers increased 1.6 billion dollars, largely in instalment loans for repair and modernization of houses and for purchases of automobiles and other consumer durable goods.

The increase in total consumer credit, including that extended by dealers and by nonbank lenders as well as by banks, approximated 3.2 billion dollars. This was about one-third of a billion less than the increase during 1946, and most of the difference was due to a smaller increase in charge accounts. For consumer instalment credit, on the other hand, the increase of more than 2 billion dollars was one-third again as large as the growth in 1946. The large increase in consumer instalment credit reflected the influence of such factors as growing supplies of consumer durable goods, a substantial increase in loans for the repair and modernization of residental property, further resort to borrowing by consumers pressed by the rising cost of living, and active promotional work by credit grantors. Consumer instalment credit was under restraint imposed by the Board's Regulation W until November 1, when this regulation was terminated by congressional action.

Bank loans for purchasing and carrying securities declined by a further billion dollars in 1947. This decline reflected continued liquidation of the substantial volume of bank credit extended in connection with purchase of Government securities in the Victory Loan Drive at the end of 1945. Loans for purchasing or carrying securities other than United States Government securities changed little throughout the year and maintained an average level slightly below that for 1946. There was a small increase, amounting to less than 50 million dollars, in credit extended for this purpose by brokers to their customers, but these credits continued generally at around the lowest levels of the past three decades.

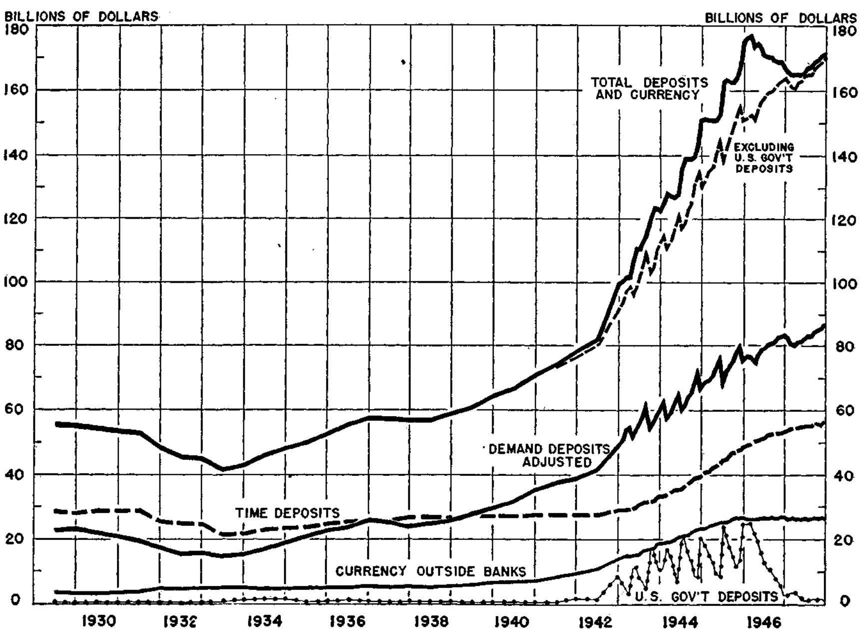
The relative stability in credit to purchase or carry securities accompanied little change in the level of stock prices and the volume of trading on the New York Stock Exchange. A factor in the continued small volume of stock market credit, in contrast to expansion of such credit in most other periods of inflationary developments, was the maintenance of margin requirements at a high level by the Board's Regulations T and U. These requirements, which were raised to the 100 per cent level during 1946, were reduced to 75 per cent effective February 1, 1947.

Bank holdings of municipal and corporate securities. State and local governments floated an exceptionally large volume of new securities in 1947, and bank portfolios of such securities increased by 900 million dollars. This growth compares with issues for new money of about 2 billion dollars and an increase in the total volume of securities outstanding of somewhat more than a billion. At the end of the year commercial banks held about 5.3 billion of State and local government securities, the largest amount ever held. Several large veterans' bonus issues by States were in part taken by city banks. Country banks expanded their portfolios, largely by subscription to numerous local security offerings of municipalities and other political subdivisions to finance construction projects. Corporate sales of new-money bond issues were large in 1947 but bank holdings of corporate securities did not increase.

Growth of deposits. Monetary expansion continued in 1947, and total deposits and currency held by individuals and businesses increased by more than 6 billion dollars. As is shown in the chart, growth was particularly rapid in the last quarter when deposits expanded at a rate of about one billion dollars a month. At the end of 1947, privately held deposits and currency totaled 170 billion dollars, 24 billion more than when hostilities ceased in August 1945 and 107 billion above the level of 1939.

Demand deposits of individuals and businesses increased by a net amount

BANK DEPOSITS AND CURRENCY



NOTE: Figures are partly estimated. Deposits are for all banks in the United States. Demand deposits adjusted exclude U. S. Government and interbank deposits and items in process of collection. Time deposits include deposits in the Postal Savings System and in mutual savings banks. Figures are for June and December, 1929–42; end of month, 1943–46; last Wednesday of month, 1947.

of almost 4 billion dollars. In the first quarter of the year these deposits were drawn down to meet heavy income-tax payments, but in the succeeding three quarters they grew by 6.8 billion dollars. Their total at the end of the year was 87 billion, the largest amount on record.

Time deposits at commercial and mutual savings banks increased by about 2.5 billion dollars during the year. The increase, although less than in the war and early postwar periods, was larger than in most previous peacetime years. The slackening rate of growth reflected a substantial reduction in current personal savings from abnormally high wartime levels.

Deposit expansion was general throughout the country and occurred at most banks in both large and small centers. Growth was particularly rapid, however, in the middle western and southwestern areas, where it probably reflected in large part the rapid rise in prices of grains and meats. The smallest change was in the northeastern part of the country.

Expansion of bank loans was the major factor in the growth of deposits in 1947, as is shown in the accompanying table. A gold inflow of over 3 billion dollars and increased bank holdings of State and local government securities also expanded deposits. A reduction of 1.2 billion dollars in United States Government deposits was an additional factor in private deposit growth.

Treasury fiscal and debt-retirement operations, on the other hand, tended to reduce deposit expansion in 1947. The Treasury excess of current cash receipts, resulting from the budget surplus and sales of nonmarketable

FACTORS IN EXPANSION OF DEPOSIT AND CURRENCY HOLDINGS OF INDIVIDUALS AND BUSINESSES

Changes in Amounts Outstanding during 1947

[In billions of dollars, partly estimated]

Factors in deposit change	Total	Fourth quarter	Third quarter	Second quarter	First quarter
Expansive factors					
Bank loans	+7.3	+2.6	+2.0	+1.4	+1.2
Bank holdings of municipal and corporate securities	+1.2	+0.2	+0.5	+0.3	+0.3
Holdings of U. S. Government securities:					
Commercial and mutual savings banks	....	....	+0.3	....	....
Federal Reserve Banks	....	+0.4	+0.2	....	....
Gold certificates	+3.1	+0.8	+0.7	+0.9	+0.8
U. S. Government deposits	−1.2	−0.3	....	−3.2	....
Other factors, net	....	−0.9	....	....	....
Contractive factors					
Holdings of U. S. Government securities:					
Commercial and mutual savings banks	−5.3	−1.7	....	−1.7	−2.2
Federal Reserve Banks	−0.8	....	....	−0.9	−0.5
U. S. Government deposits	....	....	+0.5	....	+1.8
Other factors, net	+0.5	....	+0.6	+0.4	+0.5
Change in deposits and currency held by individuals and businesses: total	**+6.2**	**+3.5**	**+2.6**	**+2.8**	**−2.7**
Demand deposits, adjusted	+3.9	+3.0	+2.1	+1.7	−2.9
Time deposits	+2.5	+0.4	+0.4	+0.9	+0.8
Currency outside banks	−0.2	+0.1	+0.1	+0.2	−0.6

NOTE: Figures cover all commercial banks, Federal Reserve Banks, mutual savings banks, and the Postal Savings System; interbank items are excluded. Changes for 1947 are based on figures for the last Wednesday in the first and third quarter and for the June 30 and December 31 call report dates in the second and fourth quarters respectively. Details may not add to totals because of rounding.

securities, in the first instance drew upon private deposits. Use of some surplus funds by the Treasury for retirement of securities held by nonbank investors returned funds to private balances. Since most of the Treasury cash surplus was used to retire bank-held debt, however, the deposits drawn down were to a large extent extinguished. It is estimated that the net result of Treasury operations on private bank deposits was a drain of more than 6 billion dollars.

Availability of bank reserves. Extension by banks of substantial amounts of credit to individuals, businesses, and State and local governments was made possible in 1947 by an increase in member bank reserves. As is shown in the accompanying table, the banking system acquired about 3 billion dollars of reserves during the year as a consequence of the gold inflow resulting from the large surplus of exports over imports. This increase in bank reserves was offset in part by a shift of funds out of commercial banks by the Treasury and the use of these funds to retire securities held by the Federal Reserve Banks and to increase Treasury balances with the Reserve Banks. The net result was an increase of 700 million dollars in member bank reserve balances.

Vigorous demand for bank credit and the desire of bankers to maintain or increase earnings in the face of rising operating costs resulted in substantial bank sales of short-term Government securities to obtain funds to acquire more profitable assets. These securities were largely purchased by the Federal Reserve, and the resulting additions to bank reserves in part offset the effect of the use of excess Treasury receipts to retire securities held by the Reserve Banks.

In the period March through June, substantial reduction of Federal Reserve

SUPPLY AND USE OF MEMBER BANK RESERVE FUNDS

[In millions of dollars]

Item	Year ending[1]	
	December 1947	December 1946
Changes increasing reserves:		
Gold stock	[2]+2,224	+441
Treasury cash	[2]−926	−13
Treasury currency	+4	+230
Currency in circulation	−60	......
Reserve Bank credit	......	+2
Nonmember deposits at Federal Reserve Banks	......	−395
Treasury deposits at Federal Reserve Banks	......	−69
Changes decreasing reserves:		
Reserve Bank credit	−1,888	......
Nonmember deposits at Federal Reserve Banks	+164	......
Treasury deposits at Federal Reserve Banks	+411	......
Currency in circulation	......	+545
Other	+8	+113
Member bank reserve balances: total	+744	+490
Required	+657	+1,088
Excess	+87	−598

[1] Changes based on monthly averages of daily figures for December 1945, 1946, and 1947.
[2] The increase in gold stock was substantially smaller than net gold acquisitions from foreign countries because 700 million dollars in gold was contributed by the United States to the International Monetary Fund during the year.

holdings of Government securities by Treasury retirement of marketable securities tended to neutralize the effect of the gold inflow on reserves. Subsequent gold movements were not offset in this way, however, and went to increase member bank reserves and to finance the seasonal increase in currency in circulation late in the year. Since additions to reserves available from the gold inflow were not adequate to meet both the increase in currency circulation and the rapid expansion of bank credit, banks sold some securities to bolster reserve positions in the last quarter. They also benefited in this period by an increase in reserves resulting from Federal Reserve absorption of sales of Government securities by nonbank investors.

Treasury operations were almost as restrictive in their effect on bank reserves in 1947 as in 1946, although total operations were much smaller. In 1946 debt retirement was effected by calls on war loan balances at the banks, which had been built up largely during the Victory Loan Drive. These calls in the first instance acted to drain bank deposits and reserves by 29 billion dollars, but 25 billion was returned to bank reserves by the retirement of securities and other Treasury disbursements. The process was largely one of drawing on Treasury deposits at banks to retire Government securities held by banks. It had little net effect on the reserve positions of banks, and it did not affect private deposits and the amount of required reserves, especially since Treasury war loan deposits were at that time not subject to reserve requirements.

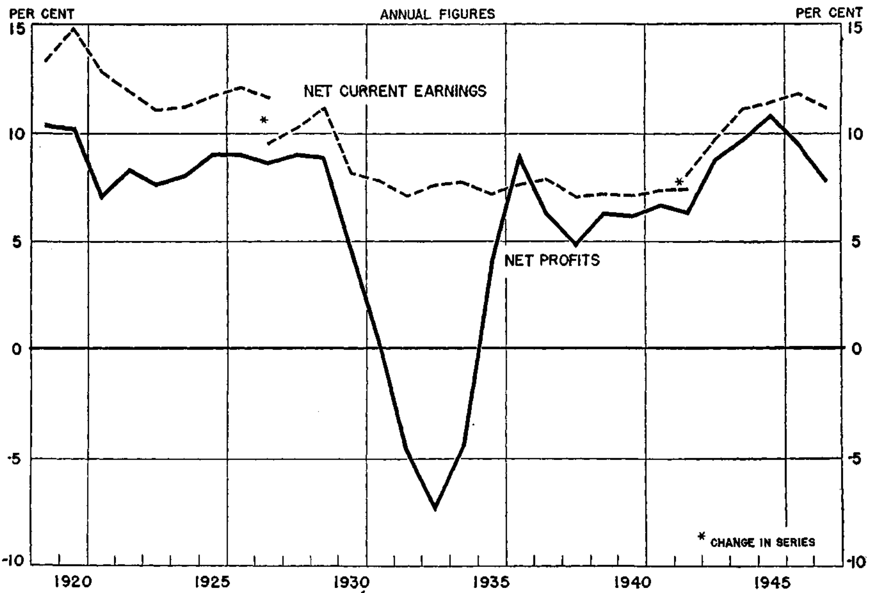
Cash retirement of securities held by the Reserve System amounted to almost 4.6 billion dollars in 1946. Such retirement in 1947 was little more than 3 billion dollars; in addition there was some increase in Treasury balances at the Reserve Banks, making a total drain on bank reserves through Treasury fiscal and debt retirement operations of 3.5 billion for the year.

Bank earnings and earning assets. Member bank net profits after taxes were 653 million dollars in 1947, 105 million lower than in the preceding year and 135 million lower than in the peak year 1945. Net current operating earnings before income taxes were only slightly smaller in 1947 than in 1946 since increased earnings on loans and other earning assets almost entirely offset the decline in earnings on United States Government obligations and increases in all major items of expense. About 43 per cent of net profits was distributed as dividends and the remainder was added to capital accounts.

Net profits of member banks were 7.9 per cent of total capital accounts in 1947 as compared with 9.6 per cent in 1946, thus continuing the downward trend of this ratio from the peak of nearly 11 per cent reached in 1945. The declines were due in part to increases in capital accounts. As is shown in the accompanying chart, the present ratio of net profits to total capital accounts approximates the level of the late 1920's but is higher than the level of the late 1930's and early 1940's. The upward trend of the ratio of net current earnings before income taxes to total capital accounts was reversed in 1947 when the ratio declined to 11.2 per cent from a high of nearly 12 per cent in 1946.

EARNINGS RATIOS OF MEMBER BANKS

PERCENTAGES OF CAPITAL ACCOUNTS



NOTE: Net current earnings are total earnings from current operations less current operating expenses. Net profits are net current earnings plus recoveries, profits on securities, etc., less losses and charge-offs and taxes on net income. Capital accounts consist of all forms of capital, including capital notes and debentures, surplus, undivided profits, reserves for contingencies, and other miscellaneous capital accounts. Prior to 1927 profits on securities were included in current earnings; beginning in 1942 taxes on net income were excluded, while recurring depreciation was included, as a current operating expense deduction from earnings.

Earning assets of member banks amounted to 98 billion dollars at the close of 1947, an increase of about 1.5 billion during the year. A decline of more than 5 billion dollars in holdings of United States Government obligations during the year was more than offset by an increase of about 7 billion dollars in loans and other securities. Corresponding changes during 1946 had been a decrease of over 15 billion dollars in holdings of United States Government securities and an increase of about 4 billion in holdings of loans and other securities. Low-yield loans for the purpose of purchasing or carrying securities declined further during 1947, both actually and relatively to total loans. Other major classes of loans with higher yields increased, for the most part during the second half of the year. There was a further increase during the year in member bank holdings of State and local government securities. Changes in earning assets during the year are shown in the table on page 24.

Reflecting debt retirement, shifts in bank portfolios, and increases in yields on short-term Government securities since the middle of 1947, the average yield to member banks from their Government security holdings increased from 1.48 per cent in 1946 to 1.53 in 1947. The average yield on loans also increased, rising from 3.18 per cent to 3.54. This was partly because mem-

MEMBER BANK LOANS AND INVESTMENTS
[In billions of dollars]

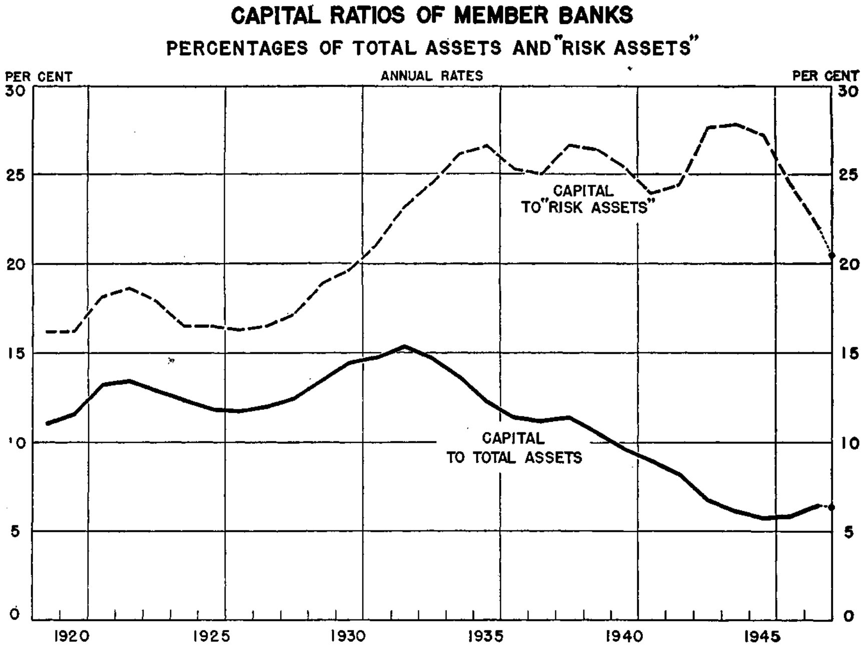
	Outstanding Dec. 31, 1947	Change during year	
		1947	1946
Loans and investments: total	**97.8**	**+1.5**	**−10.8**
Loans: total	**32.6**	**+5.9**	**+3.9**
Commercial and industrial loans	17.0	+3.8	+4.2
Agricultural loans	1.0	+0.2	....
Loans for purchasing or carrying securities	1.9	−1.1	−3.5
Real estate loans	7.1	+1.8	+1.9
Consumer loans	4.7	+1.4	+1.4
All other, including loans to banks	1.0	−0.1	−0.1
U. S. Government securities, direct and guaranteed: total	**57.9**	**−5.1**	**−15.3**
Bills, certificates, and notes	12.6	−4.2	−16.7
Bonds	45.3	−0.9	+1.4
State and local government securities	**4.2**	**+0.7**	**+0.3**
Other securities	**3.1**	....	**+0.3**

ber banks, particularly reserve city and country banks, tended to hold larger proportions of their loans in the form of higher-yield real estate and consumer loans.

Capital accounts. Capital accounts of member banks increased by 369 million dollars in 1947, after having increased by 506 million in 1946 and 621 million in 1945. Retention of profits accounted for the current increase; aggregate sales of additional stock were about the same as retirements of preferred stocks and capital notes held by the Reconstruction Finance Corporation. Dividend payments amounted to 280 million dollars in 1947.

The ratio of average total capital accounts to average total assets increased to 6.5 per cent during 1947, capital accounts having increased relatively more than total assets. As is shown in the accompanying chart, this was the second successive year of increase in this ratio.

In contrast, the ratio of average total capital accounts to average risk assets, defined to include all assets other than cash and United States Government securities, fell from almost 25 per cent in 1946 to 22 per cent in 1947, the lowest ratio since 1931. The decline from the preceding year resulted from a far greater relative growth in so-called risk assets than in total capital accounts. As has been noted previously, there was an over-all growth of 7 billion dollars in risk assets, including a shift of 5 billion dollars from Government securities.



NOTE: "Risk assets" represent total assets other than cash assets and U. S. Government securities. Capital and asset figures are based on averages of June and December call date figures 1919–40 and of three or four call date figures thereafter.
● Indicates Dec. 31, 1947, call date ratio.

BOND MARKET AND MONEY RATES

The cost of money increased further in 1947, with all of the increase in the second half of the year. At the end of the year long-term rates were close to those prevailing immediately before the war while most short-term rates were near those of the early thirties. Such rates, however, were substantially lower than those of the twenties. Accompanying the increased cost of money, new securities of private corporations and of State and local governments were issued in large volume and bank loans increased substantially.

Short-term money rates on United States Government obligations began to rise in July when the Federal Reserve System discontinued the fixed buying rate and repurchase option for Treasury bills issued on or after July 10, 1947. Thereafter rates on Treasury bills, which had been held at ⅜ per cent since 1942, increased sharply, and at the end of the year new issues were yielding almost one per cent. The Treasury also took action to increase yields on Treasury certificates. On August 1 an 11-month ⅞ per cent certificate was offered in exchange for a maturing 12-month certificate bearing the same rate. Later a certificate bearing the rate of 1 per cent was issued and in December a 13-month 1⅛ per cent note was offered in exchange for a 12-month ⅞ per cent certificate maturing on December 1, as well as for a bond issue maturing

December 15. This was followed on January 1, 1948 by an exchange offering of a 12-month 1⅛ per cent certificate. Average yields on 9 to 12-month certificates increased from 0.85 per cent in July to 1.09 per cent in January 1948.

Private short-term money rates also firmed somewhat during the last half of 1947. Open market rates on bankers' acceptances, loans to brokers and dealers secured by Government obligations, and commercial paper rose. Some banks also announced increases in the rates charged their commercial and industrial borrowers although the average of such rates continued at a low level.

The increase in short-term money rates reflected the pressure of a growing demand for bank credit, which in the third quarter became very large and affected long-term rates. Monetary action to permit some change in short-term rates introduced a degree of flexibility in the money market.

Long-term interest rates on both public and private obligations remained relatively stable prior to September, but in this period excess funds in the market were partly absorbed by substantial sales of marketable Government bonds by Federal agencies and trust funds. Financial institutions, however, largely replenished funds invested in these bonds before the end of September by the sale of other securities to banks.

Beginning in September there was a decline in bond prices, with a rise in yields, which was due to many factors that had been accumulating pressure during the two preceding years. Large institutional investors, particularly insurance companies, were confronted with a rapidly increasing demand for funds by home owners, businesses, and State and local governments. In addition, the Treasury offered a new 2½ per cent long-term nonmarketable bond to savings institutions. Finally, the market was affected by the intensified efforts of monetary authorities to put pressure on bank reserves and restrain credit, and the possibility of future changes in credit policy and interest rates.

The rise in long-term interest rates (decline in bond prices), which started in the corporate bond market early in September, proceeded almost uninterruptedly until the middle of October. During these six weeks the yield on high-grade corporate issues increased from 2.52 to 2.70 per cent. The yield on long-term Government bonds remained fairly steady during this period, with the result that the spread between the yields of corporate and Government bonds increased somewhat.

In the middle of October the weakness in the corporate bond market spread to Government securities and the yields on taxable Government bonds with a maturity of 15 years or more rose from 2.26 in mid-October to 2.37 per cent in mid-November. At that point the increase was stopped by open market support purchases of these securities by the Federal Reserve System and the Treasury.

From mid-November to late December there was practically no change in yields on long-term Government securities and yields on private long-term obligations fluctuated within a fairly narrow range. On December 24 a new lower support level for Government bonds was established by the Open Market Committee of the Federal Reserve, and yields on Government bonds rose generally to that support level; yields on other types of long-term securities also rose further. The yield on high-grade corporate bonds had risen to 2.91 per cent by the end of the year, that on municipal bonds to 2.46 per cent, and that on long-term Governments to 2.45 per cent.

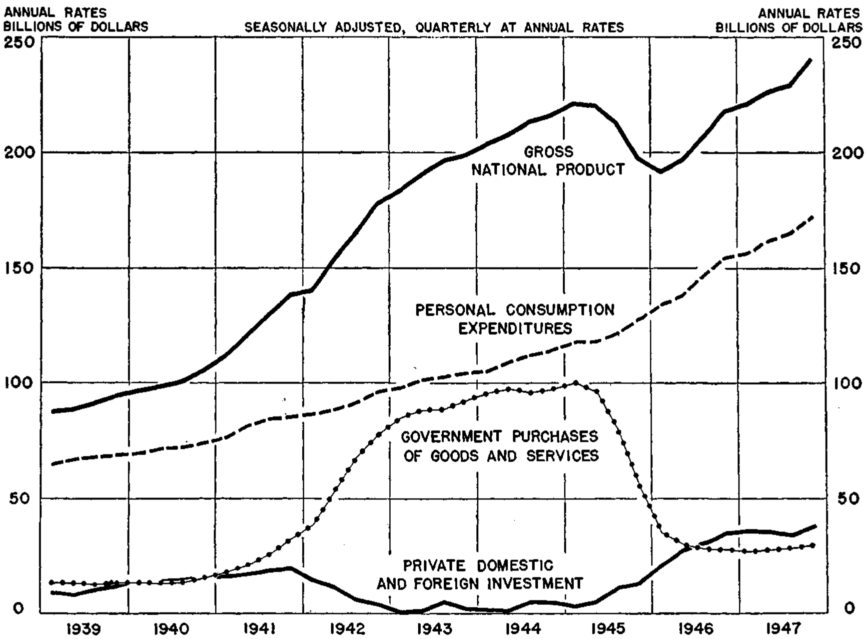
At the end of the year the spread between the yields of high-grade corporate and United States Government bonds was greater than at any time since fully taxable long-term Government bonds were issued (1941), and the yield on high-grade municipal bonds was higher than the yield on long-term taxable Governments for the first time since early 1942. These changes in the relative costs of different types of long-term money reflected primarily a changing pattern of demand for funds. During the war, corporate and municipal demand for new money was small and Federal Government demand large; during 1946 and 1947, corporate and municipal demand rose considerably while the Federal Government actually reduced the volume of its marketable debt outstanding.

The cost of equity funds to corporations also rose somewhat in 1947. Preferred stock yields (dividend-price ratios) fluctuated little during the first three quarters of the year but rose from 3¾ to 4 per cent during the last quarter. This upward movement reflected primarily the increase in long-term interest rates. Common stock yields, as represented by a dividend-price ratio for industrial issues, were considerably higher at the end of the year (5½ per cent) than at the beginning (4½ per cent). They have fluctuated widely from year to year in the past, and their average at the end of 1947 was about the average level for the period 1912 to date. In contrast yields on other forms of long-term money have exhibited a marked downward trend since the early twenties. At the end of 1947 they were close to or somewhat below the levels of the late thirties and substantially below those of the twenties and early thirties.

DEMAND, PRODUCTION, AND PRICES

Domestic and foreign demands for goods and services were at exceptionally high levels in 1947 and, although production was in very large volume, inflationary forces continued dominant. Total expenditures for goods and services increased by over 20 billion dollars during the year, as is indicated in the chart, and at the close of the year were at an annual rate of more than 240 billion. Reflecting heavy demands from many sources and inadequate supplies, wholesale commodity prices rose 15 per cent during 1947 and consumer prices advanced 9 per cent. Wage rates increased further, with average hourly earnings of factory workers rising 11 per cent during the year. Real estate values in farm and urban areas remained at sharply advanced levels or rose somewhat further.

GROSS NATIONAL PRODUCT



NOTE: U. S. Department of Commerce data.

In the spring of the year many buyers, who had increased their inventories considerably in 1946, withdrew from the market in the expectation of a decline in prices. As a result there were reductions during the second quarter in output of textiles, shoes, radios, and some other products. The general level of wholesale prices showed little change.

Shortages, however, persisted for many industrial products, such as steel and automobiles. Because of unfavorable growing conditions in the United States and abroad, prospects also developed for shortages of agricultural products. The Marshall Program was advanced for Federal financing of a continued large volume of exports to promote economic recovery in Western Europe, and buying by other countries was maintained in substantial volume, despite increasing dollar shortages. Demand for most types of construction expanded, although costs were at very high levels, and new shortages of building materials appeared. A sharp rise in wage rates at coal mines early in July was followed by marked advances in prices of coal and steel products. Requests were announced for large increases in freight rates, and wage rates on the railroads were raised. Veterans' terminal leave bonds, amounting to 2 billion dollars, became eligible for cashing in September.

As a result of such development, in the second half of the year widespread expectations of lower prices gave way to expectations of higher prices; demands generally expanded; and upward pressures on productive resources and on prices again increased.

Production near capacity. As the year ended the physical volume of production was close to practical limits and unemployment was negligible. Total employment increased about 3 per cent during the year and there was little change in the average number of hours worked.

Industrial production was slightly larger in December than in January 1947, according to the Board's seasonally adjusted index. Construction activity rose during 1947, but at the end of the year further expansion was limited by shortages of materials. Railroad freight traffic was in about the same volume at the end of 1947 as at the beginning of the year. Altogether, production of goods and services showed only a moderate growth from the early part of 1947 to the end of the year and the possibilities of further increase in the near future were limited.

For the year as a whole, production in most parts of the economy was larger than in 1946, a year of transition and of interruptions in activity occasioned by unbalanced supplies and important industrial disputes. Total output at factories and mines, at an average of 187 per cent of the 1935-39 average, was up 10 per cent from the 1946 average of 170, and there was nearly as much expansion in construction activity. In most other lines increases were less marked. Agricultural production, although large, was somewhat below the level of the previous year.

Rising demands. The physical volume of supplies available to the market in 1947 failed to keep pace with an unusual combination of rising demands from all sources. With supplies at the year-end only moderately larger, prices were up considerably, and total expenditures for all purposes increased about 10 per cent during the year. This situation was made possible by expanding incomes, further bank credit expansion, continued large holdings of liquid assets, and willingness on the part of buyers to spend freely even with prices at new high levels. Personal incomes were at a seasonally adjusted annual rate of 210 billion dollars in December as compared with 190 billion at the beginning of the year. Wage and salary payments rose by 10 billion dollars or 9 per cent. Farm income increased substantially. Corporate profits after taxes for the year were estimated to have been 17 billion dollars, compared with 12.5 billion in 1946, and there was a further rise in dividend payments.

The most marked increases in expenditures during 1947 were for private construction, producers' equipment, and consumer durable goods. Larger expenditures for these goods reflected higher prices as well as increases in physical volume and were facilitated by the abundant supply of credit available at low rates. An exceptional instance of this was the practice of financing new veterans' housing with mortgages written for close to the full purchase price of the properties at 4 per cent interest and running for as long as 25 years. Residential construction outlays in the fourth quarter reached a new high level for the postwar period. The increase during 1947 in expenditures for producers' equipment occurred despite the very high level of equipment outlays at the beginning of the year, as compared with other periods of high economic activity such as 1937 and 1929. Inventory accumulation by manufacturers and distributors declined during the first half of the year and apparently was below the 1946 rate of growth.

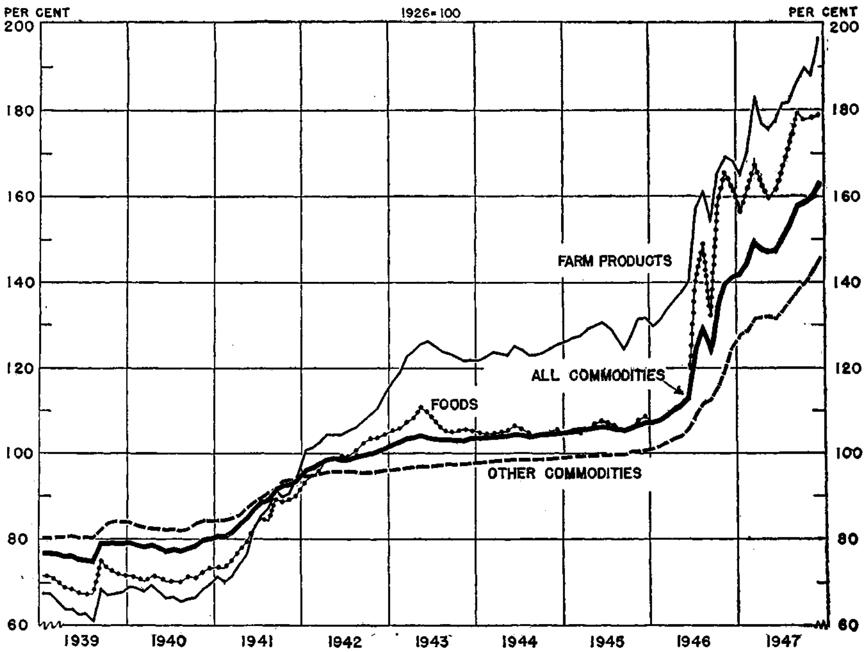
Consumer expenditures expanded about 10 per cent during the year. The increase in purchases of nondurable goods, which was less proportionally than that in outlays for durable goods, reflected higher prices, with increases in physical volume for some nondurable items offset by declines for others. Owing chiefly to the exceptionally high level of food and clothing prices, the proportion of expenditures for nondurable goods to total consumer expenditures continued to be unusually large in 1947 as compared with the relationship in prewar years. On the other hand, a smaller share of expenditures went for services in 1947, reflecting in part the maintenance of rent controls.

Government purchases of goods and services showed a moderate rise in 1947, reflecting a sharp increase in State and local expenditures. Total Federal expenditures were sustained in part by large payments to veterans, interest payments, and aid to foreign countries.

The value of recorded merchandise exports in 1947 was 14.5 billion dollars as compared with 9.7 billion in 1946 and a prewar average of 3 billion. After reaching a peak in May exports declined as dollar shortages developed and as new import restrictions abroad became effective. For some products, such as wheat, cotton, and tobacco, exports in 1947 represented 25 to 35 per cent of production, and for cotton and rayon textiles, machinery, steel, and bituminous coal, the proportions ranged from 10 to 15 per cent of production. For most other products, the share going into export markets was much smaller. Merchandise imports were in larger dollar amount than in 1946, reflecting higher prices, but were only about one-third as large as exports.

Further price advances. Prices in wholesale and retail markets continued to rise in 1947, although not so rapidly as in the latter part of 1946, when Federal price controls were lifted. Wholesale prices of farm products, foods, and other commodities were all up by about 15 per cent, reflecting the effects of generally rising demands and costs. Throughout the year prices of farm products and foods were at exceptionally high levels in relation to other prices, as is shown in the accompanying chart.

WHOLESALE PRICES



NOTE: Bureau of Labor Statistics index.

The largest increases in prices of agricultural products were in grains, reflecting the reduced harvests of feed grains during 1947, a record rate of Government purchases of wheat and flour for export, and prospects of a somewhat reduced wheat crop and continued large grain exports in 1948. As a result partly of larger consumer incomes, prices of livestock and meats in December 1947 were about 15 per cent higher than a year earlier. Cotton prices advanced somewhat during the year owing to the relatively low level of domestic stocks of raw cotton, the moderate size of the crop, and strength in the markets for cotton textile products. Prices of fruits and tobacco were adversely affected by reduced export demand, and sugar prices were held down by a very large increase in supplies.

Prices of commodities other than farm products and foods rose in the first quarter, were stable in the second quarter, and then advanced steadily during the second half of the year. In December prices of fuels, iron and steel, lumber, and leather were substantially higher than at the beginning of the year, with the largest increases in bituminous coal and in petroleum products. Large domestic requirements for fuel, limited transportation facilities, and heavy exports contributed to the marked rise in fuel prices.

Retail prices of goods and services purchased by consumers at the end of 1947 were up 9 per cent from the beginning of the year and 67 per cent as compared with prewar. Prices of foods and many other nondurable goods rose about 10 per cent and in December were double the prewar level. Housing rentals showed a rise of about 5 per cent after the middle of 1947 when controls were modified, but increases over prewar levels were still very much less than in retail prices of commodities. Utility rates also were rising at the end of the year but were still relatively low.

INTERNATIONAL TRADE AND FINANCE

In 1947, as in 1946, the immense productive power of the United States, called into action at a time when production in much of the rest of the world had not yet recovered from the ravages of war, yielded a high level of exports of goods and services and a huge export surplus. This surplus, amounting to 11.3 billion dollars in 1947 as compared with 8.1 billion in 1946, was far greater than in any previous peacetime year and only slightly below the peak attained at the height of the Lend-Lease program in 1944.

In large measure, the volume of exports and of the export surplus reflects the contribution of the United States to postwar reconstruction in war devastated areas. In addition, countries that escaped war damage and disruption, notably those in the Western Hemisphere, have made great demands upon United States production because of their high levels of domestic income, large deferred demands for many products, and the slow recovery of other sources of supply.

This large export surplus would not have been possible without major financial assistance to needy foreign countries by the United States Government. At the same time, major inroads were made upon foreign holdings of gold and dollar assets. By the end of the year, many foreign countries had largely depleted their liquid dollar resources, including lines of credit, and were facing a serious crisis in their payments relations with the United States.

While some countries are in a position to impose restrictions upon imports from the United States in order to conserve dwindling reserves of gold and dollars, many foreign areas are critically dependent upon the flow of supplies from the United States. In large measure, the volume of this flow during 1948 will be determined by the scale of financial assistance from the United States Government. It is not expected, however, that exports of goods and services or the export surplus will attain the record level reached during the past year.

Exports and imports. Recorded exports of merchandise in 1947 reached an all-time peak of 14.5 billion dollars, almost 50 per cent larger than in 1946. In addition to recorded exports, as is shown in the accompanying table, there were other exports of goods amounting to 1.5 billion dollars and receipts from services amounting to 3.6 billion. The unrecorded exports of goods consisted mainly of two items: (1) civilian supplies distributed by the armed forces ir occupied areas, amounting to over 800 million dollars (excluding freight) and (2) sales of Government surplus property located abroad, amounting tc about 200 million dollars.

The marked increase in the dollar value of recorded exports was du(mainly to the expanded physical capacity of the United States to produce foi export, but also reflected a 21 per cent increase in the average of export prices Industrial production in the United States was 10 per cent larger in 194; than in 1946, and exports of semi-finished and finished manufactures, whicl

INTERNATIONAL TRANSACTIONS AFFECTING FOREIGN GOLD RESERVES AND BANKING FUNDS IN THE UNITED STATES, 1947[1]

[In billions of dollars]

United States exports:		
Goods	16.0	
Services	3.6	
Total		19.6
United States imports:		
Goods	6.0	
Services	2.3	
Total		8.3
Net purchases of goods and services from United States by foreign countries		11.3
Sources of financing utilized by foreign countries:		
United States Government (net)—		
Credits	4.0	
Donations	1.7	
Total		5.8
United States—private (net)—		
Foreign investment (long- and short-term)	0.6	
Donations	0.7	
Total		1.3
International institutions (net)—		
Dollars disbursed by International Bank	0.3	
Dollars drawn from International Monetary Fund	0.5	
Total		0.8
Foreign countries' own capital assets (net)—		
Sales of gold to United States	2.8	
Reduction of banking funds in United States	1.2	
Liquidation of other assets in United States (long- and short-term)	0.5	
Total		4.5
Total sources of financing		12.3
Errors and omissions		−1.1

Net sales of gold to United States by foreign countries (repeated from table above)	2.8	
Foreign subscriptions in gold to International Monetary Fund	0.7	
Net gold losses by foreign countries in international transactions		3.5

[1] This table is derived largely from United States balance of payments data compiled by the Department of Commerce. However, it omits transactions between the United States and the International Fund and Bank, which, for balance-of-payments purposes, must be regarded as international areas external to the United States as well as to foreign countries; and it includes gold and dollar transactions between the Fund and Bank and foreign countries. Hence in the main table the Fund and the Bank are shown among the sources of dollars to which foreign countries have resorted in order to pay for net exports from the United States; and in the supplementary table, foreign subscriptions in gold to the International Monetary Fund are listed along with net sales of gold to the United States to show the net gold losses of foreign countries in international transactions. Details may not add to totals because of rounding.

in 1947 accounted for over 70 per cent of all recorded exports, were estimated to be 46 per cent larger, in physical volume terms, than in 1946. In the case of crude foodstuffs, the volume of exports was only moderately greater than in 1946, while in the case of crude materials and manufactured foodstuffs, the volume was actually less. The aggregate volume of recorded exports, adjusted for price changes, was estimated to be 24 per cent larger than in 1946.

Total United States imports of goods and services, amounting to 8.3 billion dollars, provided foreign countries in 1947 with dollars sufficient to pay for only two-fifths of United States exports. Recorded imports of merchandise amounted to 5.7 billion dollars, as compared with 4.9 billion in 1946, the increase being attributable entirely to the rise in import prices which occurred during the year. It appears that, in terms of physical volume, recorded imports were actually slightly smaller in 1947 than in 1946. Imports of goods and services have been a smaller proportion of national income than before the war. During the interwar period, total imports averaged about 6 per cent of the national income, but in 1947 the corresponding figure was only about 4 per cent. This smaller proportion of imports is primarily a reflection of production and supply difficulties abroad, particularly in Europe, rather than lack of demand. Merchandise imports from Europe, which in the interwar years accounted for between 40 and 50 per cent of all imports of goods by the United States, amounted to only 14 per cent of such imports in 1947.

Before the war, United States trade was characterized by an export surplus of goods and by an import surplus of services. Also, while total sales of United States merchandise to foreign countries regularly exceeded total purchases from abroad, an export balance in merchandise trade with Europe, Africa, and the rest of North America was offset in substantial measure by an import balance with Asia and with South America. In 1947, however, United States sales, both of goods and of services, exceeded purchases in the case of every major area. Recorded exports and imports of merchandise, by areas, are shown in the following table.

UNITED STATES BALANCE OF RECORDED MERCHANDISE TRADE, BY AREAS, 1947
[Dollar items in millions]

Area	Recorded exports	Recorded imports	Net recorded exports	Imports as a percentage of exports
Northern North America	$2,132	$1,130	$1,002	53.0
Southern North America	1,714	1,022	692	59.6
South America	2,358	1,237	1,121	52.5
Europe	5,214	819	4,395	15.7
Asia, Oceania	2,242	1,205	1,037	53.7
Africa	822	327	495	39.8
Total	14,482	5,740	8,742	39.6

In the case of Europe, sales of goods to the United States were sufficient to pay for less than one-sixth of the recorded merchandise exports received from this country. For Asia and the various areas in the Western Hemisphere, the corresponding proportion was one-half or more. Of the total recorded merchandise export surplus, about half was accounted for by net exports to Europe, about a third by net exports to Western Hemisphere countries, and the remainder by net exports to Asia, Oceania, and Africa.

Means of financing export surplus. As may be seen from the table on page 33, about half the over-all export surplus of goods and services was financed by loans and gifts from the United States Government, and about two-fifths was financed by the liquidation of foreign-owned gold and dollar assets. The remaining net exports were paid for with dollars secured from private United States investments and gifts and, to a smaller extent, from loans by the International Bank and the International Monetary Fund. European countries received the great bulk of loans and gifts forthcoming from Government and private sources, but nonetheless had to liquidate gold and dollar assets on an extensive scale in order to pay for imports. Countries in the Western Hemisphere paid for most of their net imports from the United States with dollars acquired from their exports to other areas and from the liquidation of gold and dollar assets.

During 1947, the United States Government made net donations ("unilateral transfers") to foreign countries amounting to 1.7 billion dollars. More than half of this consisted of transfers of civilian supplies to areas occupied by United States armed forces, and was financed from Department of the Army appropriations.

In addition to outright donations, the United States Government in 1947 made net disbursements on foreign loans amounting to 3.9 billion dollars. By far the largest component was the 2.9 billion dollars advanced to Britain under the terms of the Anglo-American Financial Agreement of 1946. Drawings on the British loan were particularly large during July and August, when Britain temporarily restored limited convertibility of the pound sterling. By the end of the year, all but 300 million dollars of the original 3,750 million line of credit had been used up. This unexpectedly rapid utilization of the British loan reflected a number of adverse factors in the development of the British balance of payments, including a marked rise in world prices, unfavorable weather conditions in the winter of 1946-47, and the insistence by most countries selling to Britain that payment be made in dollars or other convertible currencies. Most of the other Government lending in 1947 was done by the Export-Import Bank, which made net disbursements, after allowing for some repayments on earlier loans, amounting to 729 million dollars.

Private gifts and investments assisted substantially in financing net exports from the United States in 1947. The net amount of charitable contributions and personal remittances was 700 million dollars. The net outflow of private capital, amounting to 640 million dollars, consisted mainly of advances by parent companies in this country to their subsidiaries abroad.

Two international institutions, the International Monetary Fund and the International Bank, commenced active operations in 1947. The Fund, which is designed to provide short-term assistance to countries confronted with temporary balance-of-payments deficits, made its first advance in May, and during the year made a total of 464 million dollars available to its members. The Bank, which was created for the purpose of making long-term loans for reconstruction and development, began lending operations in June. By the end of the year, it had made loan commitments of about 500 million dollars and actual disbursements of 300 million.

In spite of the large foreign grants and loans made by the United States during 1947, many foreign countries found it necessary to make substantial drafts on their holdings of gold and dollar resources. Net sales of gold to the United States by foreign countries amounted to 2.8 billion dollars during the year. Foreign production (outside the U.S.S.R.), which remained at the 1946 level of about 700 million dollars, was approximately offset by the gold subscribed by foreign countries to the International Monetary Fund during the year. There appears to have been some movement of gold into private hoards in foreign countries. The total gold reserves of foreign central banks and governments are estimated to have declined from approximately 16 billion dollars at the end of 1946 to less than 13 billion at the end of 1947.

Argentina was the principal loser of gold reserves, with an estimated decline during the year of 750 million dollars. The United Kingdom and Canada also lost heavily; from the reports published by these countries concerning their total holdings of gold and United States dollars, it may be deduced that during 1947 their gold reserves declined by about 400 and 250 million dollars respectively. Among the other countries which sustained losses of gold reserves, France showed a decline during the year of 310 million dollars; Sweden, 275 million; South Africa, 175 million; the Netherlands, 160 million; and Belgium, 140 million. Only the U.S.S.R., which apparently retained most of the new domestic production, made any substantial net gain.

Drawings on dollar banking funds held in the United States by foreign countries supplied a net amount of 1,150 million dollars toward meeting foreign requirements during 1947. The dollar balances of foreign central banks and governments were drawn upon to the extent of over 1,200 million dollars net, mainly as a result of heavy drafts upon the Canadian, British, Chinese, and Italian accounts. This decline in official balances was partly compensated by a small net increase in private banking funds. At the end of the year, official balances stood at 1.8 billion dollars and private balances at 3.0 billion.

Foreign countries also made net sales to the United States of marketable dollar securities (both stocks and bonds, including United States Government bonds) amounting to 170 million dollars during 1947. The Netherlands and France were the largest sellers.

CHANGES IN BANKING STRUCTURE

Number of banking offices.[1] In 1947, for the fourth successive year, there was an increase in the number of banking offices in the United States, exclusive of banking facilities at military reservations. Net growth was not quite as large as in 1946, although considerably larger than in 1945. The figures for the four years were: 207 in 1947, 225 in 1946, 111 in 1945, and 12 in 1944. The sum of these increases is larger by about 75 than the decreases that occurred between 1939 and 1943. The total number of newly organized banks and branches was 271 in 1947, 301 in 1946, 185 in 1945, and 108 in 1944. The number that went out of existence for various reasons was about the same in 1947 as in the preceding two years. At the end of 1947 there were 18,975 banking offices (14,714 banks and 4,261 branches and additional offices). There were also 71 banking facilities at military reservations, a decrease of 8 during the year.

The number of banks (head offices) increased by 14 in 1947, as compared with 32 in 1946 and 18 in 1945. During 1947 there were 111 banks opened for business, of which 33 were member banks, 66 insured nonmember banks, and 12 noninsured banks. On the other hand, 97 banks were discontinued through consolidation, liquidation, etc.; of these, 55 became branches. The number of banks in operation at the end of 1947 was 14,714 (14,181 commercial banks and 533 mutual savings banks).

The number of branches and additional offices, exclusive of offices at military reservations, increased by a net of 193 during 1947. This compares with increases of 193 in 1946 and 94 in 1945. The number of such offices has increased every year since 1933, except when it remained unchanged in 1942.

Increase in Federal Reserve membership. Membership in the Federal Reserve System continued to increase; in 1947 there was a net gain of 23 banks as compared with gains of 16 in 1946 and 70 in 1945. The number of national banks decreased by a net of 2 and the number of State member banks increased by a net of 25. Of the 73 banks admitted to membership, 21 were national banks and 52 were State banks; of the latter, 14 were newly organized and 38 were already in operation. All but one of the 38 had previously been admitted to membership in the Federal Deposit Insurance Corporation and their total deposits amounted to about 157 million dollars. About one-half of the 73 banks admitted to membership were located in three Federal Reserve districts.

[1] In this section changes during 1947 are exclusive of changes resulting from a revision of the figures as of June 30, 1947, but end-of-year totals include such changes. The revision, which resulted in a net addition of 115 banks and 9 branches to the series, was made to bring the Board's series for banks in the United States into conformity with the revised series for all banks in the United States and its possessions announced in November 1947 by the Federal bank supervisory authorities. (See Table 15, p. 79.)

The 6,923 member banks in operation at the end of 1947 accounted for 47 per cent of the number and 85 per cent of the deposits of all commercial banks in the country. Both percentages were practically the same as in 1946. The State member banks accounted for 21 per cent of the number and 65 per cent of the deposits of all State commercial banks, the same percentages as in 1946.

Par and nonpar banks. During 1947 there was a net increase of 69 in the number of banks on the Federal Reserve Par List and a net decrease of 42 in the number of nonpar banks.[2] These changes continued the trend of several years. During the year 158 banks were added to the Par List, 2 were withdrawn, and 87 banks formerly on the list terminated existence. Of the 87 discontinued par banks, 80 were absorbed by other par banks and 53 of the 80 were converted into branches. There were net increases of 10 or more par banks in two States, Texas (23) and Georgia (12).

At the end of 1947 there were 12,037 banks remitting at par and 2,041 nonpar banks; the latter represented only 14 per cent of all banks on which checks are drawn and held a very small portion of the deposits of all commercial banks in the country. Of the 4,090 branches of commercial banks in existence at the end of the year, 3,823 were remitting at par.

All banks in 27 States and the District of Columbia are on the Federal Reserve Par List and the number of nonpar banks in each of 5 other States was less than 10. Approximately 99 per cent of the banks not on the Par List were in the following 16 States: Minnesota 413, Georgia 280, Mississippi 167, Arkansas 129, North Carolina 118, Alabama 110, Wisconsin 109, Louisiana and North Dakota 102, South Dakota 101, Tennessee 99, South Carolina 93, Missouri 68, Florida 63, Texas 60, and Oklahoma 10.

Check routing symbols. Pursuant to the program inaugurated by the American Bankers Association and the Federal Reserve System in June 1945, further progress was made during 1947 in the use of routing symbols on checks to facilitate their collection.

Approximately 96 per cent of the banks on the Federal Reserve Par List as of December 1, 1947 have had check routing symbols printed on some of their checks in the approved location, i.e., in the upper right-hand corner. On the basis of a survey made in December 1947, it was found that 46 per cent of all checks clearing through Federal Reserve Banks carried routing symbols in the approved location.

Designation of reserve cities. The Federal Reserve Act, Section 11(e), empowers the Board to add to or reclassify central reserve and reserve cities or to terminate their designation as such. Late in 1947, after consideration over

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[2] The Federal Reserve Par List comprises all member banks, which are required under the law to remit at par for checks forwarded to them by the Reserve Banks for payment, and also such nonmember banks as have agreed to do so. The revision referred to in the preceding footnote, although it added 115 banks that had not previously been included in the all-bank series, added only 11 par and 3 nonpar banks that had not previously been included in par and nonpar statistics. These additions are not included in figures describing changes during the year but are included in year-end totals.

a long period, the Board of Governors adopted a standard or basis for the classification of these cities.

On October 24, 1947, the Board published in the *Federal Register* notice of a proposed action with respect to the reclassification of certain cities. In accordance with the notice, a number of banks submitted letters, and representatives of banks in a number of the cities whose status would be changed appeared before the Board and presented their views.

After due and careful consideration of relevant matter presented, the Board concluded that a logical, fair, and appropriate standard for determining the designation and termination of reserve cities is one determined (1) by the ratio of interbank demand deposits held by member banks in each city to the aggregate amount of interbank demand deposits held by all member banks of the Federal Reserve System, and (2) by such a ratio in combination with a ratio of interbank demand deposits held by member banks in each city to the aggregate amount of all demand deposits held by member banks in such city. The Board also concluded that the standard should be applied at three-year intervals.

In accordance with these conclusions, the Board adopted a basis for classification of central reserve and reserve cities to become effective March 1, 1948, in effect as follows:

Central reserve cities. The cities of New York and Chicago are classified (and continued) as central reserve cities.

Reserve cities:

1. The City of Washington, D. C. and every city except New York and Chicago in which there is situated a Federal Reserve Bank or a branch of a Federal Reserve Bank are classified (and continued) as reserve cities.
2. Every city in which, on the dates of official call reports of condition in the two years ended June 30, 1947, member banks of the Federal Reserve System, exclusive of their offices in other cities, held an aggregate amount of demand deposits owing to banks equal, on the average, to one-third of one per cent or more of the aggregate amount of demand deposits owing to banks by all member banks of the Federal Reserve System.
3. Every city in which, on the dates of official call reports of condition in the two years ended June 30, 1947, member banks of the Federal Reserve System, exclusive of their offices in other cities, held an aggregate amount of demand deposits owing to banks equal, on the average, to one-fourth of one per cent or more of the aggregate amount of demand deposits owing to banks by all member banks of the Federal Reserve

System and also equal, on the average, to 33⅓ per cent or more of the aggregate amount of all demand deposits held by member banks in such city.

4. The Board of Governors, prior to March 1, 1948, will also designate (and continue) as a reserve city, any city now classified as a reserve city (although not within the scope of paragraphs 1, 2, or 3 above) if a written request for the continuance of such city as a reserve city is received by the Federal Reserve Bank of the district in which the city is located on or before February 16, 1948 from every member bank which has its head office or a branch in such city (exclusive of any member bank in an outlying district of such city permitted by the Board of Governors to maintain reduced reserves) together with a certified copy of a resolution of the board of directors of such member bank duly authorizing such request.
5. Effective as of March 1 of each third year after March 1, 1948, the Board of Governors will reconsider the designations according to the standards outlined above.

In accordance with paragraph 4 above, requests for continuance of reserve city status were received from member banks in nine cities which would otherwise have been discontinued as reserve cities; and, acting pursuant to that paragraph, the Board classified and continued those cities as reserve cities.

As the result of Board action, the following changes were made in the classification of reserve cities, effective March 1, 1948: the city of National City (National Stock Yards), Illinois was classified as a reserve city, and the designations of the following cities as reserve cities were terminated: Grand Rapids, Michigan; Ogden, Utah; and Spokane, Washington. The Board's action resulted in a net reduction in required reserves of member banks of less than one million dollars.

BANK SUPERVISION BY THE FEDERAL RESERVE SYSTEM

Continuation during 1947 of the high level of banking activity, with generally expanding loan portfolios, brought increasing responsibilities to bank managements and supervisory authorities.

Total loans of all commercial banks in the United States increased during the year by 7.1 billion dollars, reaching 38.2 billion at the end of 1947. At a time when national output and employment are close to a maximum limit, an increase in the total loans of the banking system makes for inflation, even though any particular bank may have contributed little or nothing to such an outcome. This was recognized in the joint statement issued on November 24, 1947 by the Board of Governors, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Executive Committee of the National Association of Supervisors of State Banks. The statement stressed the need for bankers, as a means of combating inflationary developments, to exercise extreme caution in their lending policies and to confine their extensions of credit, so far as practicable, to productive purposes.

The prime responsibility for maintaining any bank in sound condition rests by law and logic upon its directors and managing officers. Bank supervisory authorities have the function of pointing out to bank management, as occasion requires, what appear to be elements of risk and weakness in bank assets and management, and any adverse banking trends. The extent to which each bank reduces and eliminates undue risks and weaknesses, and adapts its policies to changing conditions and foreseeable trends, determines, to a major degree, the collective strength of the nearly 15,000 banks in the American banking system. Assets of individual banks may be sound but, paradoxically, the aggregates of specific types of assets held by the banking system may at times reach proportions dangerous to the system as a whole and thus affect an individual bank. Such situations have arisen in the past, and can develop again.

Past experience has clearly shown that many problems and subsequent losses have their origin in assets acquired during boom conditions such as prevailed during 1947. High levels of business activity tend to obscure underlying weaknesses in bank assets and to increase the difficulty of their proper appraisal both by examiners and by managements.

During the year there were some instances of deterioration in the quality of loan portfolios, particularly in cases where the managements aggressively expanded loan accounts. Although such cases were scattered geographically and fairly limited in number, they were the cause of concern inasmuch as they evidenced an apparent willingness to take undue risks.

The volume of loans in State member banks adversely classified during the year was small in the aggregate, but in an increasing number of instances the examiners pointed out hazards in certain loans or groups of loans unless conditions continued to be favorable.

In recent years bank credit has been extended in a period of generally rising prices enabling many credit lines, weak when made, to be paid out without loss. It seems probable that this fact may not be fully realized by some of the younger credit men in banks and by newcomers in the field of bank management who are not conditioned by experience to visualize the problems of working out credit extensions under less favorable and more variable economic conditions. The problem of maintaining adequate and capable credit and loan supervisory staffs in banks has been accentuated also by the retirement from active duties of many older bankers. Because of the apparent lack of appreciation on the part of some banks of the necessity for maintaining adequate and current credit data, supervisory stress was continued on the need for such information and the importance of close supervision of all credit lines.

Continuation of the shift from large holdings of cash and United States Government securities into other assets, largely loans, in many cases accentuated the need for larger aggregate capital to offset the expansion in risk assets and the high level of deposits. In many banks, increasing costs of operations reduced the proportion of earnings available for this purpose. Some State member banks sold new common stock but others, in need of additional capital, have seemingly been reluctant to issue stock notwithstanding favorable conditions, or have professed inability to raise capital locally. In such cases it is incumbent upon management to exercise proper restraint in credit policies in order to maintain a reasonable relation of capital to risk assets.

During the year the Board requested each Federal Reserve Bank to review cases of State member banks in its district in which the Reconstruction Finance Corporation owned preferred capital, with a view to developing concrete plans for retiring as much as possible of such capital where it could be done on a basis consistent with the public interest. Investment of Government funds in bank capital was an emergency and temporary measure made necessary by the Banking Holiday in 1933, and was not intended to become a permanent arrangement. It was thought that private investment funds were generally available to supply the capital needs of banks, and that banks should rely thereon for their full requirements.

During the year the Board maintained formal and informal contacts on matters of mutual supervisory interest with the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Association of Supervisors of State Banks.

Examination of Federal Reserve Banks. The Board's Division of Examinations examined each of the twelve Federal Reserve Banks and their twenty-four branches during the year as required by law.

Examination of State member banks. State member banks are subject to examinations made by direction of the Board of Governors or of the Federal Reserve Banks by examiners selected or approved by the Board of Governors. The established policy is to have at least one regular examination of each State member bank, including its trust department, during each calendar year, by examiners for the Reserve Bank of the district in which the bank is situated, with additional examinations if considered desirable. The 1947 program for the examination of State member banks was substantially completed. In order to avoid duplication and to minimize inconvenience to the banks examined, wherever practicable joint examinations are made in cooperation with the State banking authorities or alternate examinations are made by agreement with State authorities.

The annual convention of the National Association of Supervisors of State Banks held in Washington September 23 through 26 afforded a convenient occasion for the holding of the annual conference of representatives of the bank examination departments of the twelve Federal Reserve Banks. The conference was held in the Board's offices in Washington on September 22, 23, and 26, allowing representatives of the Reserve Banks and of the Board to attend the open sessions of the convention of the Association and discuss matters of mutual interest with the State bank supervisors. In view of the problems affecting the supervisory activities of the Board and the Reserve Banks, emphasis of the conference was placed upon the supervisory aspects rather than the more detailed aspects of examination procedure. Representatives of the Insurance and Protective Committee of the American Bankers Association and The National Association of Bank Auditors and Comptrollers addressed the conference.

Bank holding companies. During 1947 the Board acted upon applications for voting permits submitted by holding company affiliates of banks and authorized the issuance of six permits for general purposes and five permits for limited purposes.

The regular annual reports were obtained from holding company affiliates to provide information with respect to the organizations to which voting permits have been granted. As in previous years, a substantial number of the holding company affiliates were examined during the year by examiners for the Federal Reserve Banks in whose districts the principal offices of the holding companies are located.

Section 301 of the Banking Act of 1935 provides that the term "holding company affiliate" shall not include, except for the purposes of Section 23A of the Federal Reserve Act, any organization which is determined by the Board not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies. During the year the Board made such determinations with respect to seven organizations.

The existing statutes do not provide adequate means for regulation of bank holding companies. As discussed elsewhere in this report, recommendations have been made by the Board with a view toward the strengthening of such regulation.

Trust powers of national banks. During the year, 14 national banks were granted authority by the Board to exercise one or more trust powers under the provisions of Section 11 (k) of the Federal Reserve Act. This number includes the grant of additional powers to one bank which previously had been granted certain trust powers. Trust powers of 11 national banks were terminated, 9 by voluntary liquidation or consolidation and 2 by voluntary surrender. At the end of 1947, there were 1,785 national banks holding permits to exercise trust powers. A list of such banks, with indication of the power or powers each bank is authorized to exercise, will be supplied to those requesting it.

Acceptance powers of member banks. One application by a member bank for increased acceptance powers, made pursuant to the provisions of Section 13 of the Federal Reserve Act, was received during the year and approved by the Board.

As was mentioned in the *Annual Report* for 1946, the Reserve Banks reviewed the list of member banks in their districts holding increased acceptance powers to ascertain whether in such cases the additional powers were needed. The powers had been granted many years ago in most cases and, at the end of the year, there was a cumulative aggregate of 59 voluntary surrenders of such powers.

At the end of the year, 93 member banks held authority granted by the Board to accept drafts or bills of exchange to an amount not exceeding at any one time, in the aggregate, 100 per cent of the bank's paid-up and unimpaired capital stock and surplus, and 30 member banks (29 of which also held 100 per cent acceptance powers) held authority granted by the Board to accept drafts or bills drawn to furnish dollar exchange.

Foreign branches and banking corporations. During 1947 the Board approved 11 applications made by member banks pursuant to the provisions of Section 25 of the Federal Reserve Act for permission to establish foreign branches. Member banks opened 9 foreign branches during the year, distributed geographically as follows: Brazil 1, Germany 2, Japan 3, Philippines 3. No foreign branches were closed. Branches operating in Germany and Japan are restricted as to the types of banking operations conducted by the terms of the licenses issued by the military occupation authorities.

At the end of 1947, seven member banks were operating a total of 82 branches in 22 foreign countries and possessions of the United States. Of the 82 branches, four national banks were operating 76, and three State member banks were operating 6. The foreign branches were distributed geographically as follows:

Latin America		43
Argentina	10	
Brazil	5	
Chile	2	
Colombia	3	
Cuba	16	
Mexico	1	
Panama	3	
Peru	1	
Uruguay	1	
Venezuela	1	
Continental Europe		4
Belgium	1	
France	1	
Germany	2	
England		10
Far East		14
China	2	
Hong Kong	1	
India	2	
Japan	4	
Philippines	4	
Singapore	1	
U. S. Possessions		11
Canal Zone	4	
Puerto Rico	7	
Total		82

No change occurred during the year in the list of the five corporations organized under State laws which operate under agreements entered into with the Board pursuant to Section 25 of the Federal Reserve Act relating to the investment by member banks in the stock of corporations engaged principally in international or foreign banking. These corporations are: First of Boston International Corporation, French American Banking Corporation, International Banking Corporation, Morgan & Cie. Incorporated, and Bankers Company of New York. Two of the five have no foreign branches, one operates a branch in England, one operates a branch in France, and one has an English fiduciary affiliate.

There is in operation one banking corporation, The Chase Bank, organized under the provisions of Section 25(a) of the Federal Reserve Act to engage in international or foreign banking. The bank has a fiduciary affiliate in England and operates a branch in France, two branches in China, and a branch in Hong Kong. Its head office was examined during the year by the Board's Division of Examinations.

CHANGES IN REGULATIONS OF THE BOARD OF GOVERNORS

Margin requirements for purchasing securities. As stated in the Board's *Annual Report* for 1946, the Board's Regulation T, entitled "Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges," and Regulation U, entitled "Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange," were amended effective February 1, 1947, to reduce margin requirements from 100 per cent to 75 per cent, both for purchases of registered securities and for short sales.

Consumer credit. The Board's Regulation W, relating to consumer credit, ceased to be operative after November 1, 1947, in accordance with a resolution of Congress approved on August 8, 1947.

LITIGATION

Suit regarding removal of bank directors. The Supreme Court of the United States on January 6, 1947, sustained an order of the Board, issued under Section 30 of the Banking Act of 1933, removing from office two directors of a national bank in Paterson, New Jersey, on the basis of a finding by the Board that the directors had violated Section 32 of the Banking Act of 1933. The opinions of the Supreme Court were published in the Board's *Annual Report* for 1946, and also appear in 329 U. S. 441 and 67 S. Ct. 411.

Conviction for violating Regulation W. The United States Circuit Court of Appeals for the Sixth Circuit on April 7, 1947, affirmed the judgments of the District Court, described in the Board's *Annual Report* for 1946, adjudging Consumers Home Equipment Co. and A. B. Chereton, its President, guilty of contempt for violating an injunction issued by the District Court restraining the defendants from violating the Board's Regulation W. Certiorari was denied by the United States Supreme Court on June 23, 1947. The opinion of the Court of Appeals was published in the *Federal Reserve Bulletin* for May 1947 at page 532, and also appears in 161 Fed. (2d) 360.

Suit regarding condition of membership. In the suit of the Peoples Bank, Lakewood Village, California, against the individual members of the Board, described in the Board's *Annual Report* for 1946, the United States Court of Appeals for the District of Columbia on April 14, 1947, reversed the District Court which had refused to enjoin the members of the Board from enforcing a condition of membership imposed upon the bank at the time of its admission to the Federal Reserve System. The Court of Appeals by a divided vote held that the condition was invalid if construed literally. However, the Court held that if the condition were construed in the manner stated in its opinion, there would be no inconsistency between it and the statute. The Court therefore remanded the case to the District Court for the entry of a judgment so construing the condition and denying the injunction. The United States Supreme Court granted certiorari; and on March 15, 1948, with two Justices dissenting, the Supreme Court reversed the judgment on the ground that the plaintiff's grievance was too remote, insubstantial, and speculative in nature to justify consideration by the courts. The opinions of the Court of Appeals were published in the *Federal Reserve Bulletin* for May 1947 at pages 533-540, and also appear in 161 Fed. (2d) 636. The opinions of the Supreme Court were published in the *Federal Reserve Bulletin* for April 1948.

LEGISLATION

Purchase of Government obligations by Federal Reserve Banks. An Act approved April 28, 1947, amended Section 14(b) of the Federal Reserve Act to authorize until July 1, 1950, the purchase or sale by Federal Reserve Banks, directly from or to the United States, of bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed as to principal and interest, provided the aggregate amount acquired directly from the United States held at any one time by the twelve Federal Reserve Banks shall not exceed 5 billion dollars. Similar authority granted by an amendment to Section 14(b) which was contained in the Second War Powers Act had expired on March 31, 1947.

Federal Reserve branch bank buildings. Under a provision of Section 10 of the Federal Reserve Act, the cost of a branch bank building of a Federal Reserve Bank, exclusive of the cost of vaults, permanent equipment, furnishings, and fixtures, is limited to $250,000. This provision was amended by an Act approved July 30, 1947, to provide that the limitation shall not apply as long as the aggregate of such costs subsequently incurred by all Federal Reserve Banks for branch bank buildings with the approval of the Board does not exceed 10 million dollars.

Stock of Federal Deposit Insurance Corporation. An Act approved August 5, 1947, provided for the retirement and cancelation under certain conditions of the capital stock of the Federal Deposit Insurance Corporation, including both that subscribed to by the United States and that subscribed to by the Federal Reserve Banks. The Act provided that the amount received by the Corporation for such stock should be paid in both instances to the Treasury of the United States. Pursuant to this Act, the stock subscribed to by the Federal Reserve Banks was retired and canceled on October 7, 1947.

Consumer credit. A Joint Resolution approved August 8, 1947, continued the authority of the Board to exercise regulatory control of consumer credit pursuant to Executive Order No. 8843 for a temporary period but provided that such control should not be exercised after November 1, 1947, except during the time of war beginning after the enactment of the resolution or a national emergency subsequently declared by the President.

War loan deposits. The provisions of Section 12B(h)(1) and Section 19 of the Federal Reserve Act, as amended by the Act of April 13, 1943, exempting war loan accounts of the United States from deposit insurance assessments and from member bank reserve requirements, expired on June 30, 1947, as a result of the Proclamation of the President of the United States, issued on December 31, 1946, terminating the period of hostilities of World War II.

RESERVE BANK OPERATIONS

Volume of operations. Except for checks and paper currency and coin handled, which increased to new high levels, the volume of operations at the Federal Reserve Banks generally declined again during 1947. The principal declines were in issues, redemptions, and exchanges of Government securities. The decline in Government security issues and redemptions was offset to some extent by the substantial redemptions of Armed Forces Leave Bonds subsequent to September 1, 1947. Table 5 on page 69 shows the volume of operations in the principal departments of the Federal Reserve Banks for the past five years.

Reserve Bank holdings of loans and securities during 1947 were below the 1946 levels. Average daily holdings of loans and securities and earnings thereon are given in the first table on the following page.

RESERVE BANK EARNINGS ON LOANS AND SECURITIES, 1944-47

[Dollar amounts in thousands]

Item and year	Total	Discounts and advances	Acceptances purchased	U. S. Government securities, direct and guaranteed	Industrial loans
Daily average holdings:					
1944	$14,917,596	$135,459	....	$14,772,201	$9,936
1945	21,742,589	375,958	$ 22	21,363,244	3,365
1946	23,570,260	310,308	8,457	23,250,195	1,300
1947[1]	22,552,491	218,755	384	22,331,740	1,612
Earnings:					
1944	103,837	724	....	102,810	303
1945	141,631	1,977	(2)	139,553	101
1946	149,703	2,497	43	147,125	38
1947	157,823	2,195	4	155,564	60
Average rate of earnings (per cent):					
1944	0.70	0.53	....	0.70	3.05
1945	0.65	0.53	0.50	0.65	2.99
1946	0.64	0.80	0.51	0.63	2.90
1947	0.70	1.00	1.01	0.70	3.75

[1] Based on holdings at opening of business.
[2] Less than $500.

Earnings and expenses. Current earnings, current expenses, and the distribution of net earnings of the various Federal Reserve Banks are given in detail in Table 6 on pages 70-71, and a condensed annual statement since 1914 for all the Reserve Banks combined is shown in Table 7 on pages 72-73. A condensed comparative summary for all of the Reserve Banks for the years 1946-47 is given below.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS 1947 and 1946

[In thousands of dollars]

Item	1947	1946
Current earnings	158,656	150,385
Current expenses	65,393	57,235
Current net earnings	93,263	93,150
Net additions to current net earnings	1,973	1,626
Net earnings before payments to U. S. Treasury	95,236	92,524
Paid U. S. Treasury (Sec. 13b)	36	67
Paid U. S. Treasury (Interest on outstanding F. R. notes)	75,224	....
Net earnings	19,976	92,457
Dividends paid	11,523	10,962
Transferred to surplus (Sec. 13b)	87	28
Transferred to surplus (Sec. 7)	8,366	81,467

Current earnings were 158 million dollars in 1947, or about 8 million dollars more than the year before. Current expenses increased commensurately so that current net earnings were approximately the same as in 1946. After adding profits on sales of Government securities and deducting noncurrent charges, net earnings for the year before payments to the United

States Treasury amounted to 95 million dollars, or about 3 million dollars more than in 1946. After payment of 12 million dollars for the dividend to member banks, as provided in the Federal Reserve Act, $36,000 to the United States Treasury under Section 13b of the Federal Reserve Act relating to industrial loans, and 75 million dollars to the United States Treasury as interest on outstanding Federal Reserve notes not covered by gold certificates pledged with the Federal Reserve agents as collateral for such notes, 8 million dollars was added to the surplus of the Reserve Banks.

Since the Federal Reserve Act does not contemplate Federal Reserve payments to the Treasury under Section 13b after cancelation of the Federal Deposit Insurance Corporation stock held by the Reserve Banks, and since the stock was retired on October 7, 1947, the $36,000 payment referred to above reflects only industrial loan and commitment operations for the period January 1 to October 7. The payments to the United States Treasury of interest on Federal Reserve notes outstanding not covered by gold certificates pledged with the Federal Reserve agents were in accordance with the Board's policy adopted in April 1947 of paying into the Treasury approximately 90 per cent of net earnings after dividends of the Federal Reserve Banks.

Foreign transactions. Continued foreign requirements for dollars resulted in a decline of approximately 2 billion dollars in 1947 in total assets held by the Federal Reserve Banks for account of foreign central banks and governments. At the end of the year dollar deposits, earmarked gold, and securities held for all such accounts, including those maintained by foreign depositors with the Federal Reserve Bank of New York acting as fiscal agent of the United States, amounted to approximately 3.4 billion dollars as compared with slightly more than 5.3 billion dollars at the end of 1946 and a high of about 7 billion dollars in September 1945. A decline of more than one billion dollars in the amount of gold held under earmark for foreign central banks and governments was largely responsible for the reduction in total assets and the remainder occurred mainly in holdings of United States Government securities and dollar deposits. There was, on the other hand, a substantial increase in the amount of gold and dollar assets held by the Federal Reserve Bank of New York for the International Monetary Fund and the International Bank for Reconstruction and Development, both of which first entered upon active operations during 1947.

Increased activity in loans to foreign central banks and governments by the Federal Reserve Banks against gold held under earmark in the Federal Reserve Bank of New York, which first became evident in 1946, continued during the past year. The total of such loans outstanding, however, declined from about 150 million dollars at the end of 1946 to about 50 million dollars at the end of 1947. Interest on these loans, which were all made for periods not exceeding three months, was at the discount rate of the Federal Reserve Bank of New York, which remained at one per cent throughout the year.

Loans against gold to five foreign central banks were outstanding at the beginning of 1947. During the year new loans were made to the central banks of six countries, while seven central banks repaid outstanding loans in full. As a result, loans against gold to four central banks were outstanding at the end of the year.

One regular foreign central bank account was opened during the year and two accounts were opened by the Federal Reserve Bank of New York acting as fiscal agent of the United States. On the other hand, three fiscal agency accounts, which were established during the war to facilitate this Government's operations abroad, were closed.

The Federal Reserve Bank of New York, as fiscal agent of the United States, continued to operate the United States Exchange Stabilization Fund in accordance with authorization and instructions from the Treasury Department, and it acted as agent for the Treasury in the administration of foreign funds control. In cooperation with the other Reserve Banks, the New York Reserve Bank also rendered service during the year to the Export-Import Bank, in its capacity as fiscal agent for the participation of commercial banks in the 200 million dollar Export-Import Bank credit to the Kingdom of the Netherlands. Acting under the Executive Order of January 15, 1934, and Treasury regulations issued thereunder, the Federal Reserve Banks continued to collect and analyze reports from banks, security brokers and dealers, and others covering the international movement of capital.

The Federal Reserve Bank of New York performed rather extensive operations during the year as depositary for the International Bank for Reconstruction and Development and the International Monetary Fund. The New York Reserve Bank was also requested, as provided in the Bretton Woods Agreements Act, to act as fiscal agent of the International Bank in connection with that Bank's first two bond issues, dated July 15, 1947.

Bank premises. Reference is made elsewhere in this report to the amendment of Section 10 of the Federal Reserve Act providing that the $250,000 limitation on the cost of branch buildings, exclusive of the cost of the vaults, permanent equipment, furnishings, and fixtures, shall not apply as long as the aggregate of such costs subsequently incurred by all the Reserve Banks, with approval of the Board, does not exceed 10 million dollars. The Board's policy under this authorization is to approve the preparation of plans for needed building construction but not to authorize commencement of construction during present conditions of inflationary pressures and shortages of labor and materials unless the need therefor is of an emergency, as distinguished from an urgent, character. The Federal Reserve Banks have been informed that this policy also applies to head-office buildings.

In September the Federal Reserve Bank of Cleveland acquired at a cost of $1,221,000 the building in which its Cincinnati Branch has occupied rented quarters since 1927. This building was constructed in 1927 by the

Cincinnati Chamber of Commerce on land owned by the Federal Reserve Bank and included certain improvements, principally a vault, constructed by the Bank when quarters in the building were leased for occupancy by the branch. Only minor alterations and repairs were necessary upon acquisition of the building, although extensive rehabilitation is contemplated when building conditions are more favorable.

The Federal Reserve Bank of Atlanta filled in the light court at its head-office building and razed an old building on property adjoining the New Orleans Branch quarters, which was purchased in 1945 as a site for a future addition. The lot will be used for loading and unloading purposes upon completion of certain improvements.

RESERVE BANK PERSONNEL

Chairmen and Deputy Chairmen. One of the three Class C directors appointed by the Board of Governors for each Federal Reserve Bank is designated annually to serve as Chairman of the Board of Directors and as Federal Reserve Agent, and another Class C director is appointed annually as Deputy Chairman. A list of the Chairmen and Deputy Chairmen is shown on page 103.

The Chairmen and Deputy Chairmen at the Federal Reserve Banks were redesignated to serve as such for the year 1947, except for the following changes:

Donald K. David, Dean, Graduate School of Business Administration, Harvard University, Boston, Massachusetts, who had been a Class C director of the Federal Reserve Bank of Boston since January 1, 1946, was appointed Deputy Chairman for the year 1947.

W. G. Wysor, General Manager, Southern States Cooperative, Inc., Richmond, Virginia, who had been a Class C director of the Federal Reserve Bank of Richmond since January 8, 1937, and Deputy Chairman since January 1, 1938, was designated Chairman and Federal Reserve Agent for the year 1947.

Charles P. McCormick, President, McCormick & Company, Inc., Baltimore, Maryland, who had been a Class C director of the Federal Reserve Bank of Richmond since August 31, 1939, was appointed Deputy Chairman for the year 1947.

Clarence W. Avery, President and Chairman, The Murray Corporation of America, Detroit, Michigan, who had been a Class B director of the Federal Reserve Bank of Chicago since November 17, 1942, was appointed a Class C director on March 6, and designated Chairman and Federal Reserve Agent for the remaining portion of the year 1947.

Paul G. Hoffman, President, The Studebaker Corporation, South Bend, Indiana, who had been a Class C director of the Federal Reserve Bank of

Chicago since November 16, 1942, was appointed Deputy Chairman for the year 1947.

Brayton Wilbur, President, Wilbur-Ellis Company, San Francisco, California, who had been a Class C director of the Federal Reserve Bank of San Francisco since July 5, 1944, was designated Chairman and Federal Reserve Agent on May 2, 1947.

Directors. A list of the directors of the Federal Reserve Banks and branches as of the close of the year is shown on pages 104-11.

The Board made the following appointments of new directors either for terms beginning January 1, 1947, or to fill vacancies during the year:

Class C Directors. Harold D. Hodgkinson, Vice President, General Manager and Chairman of Management Board, Wm. Filene's Sons Company, Boston, Massachusetts, was appointed a Class C director of the Federal Reserve Bank of Boston for the term beginning January 1, 1947.

Edward R. Stettinius, Jr., Rector, University of Virginia, Charlottesville, Virginia, was appointed a Class C director of the Federal Reserve Bank of Richmond on July 3.

Clarence W. Avery, President and Chairman, The Murray Corporation of America, Detroit, Michigan, was appointed a Class C director of the Federal Reserve Bank of Chicago on March 6.

William R. Wallace, Jr., Attorney at Law, San Francisco, California, was appointed a Class C director of the Federal Reserve Bank of San Francisco on September 30.

Branch Directors. L. Vinton Hershey, President, Hagerstown Shoe Company, Hagerstown, Maryland, was appointed a director of the Baltimore Branch of the Federal Reserve Bank of Richmond for the term beginning January 1, 1947.

W. A. L. Sibley, Vice President and Treasurer, Monarch Mills, Union, South Carolina, was appointed a director of the Charlotte Branch of the Federal Reserve Bank of Richmond for the term beginning January 1, 1947.

Thad Holt, President and Treasurer, Voice of Alabama, Inc., Radio Station WAPI, Birmingham, Alabama, was appointed a director of the Birmingham Branch of the Federal Reserve Bank of Atlanta on April 1.

W. T. Bland of Lake Jem, Florida, was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta on March 11. Mr. Bland is a citrus fruit grower and nurseryman.

E. O. Batson, President, Batson-McGehee Company, Inc., Millard, Mississippi, was appointed a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta on June 24.

Ralph E. Plunkett, President, Plunkett-Jarrell Grocer Company, Little Rock, Arkansas, was appointed a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis for the term beginning January 1, 1947.

Hugh M. Brinkley of Hughes, Arkansas, was appointed a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for the term beginning January 1, 1947. Mr. Brinkley is engaged in farming.

Rufus Green of Duncan, Oklahoma, was appointed a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for the term beginning January 1, 1947. Mr. Green is engaged in ranching and farming.

Hiram S. Corbett, President, J. Knox Corbett Lumber Company, Tucson, Arizona, was appointed a director of the El Paso Branch of the Federal Reserve Bank of Dallas for the term beginning January 1, 1947.

R. B. Taylor of Adams, Oregon, was appointed a director of the Portland Branch of the Federal Reserve Bank of San Francisco for the term beginning January 1, 1947. Mr. Taylor is engaged in livestock and farm operations.

Merle G. Hyer of Lewiston, Utah, was appointed a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for the term beginning January 1, 1947. Mr. Hyer is engaged in livestock and farm operations.

Change in First Vice Presidents. H. N. Mangels, who had been a member of the staff of the Federal Reserve Bank of San Francisco since 1916, and an officer since 1920, was appointed First Vice President, effective January 1, 1947. Mr. Mangels succeeded Mr. C. E. Earhart, who was appointed President of the Federal Reserve Bank of San Francisco.

Staff. At the end of 1947 the total number of officers and employees of the twelve Federal Reserve Banks and their twenty-four branches was 19,364, representing a decline of 2,066 since the end of 1946. This was the fourth successive year of decline following several successive years of increase due to the great expansion in the volume of operations during the war years. The total number of officers and employees of the Reserve Banks and branches at the end of each year beginning with 1940 was as follows:

1940	11,640	1944	24,442
1941	14,083	1945	23,522
1942	19,972	1946	21,430
1943	24,741	1947	19,364

BOARD OF GOVERNORS—STAFF

Appointment of Board Member. The nomination of Lawrence Clayton of Boston, Massachusetts, to be a member of the Board of Governors of the Federal Reserve System for the unexpired portion of the term ending January 31, 1952, was confirmed by the Senate on February 10, 1947. Mr. Clayton took the oath of office on February 14, 1947.

Death of Vice Chairman Ransom. Ronald Ransom, who had been a member of the Board of Governors since February 3, 1936, and had served as Vice Chairman since August 6, 1936, died on December 2, 1947.

Staff. On December 31, 1947, the Board's staff, exclusive of those on leave without pay, numbered 504, as compared to 480 at the end of 1946.

Leo H. Paulger, Special Adviser to the Board of Governors, retired as a member of the Board's staff, under the provisions of the Federal Reserve Retirement System, April 1, 1947. He joined the Board's staff in January 1932, and served continuously as Director of the Division of Examinations until August 1946, when he was made Special Adviser to the Board of Governors.

Chandler Morse resigned as an Assistant Director of the Board's Division of Research and Statistics, effective September 5, 1947, in order to accept a position on the faculty of Williams College, Williamstown, Massachusetts.

Bonnar Brown was appointed an Assistant Director of the Board's Division of Research and Statistics, effective October 19, 1947. Mr. Brown, after two years of service at the Federal Reserve Bank of San Francisco, had been serving as Assistant Director of the Board's Division of Security Loans since July 1, 1944.

Lowell Myrick was appointed an Assistant Director of the Board's Division of Bank Operations, effective November 4, 1947. Mr. Myrick has served continuously with the Division of Bank Operations since his original appointment on December 16, 1921.

The designation of J. Leonard Townsend was changed from Assistant General Counsel to Associate General Counsel, and that of Ralph A. Young from Assistant Director, Division of Research and Statistics, to Associate Director, Division of Research and Statistics, effective December 28, 1947.

BOARD OF GOVERNORS—INCOME AND EXPENSES

The following table shows the income and expenses of the Board for the year 1947:

OPERATING SURPLUS, January 1, 1947		$ 335,294.13	
Adjustment in 1947 for expenses applicable to preceding years		119.04	$ 335,413.17
INCOME:			
Assessments on Federal Reserve Banks		2,639,666.74	
Sale of *Federal Reserve Bulletin*		12,774.02	
Sale of other publications		24,333.93	
Miscellaneous		10,491.50	2,687,266.19
			3,022,679.36
EXPENSES:			
Salaries		1,936,166.40	
Retirement contributions		135,011.64	
Traveling expenses		110,743.80	
Postage and expressage		21,896.45	
Telephone and telegraph		51,876.22	
Printing and binding		156,953.81	
Stationery and supplies		22,070.47	
Furniture and equipment, including rental		34,175.90	
Books and subscriptions		8,426.42	
Heat, light and power		30,972.28	
Repairs and alterations (building and grounds)		5,363.43	
Repairs and maintenance (furniture and equipment)		5,160.41	
Medical service and supplies		897.05	
Insurance		3,316.85	
Miscellaneous:			
Consumer finances and liquid assets surveys	$119,890.56		
Cafeteria loss	26,838.71		
All other	12,851.29	159,580.56	2,682,611.69
OPERATING SURPLUS, December 31, 1947			$ 340,067.67

In addition to the foregoing, the Board made certain expenditures on a reimbursable basis for which it received reimbursements in 1947 as follows:

Printing Federal Reserve notes	$3,051,674.00
Leased wire service (telegraph)	93,045.14
Leased telephone lines	10,162.00
Federal Reserve Issue and Redemption Division (Comptroller of the Currency)	67,619.89
Miscellaneous	14,573.38

The accounts of the Board for the year 1947 were audited by the Auditor of the Federal Reserve Bank of New York, who certified them to be correct.

RESEARCH AND ADVISORY SERVICES

The Board's research activities during 1947 continued to be directed toward analyzing current developments in the fields of money and credit, Treasury financing, production and employment, national income, prices, and international finance. Procedures for making projections of the gross national product and related factors were further developed. Investigations of the conditions affecting the availability and use of money and credit were continued and from time to time the results of special studies were released to the public.

An important feature of the research work was the study of inflationary developments in banking, business, housing, and agriculture. Members of the Board's staff assisted congressional committees which were investigating these problems and participated in public and private conferences relating to agricultural credit, home mortgage credit, national income, and productivity. Staff members also served on many interdepartmental committees concerned with the analysis of national economic developments as well as with the improvement of statistics and other information which would contribute to a better understanding of current developments. Special assistance was provided to groups preparing reports on the effects of foreign aid on the nation's resources and on domestic, economic, and fiscal problems.

Important facts concerning member bank loans to commercial and industrial concerns, determined by a sample survey as of November 20, 1946 conducted by the Reserve Banks and the Board of Governors, were published in the *Federal Reserve Bulletin* during 1947. The survey provided information of value to bankers in formulating loan policies, to commercial and industrial concerns in planning to meet their credit requirements, and to the Federal Reserve authorities in considering national credit policies.

A special survey of loans outstanding to farmers at insured commercial banks in mid-1947 was made by the Federal Reserve System, in cooperation with the Federal Deposit Insurance Corporation. This survey was similar to the Federal Reserve survey of member bank loans to commercial and industrial concerns in that it provided valuable information concerning the purpose, characteristics, geographic distribution, and prevalence of an important type of bank credit. Findings relating to various aspects of the loans were published in the *Bulletin* during the last quarter of the year.

For the second successive time, the Board of Governors sponsored a national survey of consumer finances early in the year. These annual surveys provide insight into the shifting financial positions of consumers; their purchases and plans to purchase durable goods and houses; their current attitudes and plans with regard to saving, liquid asset holdings, and investment; and their expectations as to general economic conditions. At the request of the President's Council of Economic Advisers, as well as for the information of the Federal Reserve System and the public, the second annual survey was supplemented at mid-year by an interim survey on the basis of a smaller national sample than had been used in the primary survey. In addition to supplying needed current information, this interim survey was a useful experiment in the further development of research work in this area. Both surveys were conducted for the Board by the Survey Research Center, University of Michigan, and the results were published in the *Bulletin*. A third annual survey is being conducted in the early part of 1948.

On July 1 the Board of Governors took over the conduct of a project begun under other auspices and designed to trace flows of money payments by accounting techniques. The feasibility and potential significance of annual financial statement estimates designed to reveal money inflows and outflows for various sectors of the economy had previously been demonstrated through an exploratory private study covering the years 1936-42. This study was conducted by the National Bureau of Economic Research at the suggestion of and under a grant from the Committee for Economic Development; the Board of Governors cooperated in its planning and execution. The project the Board has now undertaken aims to develop similar financial statements on a current basis, so far as that proves feasible. The first completed step in this task is a comprehensive consolidated condition statement for the banking system which relates banking assets to the money supply for selected dates from June 30, 1929 to September 23, 1947. It is expected that this balance sheet will hereafter be compiled for the end of each quarter.

Some of the Board's regular statistical series were revised, including revisions made to increase and improve the coverage of the weekly series of statistics reported by member banks in leading cities. As of June 30, 1947, a single semi-annual series of assets and liabilities of all banks in the United States and its possessions was announced by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Board of Governors. This series, compiled by the Federal Deposit Insurance Corporation, replaced the three series previously compiled and published separately by the three agencies. In December the Board inaugurated a new monthly series of assets and liabilities of all banks in the United States (excluding possessions). The series presents separate figures, which are partly estimated, for all banks, all commercial banks, and for all member banks by class of bank.

The cooperative arrangement whereby the Federal Reserve System and the Robert Morris Associates had provided annual financial statement data for manufacturing and trade concerns for the years 1939-46 continued in 1947, covering 1946 reports. This arrangement, however, has been discontinued. Similar data for analytical purposes became available in the new quarterly series compiled by the Securities and Exchange Commission and the Federal Trade Commission.

Work in the international field continued at an intensive pace as a result of the critical problems which developed in the international economic and financial relationships of the United States. A large part of the work was closely geared to the activities of the National Advisory Council on International Monetary and Financial Problems and was carried out in close collaboration with the other agencies represented on the Council. Members of the Board's staff in the international field were active in interdepartmental committees and working groups preparing material for use by the Council in connection with foreign lending activities of the United States and with operations of the International Fund and Bank. During the last months of the year they were also heavily absorbed with interdepartmental work on the European Recovery Program, especially in the preparation of legislation and documentation for submission to the Congress.

A number of special studies were prepared during the year for the Department of State covering economic and financial conditions in various foreign countries. Continuing attention was also devoted to the special problems and operating responsibilities of the Federal Reserve System in the international field.

The Board continued to cooperate in projects in the international field by supplying members of its staff for assignments abroad. The Assistant Director of the Division of Research and Statistics in charge of international matters attended the annual meeting of the Governors of the International Fund and Bank in London as a member of the United States Delegation headed by the Secretary of the Treasury. Another member of the Board's staff devoted much of his time to the development of improved monetary and banking organizations and practices in Latin American countries; he spent two and a half months in Ecuador participating in the preparation of new central bank legislation. A third spent five months in the Philippine Islands as a member of the Joint Philippine-American Finance Commission, which was charged with the preparation of a study of financial and budgetary problems of the Philippine Government. The services of members of the staff, on leave without pay, were also made available to the Military Government authorities in Germany and Korea.

The Board had numerous visitors from foreign central banks and governments, who had come to the United States on official negotiations, or for consultation with financial authorities, international organizations, bankers, and others. It also facilitated the work of visitors who had come for the study of American banking and supervisory methods and related matters.

PUBLICATIONS AND RELEASES

The demand for Board publications and releases continued to increase during the year 1947. Schools and colleges particularly made extensive use of material issued by the Board. There was considerable interest in the Board's announcement of the publication of the Federal Reserve Charts on Bank Credit, Money Rates, and Business on a monthly basis beginning in June 1947. Several periodic releases were initiated. In addition to amendments to regulations and various reprints, the following publications were issued:

FEDERAL RESERVE BULLETIN. Issued monthly.

FEDERAL RESERVE CHARTS ON BANK CREDIT, MONEY RATES, AND BUSINESS. Issued monthly, beginning in June.

MEMBER BANK CALL REPORT. Three issues, one each in April, October, and December.

PAR LIST, and list of STATE BANK MEMBERS OF THE FEDERAL RESERVE SYSTEM AND NONMEMBER BANKS THAT MAINTAIN CLEARING ACCOUNTS. Monthly supplements for each and complete list for latter in January.

LIST OF STOCKS REGISTERED ON NATIONAL SECURITIES EXCHANGES. Quarterly supplements in May, August, and November.

BANKING STUDIES (1941). Reprinted in March.

FEDERAL RESERVE CHARTS ON CONSUMER CREDIT. Published in April.

THIRTY-THIRD ANNUAL REPORT OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM. Published in June.

RETAIL CREDIT SURVEY—1946. Published in July.

DEBITS AND CLEARINGS STATISTICS, THEIR BACKGROUND AND INTERPRETATION. Published in October.

INTERNATIONAL MONETARY POLICIES (Postwar Economic Studies No. 7) Published in October.

FEDERAL RESERVE POLICY (Postwar Economic Studies No. 8). Published in November.

THE FEDERAL RESERVE SYSTEM—ITS PURPOSES AND FUNCTIONS (Second Edition). Published in November.

FEDERAL RESERVE MEETINGS

The Federal Open Market Committee met in Washington on February 27-28, March 1, June 5-6, October 6-7, and December 9, 1947, and the executive committee of the full Committee met from time to time during the year. Under the provisions of Section 12A of the Federal Reserve Act, the Federal Open Market Committee has responsibility for determining the policies under which the open market operations of the Reserve Banks will be carried out. A record of the actions taken by the Committee on questions of policy will be found on pages 88-97 of this report.

A Conference of the Chairmen of the Federal Reserve Banks was held on December 1-2, 1947, and was attended by members of the Board of Governors.

The Conference of Presidents of the Federal Reserve Banks held meetings on February 25-26, June 4-5, October 3-4, and December 8, and the Board of Governors met with the Presidents on February 28, June 6, October 7, and December 9.

Meetings of the Federal Advisory Council were held on March 9-11, May 18-20, September 21-23, and November 16-18. The Board of Governors met with the Council on March 11, May 20, September 23, and November 18. The Council is required by law to meet in Washington at least four times each year and is authorized by the Federal Reserve Act to consult with and advise the Board on all matters within the jurisdiction of the Board.

During the year a conference was held at the offices of the Board of Governors in Washington by each of the following: counsel for the various Reserve Banks, Federal Reserve Bank officers in charge of examinations, and Federal Reserve Bank auditors. Other meetings participated in by representatives of the Board of Governors and of the Reserve Banks were held to discuss questions relating to international monetary and credit matters, research and credit problems and policy, Federal Reserve Bank collection systems, personnel administration, expense accounting, and System publications and public relations.

TABLES

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1947[1]

ASSETS

[Amounts in boldface type are those shown in the Board's weekly statement. In thousands of dollars.]

Interdistrict settlement fund	7,080,726		
Gold certificates on hand	1,010,444		
Gold certificates with Federal Reserve Agent	12,719,000		
Gold certificates on hand and due from U. S. Treasury		**20,810,170**	
Redemption fund for Federal Reserve notes		**687,127**	
Total gold certificate reserves			**21,497,297**
Other cash:			
United States notes		30,767	
Silver certificates		207,476	
Standard silver dollars		2,244	
National and Federal Reserve Bank notes		5,217	
Subsidiary silver, nickels, and cents		26,927	
Total other cash			**272,631**
Discounts and advances secured by U. S. Government securities:			
Discounted for member banks	34,444		
Discounted for others	......		
		34,444	
Other discounts and advances:			
Discounted for member banks	381		
Foreign loans on gold	50,600	50,981	
Total discounts and advances		**85,425**	
Industrial loans		**1,387**	
U. S. Government securities in System Open Market Account:			
Bills	**11,433,410**		
Certificates	**6,796,505**		
Notes	**1,476,550**		
Bonds	**2,852,869**		
Total U. S. Government securities		**22,559,334**	
Total loans and securities			**22,646,146**
Due from foreign banks			**95**
Federal Reserve notes of other Federal Reserve Banks			**162,242**
Uncollected items:			
Transit items		2,713,257	
Exchanges for clearing house		197,962	
Other cash items		73,780	
Total uncollected items			**2,984,999**
Bank premises:			
Land		13,070	
Buildings (including vaults)		45,562	
Fixed machinery and equipment		17,502	
Total bank premises		76,134	
Less depreciation		42,906	
Bank premises, net			**33,228**
Other assets:			
Industrial loans past due		(2)	
Miscellaneous assets acquired account industrial loans		139	
Miscellaneous assets acquired account closed banks		43	
Total	182		
Less valuation allowances	68		
Net		114	
Fiscal Agency and other expenses, reimbursable		3,932	
Interest accrued		53,185	
Premium on securities		52,437	
Deferred charges		1,114	
Sundry items receivable		1,895	
Real estate acquired for banking house purposes		1,944	
Suspense account		593	
All other		46	
Total other assets			**115,260**
Total assets			**47,711,898**

[1] Before closing books at end of year. [2] Less than $500.

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) —*Continued*

LIABILITIES

Federal Reserve notes outstanding (issued to Federal Reserve Banks)		25,705,984	
Less: Held by issuing Federal Reserve Banks	839,380		
Forwarded for redemption	46,170	885,550	
Federal Reserve notes, net (includes notes held by Treasury and by Federal Reserve Banks other than issuing Bank)			**24,820,434**
Deposits:			
Member bank—reserve account		**17,898,468**	
U. S. Treasurer—general account		**870,026**	
Foreign		**391,849**	
Other deposits:			
Nonmember bank—clearing accounts	134,505		
Officers' and certified checks	7,969		
Federal Reserve exchange drafts	1,340		
All other	425,596		
Total other deposits		**569,410**	
Total deposits			**19,729,753**
Deferred availability items			**2,449,763**
Other liabilities:			
Accrued dividends unpaid		902	
Unearned discount		8	
Discount on securities		12,208	
Sundry items payable		2,406	
Suspense account		183	
All other liabilities		17	
Total other liabilities			**15,724**
Total liabilities			**47,015,674**

CAPITAL ACCOUNTS

Capital paid in			**195,517**
Surplus (Sec. 7)			**439,823**
Surplus (Sec. 13b)			**27,455**
Other capital accounts:			
Reserves for contingencies:			
Reserve for registered mail losses		6,599	
All other		18,000	
Earnings and expenses:			
Current earnings	158,656		
Current expenses	65,393		
Current net earnings	93,263		
Add—profit and loss	2,314		
Deduct—dividends accrued since January 1	11,523		
Interest on Federal Reserve notes	75,224		
Unallocated net earnings		8,830	
Total other capital accounts			**33,429**
Total liabilities and capital accounts			**47,711,898**

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1947 AND 1946

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946
ASSETS												
Gold certificates	20,810,170	17,587,177	759,612	726,779	6,259,354	5,061,375	1,016,538	858,145	1,434,229	1,124,166	1,044,281	1,103,170
Redemption fund for Federal Reserve notes	687,127	794,116	56,120	55,555	120,919	124,008	60,691	61,009	75,702	77,620	60,479	59,914
Total gold certificate reserves	21,497,297	18,381,293	815,732	782,334	6,380,273	5,185,383	1,077,229	919,154	1,509,931	1,201,786	1,104,760	1,163,084
Other cash	272,631	267,890	24,804	20,586	39,412	44,537	14,687	19,235	23,878	21,706	19,620	25,076
Discounts and advances:												
Secured by U. S. Govt. securities	34,444	15,779	2,235	1,285	24,955	2,680	3,455	4,217	1,704	2,316	615	901
Other	50,981	147,300	3,238	8,736	16,905	56,255	3,386	11,330	5,086	12,694	2,479	6,415
Total discounts and advances	85,425	163,079	5,473	10,021	41,860	58,935	6,841	15,547	6,790	15,010	3,094	7,316
Industrial loans	1,387	550	....	27	....	....	1,357	523	....	....	30	....
U. S. Government securities:												
Bills	11,433,410	14,744,983	771,910	825,149	3,270,067	3,630,224	798,366	1,026,460	1,040,322	1,452,547	636,584	799,397
Certificates	6,796,505	7,496,012	442,209	554,672	1,482,995	1,890,027	468,634	538,956	647,980	632,265	485,785	448,280
Notes	1,476,550	355,300	96,070	26,291	322,183	89,585	101,811	25,546	140,776	29,968	105,536	21,248
Bonds	2,852,869	753,390	185,619	55,748	622,496	189,958	196,711	54,168	271,995	63,546	203,909	45,054
Total U. S. Govt. securities	22,559,334	23,349,685	1,495,808	1,461,860	5,697,741	5,799,794	1,565,522	1,645,130	2,101,073	2,178,326	1,431,814	1,313,979
Total loans and securities	22,646,146	23,513,314	1,501,281	1,471,908	5,739,601	5,858,729	1,573,720	1,661,200	2,107,863	2,193,336	1,434,938	1,321,295
Due from foreign banks	95	102	6	7	[1]31	[1]34	8	8	9	9	5	5
Federal Reserve notes of other Federal Reserve Banks	162,242	163,385	9,130	5,897	17,676	19,882	10,866	8,181	8,922	10,825	22,291	37,399
Uncollected items	2,984,999	2,599,574	244,218	193,426	670,430	576,280	192,379	157,813	275,270	227,369	253,489	227,699
Bank premises	33,007	32,406	1,241	1,297	8,239	8,459	3,182	3,170	4,938	3,850	2,637	2,686
Other assets	115,237	48,449	7,544	3,399	25,057	11,182	7,455	2,912	10,780	4,320	8,219	2,746
Total assets	47,711,654	45,006,413	2,603,956	2,478,854	12,880,719	11,704,486	2,879,526	2,771,673	3,941,591	3,663,201	2,845,959	2,779,990

[1] After deducting $64,000 participations of other Federal Reserve Banks on Dec. 31, 1947, and $68,000 on Dec. 31, 1946.

LIABILITIES												
Federal Reserve notes	24,820,434	24,945,304	1,472,299	1,491,783	5,765,916	5,714,364	1,681,880	1,699,277	2,139,963	2,124,731	1,741,896	1,781,923
Deposits:												
Member bank—reserve account	17,899,371	16,138,878	766,622	715,408	5,573,276	4,903,039	867,114	818,125	1,386,873	1,199,768	784,772	733,111
U. S. Treasurer—general account	870,031	392,869	66,431	29,866	229,639	94,716	77,363	34,511	79,221	32,896	43,913	13,889
Foreign	391,849	508,016	21,125	30,769	[1]168,000	[1]189,873	26,649	39,555	30,597	44,320	16,121	22,398
Other	569,433	313,638	7,444	5,027	472,411	224,947	4,707	2,424	12,185	10,896	2,062	2,317
Total deposits	19,730,684	17,353,401	861,622	781,070	6,443,326	5,412,575	975,833	894,615	1,508,876	1,287,880	846,868	771,715
Deferred availability items	2,449,763	2,019,896	224,606	161,770	449,937	362,569	164,635	122,081	227,328	187,075	221,555	192,135
Other liabilities including accrued dividends	14,806	9,392	901	448	4,109	2,811	898	528	1,383	824	762	385
Total liabilities	47,015,687	44,327,993	2,559,428	2,435,071	12,663,288	11,492,319	2,823,246	2,716,501	3,877,550	3,600,510	2,811,081	2,746,158
CAPITAL ACCOUNTS												
Capital paid in	195,517	186,830	11,243	11,095	68,888	65,801	14,370	13,926	18,843	18,304	8,220	7,771
Surplus (Sec. 7)	448,189	439,823	28,117	27,557	138,596	136,549	35,350	34,720	42,173	41,394	21,210	20,676
Surplus (Sec. 13b)	27,543	27,455	3,011	3,012	7,319	7,253	4,489	4,489	1,006	1,007	3,349	3,325
Other capital accounts	24,718	24,312	2,157	2,119	2,628	2,564	2,071	2,037	2,019	1,986	2,099	2,060
Total liabilities and capital accounts	47,711,654	45,006,413	2,603,956	2,478,854	12,880,719	11,704,486	2,879,526	2,771,673	3,941,591	3,663,201	2,845,959	2,779,990
Contingent liability on bills purchased for foreign correspondents	2,460	6,547	157	419	[2]787	[2]2,181	199	543	228	609	121	308
Commitments to make industrial loans	7,434	8,309	....	....	....	....	490	1,281	1,642	1,596	78	37
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve Agent	25,705,984	25,741,606	1,535,998	1,537,175	5,929,626	5,876,605	1,746,101	1,747,079	2,229,858	2,191,393	1,805,525	1,835,075
Held by Federal Reserve Bank	885,550	796,302	63,699	45,392	163,710	162,241	64,221	47,802	89,895	66,662	63,629	53,152
Federal Reserve notes, net[3]	24,820,434	24,945,304	1,472,299	1,491,783	5,765,916	5,714,364	1,681,880	1,699,277	2,139,963	2,124,731	1,741,896	1,781,923
Collateral held by Federal Reserve Agent for notes issued to Bank:												
Gold certificates	12,719,000	11,053,000	460,000	455,000	3,570,000	3,470,000	550,000	550,000	735,000	645,000	675,000	760,000
Eligible paper	32,410	12,812	2,235	1,285	24,880	2,680	3,455	4,217	....	....	615	800
U. S. Government securities	13,550,000	15,226,565	1,100,000	1,100,000	2,400,000	2,500,000	1,200,000	1,200,000	1,500,000	1,550,000	1,150,000	1,100,000
Total collateral held	26,301,410	26,292,377	1,562,235	1,556,285	5,994,880	5,972,680	1,753,455	1,754,217	2,235,000	2,195,000	1,825,615	1,860,800

[1] After deducting $223,720,000 participations of other Federal Reserve Banks on Dec. 31, 1947, and $317,868,000 on Dec. 31, 1946

[2] After deducting $1,673,000 participations of other Federal Reserve Banks on Dec. 31, 1947, and $4,366,000 on Dec. 31, 1946.

[3] Includes Federal Reserve notes held by the U. S. Treasury and by Federal Reserve Banks other than the issuing Bank.

NO. 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1947 AND 1946—*Continued*

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946
ASSETS														
Gold certificates	1,013,770	1,024,326	4,182,995	3,369,273	620,743	596,006	431,975	357,057	750,224	586,156	505,160	466,064	2,791,289	2,314,660
Redemption fund for Federal Reserve notes	40,529	46,254	90,074	136,644	46,693	46,456	22,880	21,360	35,619	34,018	26,180	25,003	51,241	106,275
Total gold certificate reserves	1,054,299	1,070,580	4,273,069	3,505,917	667,436	642,462	454,855	378,417	785,843	620,174	531,340	491,067	2,842,530	2,420,935
Other cash	23,750	20,753	42,326	31,560	15,047	15,515	6,793	5,734	10,380	18,520	12,455	12,396	39,479	32,272
Discounts and advances:														
Secured by U. S. Government securities	80	550	175	....	50	280	....	....	700	3,450	....	....	475	100
Other	2,075	5,187	6,882	18,291	1,771	4,641	1,265	3,413	1,771	4,504	1,670	4,368	4,453	11,466
Total discounts and advances	2,155	5,737	7,057	18,291	1,821	4,921	1,265	3,413	2,471	7,954	1,670	4,368	4,928	11,566
Industrial loans	....	....	....	....	....	....	....	....	....	....	....	....	....	....
U. S. Government securities:														
Bills	531,611	702,577	1,535,867	2,362,852	568,921	631,259	298,577	374,253	522,437	648,399	395,279	487,959	1,063,469	1,803,907
Certificates	396,910	381,352	946,565	951,778	390,354	412,831	223,788	228,144	328,193	372,398	363,390	374,852	619,702	710,457
Notes	86,229	18,075	205,644	45,113	84,804	19,567	48,618	10,814	71,300	17,651	78,947	17,767	134,632	33,675
Bonds	166,605	38,328	397,328	95,659	163,852	41,492	93,936	22,929	137,759	37,428	152,534	37,675	260,125	71,405
Total U. S. Govt. securities	1,181,355	1,140,332	3,085,404	3,455,402	1,207,931	1,105,149	664,919	636,140	1,059,689	1,075,876	990,150	918,253	2,077,928	2,619,444
Total loans and securities	1,183,510	1,146,069	3,092,461	3,473,693	1,209,752	1,110,070	666,184	639,553	1,062,160	1,083,830	991,820	922,621	2,082,856	2,631,010
Due from foreign banks	4	4	13	14	3	3	2	3	3	3	3	3	8	9
Federal Reserve notes of other Federal Reserve Banks	16,919	14,290	22,440	22,944	10,191	9,669	8,158	4,338	10,128	7,583	7,051	4,815	18,470	17,562
Uncollected items	174,514	168,736	464,388	387,336	161,999	148,065	67,641	62,219	159,158	136,969	109,719	100,078	211,794	213,584
Bank premises	1,559	1,526	3,064	3,057	1,973	2,011	1,208	1,240	2,456	2,527	797	795	1,713	1,788
Other assets	6,700	2,641	15,992	6,938	7,162	3,199	3,657	1,475	5,726	2,308	6,012	2,355	10,933	4,974
Total assets	2,461,255	2,424,599	7,913,753	7,431,459	2,073,563	1,930,994	1,208,498	1,092,979	2,035,854	1,871,914	1,659,197	1,534,130	5,207,783	5,322,134

LIABILITIES														
Federal Reserve notes	1,397,716	1,449,774	4,636,568	4,573,144	1,143,968	1,120,120	626,969	592,688	949,067	922,170	624,739	604,311	2,639,453	2,871,019
Deposits:														
Member bank—reserve account	789,320	748,101	2,655,849	2,366,137	691,845	607,336	450,542	398,589	868,410	772,506	863,227	783,090	2,201,521	2,093,668
U.S. Treasurer—general account	55,312	21,855	101,887	65,227	41,733	21,768	43,975	20,505	40,670	19,010	39,504	19,791	50,383	18,835
Foreign	13,489	18,109	44,744	63,860	11,515	16,203	8,225	11,914	11,515	15,727	10,857	15,250	29,012	40,038
Other	2,347	1,814	5,724	4,303	8,161	9,338	2,645	2,527	4,325	635	2,292	869	45,130	48,541
Total deposits	860,468	789,879	2,808,204	2,499,527	753,254	654,645	505,387	433,535	924,920	807,878	915,880	819,000	2,326,046	2,201,082
Deferred availability items	173,035	156,051	372,809	265,651	150,013	130,928	57,024	48,689	135,688	116,746	93,632	86,868	179,501	189,333
Other liabilities including accrued dividends	619	365	2,337	1,886	678	364	867	285	601	332	446	241	1,205	923
Total liabilities	2,431,838	2,396,069	7,819,918	7,340,208	2,047,913	1,906,057	1,190,247	1,075,197	2,010,276	1,847,126	1,634,697	1,510,420	5,146,205	5,262,357
CAPITAL ACCOUNTS														
Capital paid in	7,514	7,109	23,827	22,435	6,404	6,103	4,293	4,071	6,522	6,167	7,304	6,865	18,089	17,183
Surplus (Sec. 7)	19,110	18,663	66,217	65,078	16,972	16,577	11,233	10,997	16,148	15,729	14,111	13,777	38,952	38,106
Surplus (Sec. 13b)	762	762	1,429	1,429	521	521	1,073	1,073	1,137	1,137	1,307	1,307	2,140	2,140
Other capital accounts	2,031	1,996	2,362	2,309	1,753	1,736	1,652	1,641	1,771	1,755	1,778	1,761	2,397	2,348
Total liabilities and capital accounts	2,461,255	2,424,599	7,913,753	7,431,459	2,073,563	1,930,994	1,208,498	1,092,979	2,035,854	1,871,914	1,659,197	1,534,130	5,207,783	5,322,134
Contingent liability on bills purchased for foreign correspondents	101	249	335	877	86	222	62	164	86	216	81	209	217	550
Commitments to make industrial loans	400	....	351	382	580	4,225	....	....	3,750	450	....	155	143	183
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve Agent	1,458,483	1,503,304	4,769,011	4,694,621	1,187,366	1,160,309	644,064	608,201	972,664	949,614	660,981	641,294	2,766,307	2,996,936
Held by Federal Reserve Bank	60,767	53,530	132,443	121,477	43,398	40,189	17,095	15,513	23,597	27,444	36,242	36,983	126,854	125,917
Federal Reserve notes, net[1]	1,397,716	1,449,774	4,636,568	4,573,144	1,143,968	1,120,120	626,969	592,688	949,067	922,170	624,739	604,311	2,639,453	2,871,019
Collateral held by Federal Reserve Agent for notes issued to Bank:														
Gold certificates	675,000	615,000	2,990,000	2,020,000	315,000	300,000	200,000	189,000	280,000	280,000	169,000	169,000	2,100,000	1,600,000
Eligible paper	....	....	....	....	50	280	....	....	700	3,450	....	....	475	100
U. S. Government securities	800,000	900,000	1,800,000	2,700,000	950,000	951,565	450,000	425,000	700,000	700,000	500,000	500,000	1,000,000	1,600,000
Total collateral held	1,475,000	1,515,000	4,790,000	4,720,000	1,265,050	1,251,845	650,000	614,000	980,700	983,450	669,000	669,000	3,100,475	3,200,100

[1]Includes Federal Reserve notes held by the U. S. Treasury and by Federal Reserve Banks other than the issuing Bank.

NO. 3—HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS, END OF DECEMBER 1945, 1946, AND 1947

[In thousands of dollars]

Type of issue	Rate of interest (Per cent)	December 31,			Change during	
		1945	1946	1947	1946	1947
Treasury bonds:						
1946–56	3¾	43,950			−43,950	
1946–48	3	99,700			−99,700	
1946–49	3⅛	47,952			−47,952	
1947–52	4¼	12,000	12,000			−12,000
1948–50*	2	39,600	39,600	49,600		+10,000
1948–51	2¾	100,500	100,500	100,500		
1948*	1¾	25,000	25,000	66,000		+41,000
1949–51*, June	2	7,750	7,750	4,700		−3,050
1949–51*, Sept.	2	500	500	5,706		+5,206
1949–51*, Dec.	2			18,551		+18,551
1949–52	3⅛	31,500	31,500	32,000		+500
1949–53	2½	74,100	74,100	77,600		+3,500
1950–52*, Mar.	2			8,065		+8,065
1950–52*, Sept.	2	36,800	36,800	57,261		+20,461
1950–52, Sept.	2½	70,000	70,000	71,350		+1,350
1951–54	2¾	81,800	81,800	86,400		+4,600
1951–55	3	16,000	16,000	19,520		+3,520
1951–53*	2	21,150	21,150	400,666		+379,516
1951–53	2¼	31,500	31,500	44,270		+12,770
1951–55*	2			3,700		+3,700
1952–54*, Mar.	2½			38,242		+38,242
1952–54*, June	2			174,796		+174,796
1952–55*, June	2¼	31,600	31,600	50,236		+18,636
1952–54*, Dec.	2			283,810		+283,810
1953–55	2	13,700	13,700	16,238		+2,538
1954–56	2¼			3,150		+3,150
1955–60	2⅞	14,500	14,500	30,545		+16,045
1956–58*	2½	6,940	6,940	63,269		+56,329
1956–59*	2¼			291,591		+291,591
1956–59	2¾	5,000	5,000	21,316		+16,316
1958–63	2¾	40,900	40,900	72,591		+31,691
1959–62*[r], June	2¼			55,524		+55,524
1959–62*[r], Dec.	2¼			113,693		+113,693
1960–65	2¾	37,250	37,250	96,185		+58,935
1962–67*[r]	2½			16,260		+16,260
1963–68*[r]	2½			20,672		+20,672
1964–69*[r], June	2½			8,437		+8,437
1964–69*[r], Dec.	2½			13,328		+13,328
1965–70*[r]	2½			51,017		+51,017
1966–71*[r]	2½			3,152		+3,152
1967–72*[r], June	2½			61,840		+61,840
1967–72*, Sept.	2½	57,200	55,300	110,777	−1,900	+55,477
1967–72*[r], Dec.	2½			210,316		+210,316
Total Treasury bonds		946,892	753,390	2,852,869	−193,502	+2,099,479
Treasury notes:*						
Jan. 1, 1946	.90	576,550			−576,550	
Mar. 15, 1946	1	74,400			−74,400	
July 1, 1946	.90	899,500			−899,500	
Dec. 15, 1946	1½	273,800			−273,800	
Mar. 15, 1947	1¼		3,500		+3,500	−3,500
Sept. 15, 1947	1¼		10,000		+10,000	−10,000
Sept. 15, 1947	1½		46,400		+46,400	−46,400
Sept. 15, 1948	1½	295,400	295,400	548,150		+252,750
Oct. 1, 1948	1			928,400		+928,400
Total Treasury notes		2,119,650	355,300	1,476,550	−1,764,350	+1,121,250
Certificates of indebtedness*	⅞	8,364,461	7,496,012	6,338,863	−868,449	−1,157,149
	1			457,642		+457,642
Total certificates		8,364,461	7,496,012	6,796,505	−868,449	−699,507
Treasury bills:*						
Bought under repurchase option		4,851,923	4,905,617		+53,694	−4,905,617
System account		7,979,322	9,839,366	11,433,410	+1,860,044	+1,594,044
Total Treasury bills		12,831,245	14,744,983	11,433,410	+1,913,738	−3,311,573
Total holdings		24,262,248	23,349,685	22,559,334	−912,563	−790,351

* Taxable issues. [r] Restricted as to commercial bank ownership.

NO. 4—HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES BY THE FEDERAL RESERVE BANKS, 1942-47[1]

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount
1942—June 16	58	1943—Mar. 6	543	1943—June 15	805
19	70	8	591	16	659
20	47	9	648	17	350
22	34	10	632	18	256
23	94	11	790	19	212
Sept. 15	324	12	940	Sept. 8	11
16	189	13	1,043	9	126
17	286	15	1,302	10	243
18	76	16	1,250	11	246
19	53	17	981	13	214
Nov. 27	139	18	836	14	179
28	329	19	778	15	424
30	422	20	768	16	258
Dec. 1	98	22	603	1945—Mar. 15	4
10	16	23	700	Dec. 4	107
15	145	24	512	5	318
1943—Jan. 29	115	25	432	6	374
30	202	26	384	7	484
Mar. 2	3	27	304	8	484
4	174	29	104	10	202
5	354	30	40		

[1] There were no issues during the years 1944, 1946, and 1947. Interest rate ¼ per cent throughout.

NO. 5—VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1943-47

[Number in thousands; amounts in thousands of dollars]

	1943	1944	1945	1946	1947
NUMBER OF PIECES HANDLED[1]					
Discounts and advances:					
Notes discounted and advances made	2	5	8	8	11
Industrial loans:					
Loans made	.8	.6	.3	.2	.3
Commitments to make industrial loans	.1	(2)	(2)	(2)	(2)
Currency received and counted	2,874,099	3,006,898	3,016,719	3,423,547	3,491,962
Coin received and counted	3,810,300	4,167,265	4,562,709	5,743,862	6,159,697
Checks handled:					
U. S. Government checks	266,686	426,460	510,608	380,634	331,914
All other	1,246,384	1,288,465	1,341,342	1,597,377	1,668,651
Collection items handled:					
U. S. Government coupons paid	16,527	17,054	18,292	20,192	19,003
All other	5,072	4,622	4,483	4,551	[3]7,135
Issues, redemptions, and exchanges of U. S. Government securities	270,608	357,782	382,067	245,904	177,351
Transfer of funds	865	906	939	1,059	1,148
AMOUNTS HANDLED					
Discounts and advances	2,840,341	14,922,128	34,778,804	20,133,819	17,234,926
Industrial loans:					
Loans made	60,265	20,381	14,043	3,445	9,296
Commitments to make industrial loans	10,221	4,769	2,350	8,845	6,069
Currency received and counted	15,599,680	17,157,034	18,307,687	20,945,847	22,099,562
Coin received and counted	381,254	417,014	445,892	519,892	622,054
Checks handled:					
U. S. Government checks	113,791,554	127,931,710	124,610,917	80,419,096	72,577,329
All other	509,640,311	532,755,045	563,498,349	651,457,054	719,630,054
Collection items handled:					
U. S. Government coupons paid	1,481,520	1,840,647	2,348,172	2,817,311	2,491,424
All other	7,882,053	7,962,994	9,295,666	9,312,790	6,455,968
Issues, redemptions, and exchanges of U. S. Government securities	211,749,395	264,138,176	302,353,553	278,422,685	254,060,950
Transfer of funds	203,510,209	215,006,532	223,490,280	252,991,164	316,459,625

[1] Two or more checks, coupons, etc., handled as a single item are counted as one "piece."
[2] Less than 50.
[3] Increase reflects change in method of counting items.

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1947

Item	System	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounted bills	$2,194,546	$151,040	$675,838	$152,126	$216,756	$134,814	$84,408	$242,863	$144,406	$96,444	$110,819	$44,232	$140,800
Purchased bills	3,890	....	3,890	....	....	....	....	....	....	....	....	....	....
Industrial loans	60,438	418	....	57,475	....	512	2,033	....	....	....	....	....	....
Commitments to make industrial loans	19,205	....	....	14	7,359	633	602	885	7,369	....	440	105	1,798
U. S. Government securities	155,563,861	10,388,433	38,130,991	11,193,237	14,783,785	9,884,765	8,236,962	20,934,866	8,078,124	4,506,670	7,551,605	6,749,713	15,124,710
All other	813,626	14,798	96,641	10,381	181,582	20,642	25,206	140,354	82,579	9,994	172,169	10,231	49,049
Total current earnings	158,655,566	10,554,689	38,907,360	11,413,233	15,189,482	10,041,366	8,349,211	21,318,968	8,312,478	4,613,108	7,835,033	6,804,281	15,316,357
CURRENT EXPENSES													
Operating expenses:													
Salaries:													
Officers	3,290,148	180,374	678,029	175,058	284,008	223,806	222,308	402,207	215,621	173,329	215,786	207,029	312,593
Employees	48,754,014	2,959,295	11,802,120	2,948,926	4,178,482	3,017,815	2,436,559	7,449,938	2,852,430	1,452,293	2,558,932	2,380,043	4,717,181
Retirement System contributions	5,033,943	301,361	1,186,167	297,220	423,550	313,788	273,795	751,954	306,638	145,221	278,432	252,100	503,717
Legal fees	19,378	358	7	11,599	7,017	8	....	250	....	....	119	....	20
Directors' fees and expenses	238,525	12,524	14,764	15,868	15,251	16,191	35,424	17,308	19,959	15,617	23,634	21,511	30,474
Federal Advisory Council, fees and expenses	21,355	1,390	1,067	1,028	1,778	970	2,448	1,720	2,140	1,843	2,053	1,615	3,303
Traveling expenses (other than of directors and members of Federal Advisory Council)	646,469	37,853	87,427	24,747	56,214	54,186	43,139	80,784	57,540	39,836	43,466	49,796	71,481
Postage and expressage	7,289,327	705,627	1,127,117	497,121	635,763	632,255	587,275	946,173	369,457	257,711	412,133	372,629	746,066
Telephone and telegraph	491,114	21,016	89,692	30,496	45,962	27,123	42,015	36,622	41,721	23,448	38,600	32,112	62,307
Printing, stationery, and supplies	3,666,589	271,773	704,812	242,367	287,806	202,415	281,581	604,007	233,383	94,180	192,940	194,024	357,301
Insurance	618,707	46,267	161,959	29,198	49,455	36,319	29,318	85,610	41,365	18,084	34,568	27,694	58,870
Taxes on real estate	1,786,651	166,396	457,810	91,436	227,469	86,421	77,725	229,113	79,992	84,943	105,540	45,940	133,866
Depreciation (building)	1,121,087	79,684	221,060	100,242	203,202	92,606	42,548	98,420	66,260	31,406	70,312	40,493	74,854
Light, heat, power, and water	645,449	43,607	150,955	36,288	80,977	43,760	37,569	81,193	43,860	24,976	29,021	36,811	36,432
Repairs and alterations	523,259	21,676	61,708	15,345	114,745	14,224	36,940	58,238	78,652	22,143	65,530	23,775	10,283
Rent	648,624	21,106	5,833	37,398	74,418	14,948	67,357	233,211	14,072	4,533	28,444	15,299	132,005
Furniture and equipment, including rental	2,966,705	109,520	620,807	222,406	289,642	183,192	238,818	396,778	205,033	69,280	127,449	214,337	289,443
All other	1,058,264	74,894	146,376	68,295	152,240	49,458	52,128	159,818	86,954	62,073	55,876	48,989	101,163
Inter-Bank expenses	....	23,227	−246,783	29,396	33,751	17,783	14,880	49,357	12,702	9,073	12,701	11,976	31,937
Total operating expenses	78,819,608	5,077,948	17,270,927	4,874,434	7,161,730	5,027,268	4,521,827	11,682,701	4,727,779	2,529,989	4,295,536	3,976,173	7,673,296

Less reimbursement for certain fiscal agency and other expenses	20,628,180	1,095,409	3,946,385	987,637	1,565,917	1,185,601	1,469,443	3,930,303	1,173,069	641,159	1,196,574	1,115,932	2,320,751
Net operating expenses	58,191,428	3,982,539	13,324,542	3,886,797	5,595,813	3,841,667	3,052,384	7,752,398	3,554,710	1,888,830	3,098,962	2,860,241	5,352,545
Assessment for expenses of Board of Governors	2,639,667	167,648	845,995	214,164	244,862	128,360	107,131	358,628	93,699	65,186	93,049	88,714	232,231
Federal Reserve currency:													
Original cost	3,918,191	243,522	739,438	274,870	386,905	316,494	320,429	627,555	274,752	90,472	165,500	155,014	323,240
Cost of redemption	643,689	28,477	103,915	41,346	50,183	47,954	63,790	104,516	35,955	18,610	31,180	31,255	86,508
Total current expenses	65,392,975	4,422,186	15,013,890	4,417,177	6,277,763	4,334,475	3,543,734	8,843,097	3,959,116	2,063,098	3,388,691	3,135,224	5,994,524

PROFIT AND LOSS

Current net earnings	93,262,591	6,132,503	23,893,470	6,996,056	8,911,719	5,706,891	4,805,477	12,475,871	4,353,362	2,550,010	4,446,342	3,669,057	9,321,833
Additions to current net earnings:													
Profits on sales of U. S. Government securities	2,639,959	185,598	636,645	199,902	255,338	167,375	140,048	340,409	130,373	74,733	128,464	115,634	265,440
Recoveries of, and withdrawals from allowances for, losses on industrial loans (net)	119,809	728	94,871	....	....	24,210	....	....	....	....	....	....	....
All other	127,124	314	3,063	5,166	43	1,738	935	107,449	4,045	783	2,729	571	288
Total additions	2,886,892	186,640	734,579	205,068	255,381	193,323	140,983	447,858	134,418	75,516	131,193	116,205	265,728
Deductions from current net earnings:													
Charge-offs and special depreciation on bank premises	464,497	....	....	....	220,944	....	....	100,000	143,553	....	....	....	....
Reserves for contingencies	406,463	37,862	64,383	34,947	32,643	38,602	34,463	52,647	17,008	11,289	16,611	17,140	48,868
All other	42,931	17,064	5,752	2,839	1,896	8,065	1,012	1,858	82	594	479	1,115	2,175
Total deductions	913,891	54,926	70,135	37,786	255,483	46,667	35,475	154,505	160,643	11,883	17,090	18,255	51,043
Net additions	1,973,001	131,714	664,444	167,282	−102	146,656	105,508	293,353	−26,225	63,633	114,103	97,950	214,685
Net earnings before payments to U. S. Treasury	95,235,592	6,264,217	24,557,914	7,163,338	8,911,617	5,853,547	4,910,985	12,769,224	4,327,137	2,613,643	4,560,445	3,767,007	9,536,518
Paid to U. S. Treasury (Sec. 13b)	35,605	....	24,808	7,059	....	1,992	88	427	401	500	11	83	236
Paid U. S. Treasury (interest on outstanding Federal Reserve notes)	75,223,818	5,034,646	18,367,942	5,672,116	7,010,672	4,808,290	4,022,554	10,249,336	3,553,033	2,124,282	3,757,934	3,005,545	7,617,468
Net earnings	19,976,169	1,229,571	6,165,164	1,484,163	1,900,945	1,043,265	888,343	2,519,461	773,703	488,861	802,500	761,379	1,918,814
Dividends paid	11,523,047	671,129	4,052,771	853,837	1,123,393	485,085	441,270	1,380,234	378,794	253,251	383,667	427,300	1,072,316
Transferred to surplus (Sec. 13b)	86,772	−1,214	65,566	....	−1,461	23,881	....	....	....	....	....	....	....
Transferred to surplus (Sec. 7)	8,366,350	559,656	2,046,827	630,326	779,013	534,299	447,073	1,139,227	394,909	235,610	418,833	334,079	846,498
Surplus (Sec. 7), January 1	439,822,258	27,557,220	136,549,126	34,719,890	41,393,697	20,676,051	18,662,812	65,077,906	16,577,077	10,996,958	15,729,093	13,776,736	38,105,692
Surplus (Sec. 7), December 31	448,188,608	28,116,876	138,595,953	35,350,216	42,172,710	21,210,350	19,109,885	66,217,133	16,971,986	11,232,568	16,147,926	14,110,815	38,952,190

NO. 7—CURRENT EARNINGS, CURRENT EXPENSES, AND NET EARNINGS OF FEDERAL RESERVE BANKS AND DISPOSITION OF NET EARNINGS, 1914-47

Bank and period	Earnings and expenses			Disposition of net earnings					
	Current earnings	Current expenses	Net earnings before payments to U. S. Treasury[1]	Dividends paid	Franchise tax paid to U. S. Treasury[2]	Paid to U. S. Treasury (Sec. 13b)	Paid to U. S. Treasury (interest on F. R. notes)	Transferred to surplus (Sec. 13b)	Transferred to surplus (Sec. 7)
All Federal Reserve Banks, by years:									
1914–15	$ 2,173,252	$ 2,320,586	$ −141,459	$ 217,463					
1916	5,217,998	2,273,999	2,750,998	1,742,774					
1917	16,128,339	5,159,727	9,582,067	6,804,186	$ 1,134,234				$ 1,134,234
1918	67,584,417	10,959,533	52,716,310	5,540,684					48,334,341
1919	102,380,583	19,339,633	78,367,504	5,011,832	2,703,894				70,651,778
1920	181,296,711	28,258,030	149,294,774	5,654,018	60,724,742				82,916,014
1921	122,865,866	34,463,845	82,087,225	6,119,673	59,974,466				15,993,086
1922	50,498,699	29,559,049	16,497,736	6,307,035	10,850,605				−659,904
1923	50,708,566	29,764,173	12,711,286	6,552,717	3,613,056				2,545,513
1924	38,340,449	28,431,126	3,718,180	6,682,496	113,646				−3,077,962
1925	41,800,706	27,528,163	9,449,066	6,915,958	59,300				2,473,808
1926	47,599,595	27,350,182	16,611,745	7,329,169	818,150				8,464,426
1927	43,024,484	27,518,443	13,048,249	7,754,539	249,591				5,044,119
1928	64,052,860	26,904,810	32,122,021	8,458,463	2,584,659				21,078,899
1929	70,955,496	29,691,113	36,402,741	9,583,913	4,283,231				22,535,597
1930	36,424,044	28,342,726	7,988,182	10,268,598	17,308				−2,297,724
1931	29,701,279	27,040,664	2,972,066	10,029,760					−7,057,694
1932	50,018,817	26,291,381	22,314,244	9,282,244	2,011,418				11,020,582
1933	49,487,318	29,222,837	7,957,407	8,874,262					−916,855
1934	48,902,813	29,241,396	15,231,409	8,781,661				$ −60,323	6,510,071
1935	42,751,959	31,577,443	9,437,758	8,504,974		$ 297,667		27,695	607,422
1936	37,900,639	29,874,023	8,512,433	7,829,581		227,448		102,880	352,524
1937	41,233,135	28,800,614	10,801,247	7,940,966		176,625		67,304	2,616,352
1938	36,261,428	28,911,608	9,581,954	8,019,137		119,524		−419,140	1,862,433
1939	38,500,665	28,646,855	12,243,365	8,110,462		24,579		−425,653	4,533,977
1940	43,537,805	29,165,477	25,860,025	8,214,971		82,152		−54,456	17,617,358
1941	41,380,095	32,963,150	9,137,581	8,429,936		141,465		−4,333	570,513
1942	52,662,704	38,624,044	12,470,451	8,669,076		197,672		49,602	3,554,101
1943	69,305,715	43,545,564	49,528,433	8,911,342		244,726		135,003	40,237,362
1944	104,391,829	49,175,921	58,437,788	9,500,126		326,717		201,150	48,409,795
1945	142,209,546	48,717,271	92,662,268	10,182,851		247,659		262,133	81,969,625
1946	150,385,033	57,235,107	92,523,935	10,962,160		67,054		27,708	81,467,013
1947	158,655,566	65,392,975	95,235,592	11,523,047		35,605	$75,223,818	86,772	8,366,350
Total—1914–47	2,078,338,411	982,291,468	1,058,114,581	254,710,074	149,138,300	2,188,893	75,223,818	[3] −3,658	[4] 576,857,154

Aggregate for each Federal Reserve Bank, 1914–47:									
Boston	139,708,931	69,957,051	68,775,119	17,865,710	7,111,395	280,843	5,034,646	+135,412	38,347,113
New York	585,206,213	236,212,348	349,007,049	87,278,032	68,006,262	369,115	18,367,942	−433,413	175,419,111
Philadelphia	159,114,802	74,180,856	85,368,477	23,153,294	5,558,901	722,406	5,672,116	+290,661	49,971,099
Cleveland	189,577,300	91,315,384	93,039,690	25,716,950	4,842,447	82,930	7,010,673	−9,907	55,396,597
Richmond	108,742,692	57,260,854	48,853,478	10,725,380	6,200,189	172,493	4,808,290	−71,516	27,018,642
Atlanta	99,122,827	47,461,973	46,558,116	9,118,329	8,950,561	79,265	4,022,554	+5,491	24,381,916
Chicago	284,623,153	129,358,367	146,948,458	29,665,301	25,313,526	151,045	10,249,335	+11,681	81,557,570
St. Louis	93,145,607	51,255,509	37,231,327	8,876,616	2,755,629	7,464	3,553,033	−26,514	22,065,099
Minneapolis	63,801,117	33,650,904	28,787,915	6,165,588	5,202,900	55,615	2,124,282	+64,875	15,174,655
Kansas City	99,665,807	57,274,153	39,587,972	8,556,195	6,939,100	64,213	3,757,934	−8,674	20,279,204
Dallas	77,173,899	43,832,719	30,437,267	8,270,625	560,049	102,083	3,005,545	+55,336	18,443,629
San Francisco	178,456,063	90,531,350	83,519,713	19,318,054	7,697,341	101,421	7,617,468	−17,090	48,802,519
Total	2,078,338,411	982,291,468	1,058,114,581	254,710,074	149,138,300	2,188,893	75,223,818	−3,658	576,857,154

[1] Current earnings less current expenses, plus other additions and less other deductions.

[2] The Banking Act of 1933 eliminated the provision in the Federal Reserve Act requiring payment of a franchise tax.

[3] On Dec. 31, 1947, surplus (Sec. 13b)—relating to funds received from the Secretary of the Treasury under Section 13b of the Federal Reserve Act for the purpose of making loans to industry—amounted to $27,542,653 ($27,546,311 received from the Secretary of the Treasury minus the $3,658 net debits shown here).

[4] On Dec. 31, 1947, surplus (Sec. 7)—accumulated pursuant to Section 7 of the Federal Reserve Act—amounted to $448,188,608 ($576,857,154 retained net earnings shown here, minus $139,299,557, charge-off cost of Federal Deposit Insurance Corporation stock, and $500,000, charge-off on bank premises, plus $11,131,011 transferred from reserves for contingencies).

NO. 8—BANK PREMISES OF FEDERAL RESERVE BANKS AND BRANCHES DECEMBER 31, 1947

Federal Reserve Bank or branch	Cost				Net book value
	Land	Building (Including vaults)	Fixed machinery and equipment	Total	
Boston	$ 1,246,726	$ 3,542,603	$ 662,157	$ 5,451,486	$ 1,240,780
New York	5,215,656	12,183,528	4,823,123	22,222,307	6,987,215
Annex	592,679	1,451,570	215,418	2,259,667	872,665
Buffalo	255,000	465,707		720,707	379,200
Philadelphia	1,884,357	4,471,943	911,987	7,268,287	3,181,969
Cleveland	1,295,490	6,464,253	1,626,573	9,386,316	2,463,791
Cincinnati	380,744	1,301,717	279,462	1,961,923	1,200,000
Pittsburgh	781,364	1,049,451	379,694	2,210,509	1,273,736
Richmond	271,924	2,101,178	663,667	3,036,769	1,105,176
Annex	80,333	482,482	109,132	671,947	153,489
Baltimore	250,487	1,247,262	331,970	1,829,719	935,815
Charlotte	105,701	291,175	150,107	546,983	442,921
Atlanta	283,000	1,423,762	287,941	1,994,703	702,870
Birmingham	124,137	330,680	65,491	520,308	141,209
Jacksonville	45,842	238,231	39,669	323,742	90,767
Nashville	48,000	211,616	35,091	294,707	102,149
New Orleans	277,078	762,455	212,281	1,251,814	522,116
Chicago	2,963,548	6,371,915	1,443,104	10,778,567	2,125,740
Detroit	1,022,064	1,052,107	174,116	2,248,287	937,767
St. Louis	1,355,374	2,111,809	1,296,893	4,764,076	1,335,905
Little Rock	85,007	240,733	151,092	476,832	192,833
Louisville	131,177	226,259	72,463	429,899	171,275
Memphis	128,542	287,468	106,062	522,072	272,615
Minneapolis	600,521	2,316,746	660,969	3,578,236	1,093,493
Helena	15,710	126,401	44,142	186,253	114,946
Kansas City	495,300	3,391,101	931,949	4,818,350	1,588,658
Denver	101,512	449,876	79,268	630,656	283,024
Oklahoma City	65,021	409,890	95,480	570,391	229,168
Omaha	176,427	397,938	91,455	665,820	355,355
Dallas	189,831	1,350,945	452,161	1,992,937	457,616
El Paso	39,003	114,644	30,191	183,838	46,030
Houston	78,812	313,335	112,111	504,258	163,891
San Antonio	75,002	159,743	54,619	289,364	129,873
San Francisco	412,996	3,144,407	784,102	4,341,505	976,155
Los Angeles	443,488	988,109	323,195	1,754,792	506,138
Salt Lake City	114,075	341,449	84,814	540,338	230,868
Total	21,631,928	61,814,488	17,781,949	101,228,365	33,007,218

OTHER REAL ESTATE ACQUIRED FOR BANKING HOUSE PURPOSES

Federal Reserve Bank or branch	Land	Building (Including vaults)	Fixed machinery and equipment	Total	Net book value
Boston	$ 364,188	$ 78,793		$ 442,981	$ 282,941
New York	45,000	125,864		170,864	64,800
Pittsburgh	[1]316,537			316,537	220,000
Richmond	106,481	1,099		107,580	72,147
Charlotte	10,868			10,868	10,868
Atlanta	35,000			35,000	35,000
Jacksonville	[1]155,617			155,617	155,617
St. Louis	176,055	389,828	146,456	712,339	597,205
San Francisco	60,000			60,000	60,000
Los Angeles	35,000			35,000	35,000
Portland[2]	160,000			160,000	160,000
Seattle[2]	[1]250,000			250,000	250,000
Total	1,714,746	595,584	146,456	2,456,786	1,943,578

[1] Includes building on site.
[2] The Portland and Seattle Branches occupy rented quarters.

NO. 9—NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF FEDERAL RESERVE BANKS

[December 31, 1947]

Federal Reserve Bank (Including branches)	President	Other officers		Employees[1]		Total	
	Annual Salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston	$ 25,000	15	$ 157,250	1,250	$ 3,024,340	1,266	$ 3,206,590
New York	50,000	49	617,770	3,935	11,049,204	3,985	11,716,974
Philadelphia	25,000	13	145,000	1,103	2,876,482	1,117	3,046,482
Cleveland	25,000	28	252,500	1,801	4,024,584	1,830	4,302,084
Richmond	25,000	23	201,500	1,333	2,802,347	1,357	3,028,847
Atlanta	25,000	29	206,100	1,055	2,236,592	1,085	2,467,692
Chicago	35,000	34	366,950	2,860	7,090,112	2,895	7,492,062
St. Louis	25,000	23	190,490	1,195	2,713,652	1,219	2,929,142
Minneapolis	25,000	17	150,350	639	1,436,740	657	1,612,090
Kansas City	25,000	22	189,500	1,105	2,367,518	1,128	2,582,018
Dallas	25,000	23	185,800	896	2,124,881	920	2,335,681
San Francisco	25,000	34	289,100	1,870	4,651,176	1,905	4,965,276
Total	$335,000	310	$2,952,310	19,042	$46,397,628	19,364	$49,684,938

[1] Includes 553 part-time employees.

NOTE: During the year 1947, $13,620,781 was reimbursed to the Banks on account of salaries.

NO. 10—FEDERAL RESERVE BANK DISCOUNT, INTEREST, AND COMMITMENT RATES, AND BUYING RATES ON BILLS

[Per cent per annum]

In effect December 31, 1947

Type of transaction	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
Discounts for and advances to member banks under Secs. 13 and 13a of the Federal Reserve Act	1	1	1	1	1	1	1	1	1	1	1	1
Advances to member banks under Sec. 10(b) of the Federal Reserve Act	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½
Advances to individuals, partnerships, or corporations other than member banks secured by direct obligations of the United States (last paragraph of Sec. 13 of the Federal Reserve Act)	2	2½	2	2	2½	2	2	2	2	2	2	2½
Loans to industrial or commercial businesses under Sec. 13b of the Federal Reserve Act, direct or in participation with financing institutions	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5
Discounts for and purchases from financing institutions under Sec. 13b of the Federal Reserve Act:												
On portion for which institution is obligated	(1)	(1)	(2) 2	(1)	(1)	1–5	2½–5	1–1½	(1)	(1)	(1)	(1)
On remaining portion	(3)	(3)	(3)	(3)	(3)	1–5	2½–5	(3)	(3)	(3)	(3)	(3)
Commitments to make loans under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses	½–1	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼	¼–1¼	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼
To financing institutions	½–1	½–1¼	½–1¼	(4) ½–1¼	½–1¼	(4) ½–1¼	¼–1¼	¼–1¼	½–1¼	½–1¼	(4) ½–1¼	(4) ½–1¼
Minimum buying rates on prime bankers' acceptances payable in dollars	(5)	......	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
1–90 days	......	1⅛	......	......	......	......	......	......	......	......	......	......
91–120 days	......	1¼	......	......	......	......	......	......	......	......	......	......
121–180 days	......	1⅜	......	......	......	......	......	......	......	......	......	......

[1] Rate charged borrower by financing institution less commitment rate.
[2] May charge same rate as charged borrower by financing institution, if lower.
[3] Rate charged borrower.
[4] Financing institution is charged ¼ per cent on undisbursed portion of loan.
[5] The same minimum rates in effect at the Federal Reserve Bank of New York generally apply to any purchases made by other Federal Reserve Banks.

NOTE: Maximum maturities for discounts and advances to member banks are: 15 days for advances secured by obligations of the Federal Farm Mortgage Corporation or the Home Owners Loan Corporation guaranteed as to principal and interest by the United States, or by obligations of Federal Intermediate Credit Banks maturing within 6 months; 90 days for other advances and discounts made under Sections 13 and 13a of the Federal Reserve Act (except that discounts of certain bankers' acceptances and of agricultural paper may have maturities not exceeding 6 months and 9 months respectively); and 4 months for advances under Section 10(b). The maximum maturity for advances to individuals, partnerships, or corporations made under the last paragraph of Section 13 is 90 days. Industrial loans and commitments made under Section 13b of the Federal Reserve Act may have maturities not exceeding 5 years.

SPECIAL NOTE: Federal Reserve Bank discount rates on eligible paper were increased during January 1948. See text, p. 6. Discount rates currently in effect are published in the *Federal Reserve Bulletin*.

NO. 11—MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Period in effect	Net demand deposits[1]			Time deposits (All member banks)
	Central reserve city banks	Reserve city banks	Country banks	
June 21, 1917–Aug. 15, 1936	13	10	7	3
Aug. 16, 1936–Feb. 28, 1937	19½	15	10½	4½
Mar. 1, 1937–Apr. 30, 1937	22¾	17½	12¼	5¼
May 1, 1937–Apr. 15, 1938	26	20	14	6
Apr. 16, 1938–Oct. 31, 1941	22¾	17½	12	5
Nov. 1, 1941–Aug. 19, 1942	26	20	14	6
Aug. 20, 1942–Sept. 13, 1942	24	20	14	6
Sept. 14, 1942–Oct. 2, 1942	22	20	14	6
Oct. 3, 1942–Feb. 26, 1948	20	20	14	6
Feb. 27, 1948	22	20	14	6

[1] Demand deposits subject to reserve requirements, i.e., total demand deposits minus (1) cash items in process of collection, (2) demand balances due from domestic banks, and (3) war loan and Series E bond accounts during the period Apr. 13, 1943 to June 30, 1947, and all U. S. Government demand accounts Apr. 24, 1917 to Aug. 23, 1935.

NO. 12—MAXIMUM RATES ON TIME DEPOSITS

Maximum rates that may be paid by member banks as established by the Board of Governors under provisions of Regulation Q

[Per cent per annum]

Types of deposit	Nov. 1, 1933, to Jan. 31, 1935	Feb. 1, 1935, to Dec. 31, 1935	In effect beginning Jan. 1, 1936
Savings deposits	3	2½	2½
Postal Savings deposits	3	2½	2½
Other time deposits payable:			
In 6 months or more	3	2½	2½
In 90 days to 6 months	3	2½	2
In less than 90 days	3	2½	1

NOTE: Maximum rates that may be paid by insured nonmember banks as established by the Federal Deposit Insurance Corporation, effective Feb. 1, 1936, are the same as those in effect for member banks. Under Regulation Q the rate payable by a member bank may not in any event exceed the maximum rate payable by State banks or trust companies on like deposits under the laws of the State in which the member bank is located.

NO. 13—MARGIN REQUIREMENTS[1]

Prescribed by Board of Governors of the Federal Reserve System in accordance with Securities Exchange Act of 1934

[Per cent of market value]

	Nov. 1, 1937–Feb. 4, 1945	Feb. 5, 1945–July 4, 1945	July 5, 1945–Jan. 20, 1946	Jan. 21, 1946–Jan. 31, 1947	Effective Feb. 1, 1947
Regulation T:					
For extensions of credit by brokers and dealers on listed securities	40	50	75	100	75
For short sales	50	50	75	100	75
Regulation U:					
For loans by banks on stocks	40	50	75	100	75

[1] Regulations T and U limit the amount of credit that may be extended on a security by prescribing a maximum loan value, which is a specified percentage of its market value at the time of the extension; the "margin requirements" shown in this table are the difference between the market value (100 per cent) and the maximum loan value.

NO. 14—MINIMUM DOWN PAYMENTS AND MAXIMUM MATURITIES ON CONSUMER CREDIT SUBJECT TO REGULATION W

Prescribed by Board of Governors of the Federal Reserve System in accordance with Executive Order No. 8843 dated August 9, 1941, until November 1, 1947. Consumer credit controls under Regulation W ceased to be operative after November 1, 1947, in accordance with the Joint Resolution of Congress (S.J.Res. 148) approved on August 8, 1947.

Type of credit	As revised effective December 1, 1946	
	Down payment (Per cent)[1]	Maximum maturity (Months)
Instalment sales:		
Mechanical refrigerators	33⅓	15
Washing machines, dishwashers, and ironers	33⅓	15
Cooking stoves and ranges	33⅓	15
Combination units incorporating foregoing	33⅓	15
Sewing machines and vacuum cleaners	33⅓	15
Radios and phonographs	33⅓	15
Room-unit air conditioners	33⅓	15
Furniture and soft-surface floor coverings	20	15
Automobiles	33⅓	15
Instalment loans:		
To purchase listed articles	(2)	(2)
Other	....	15
Renewals, revisions, and consolidations of instalment credit	(2)	15

[1] Down payments determined after deduction of any trade-in, except in case of automobiles.
[2] Where credit was to purchase listed articles, requirements same as on instalment sales of the respective articles.
NOTE: The above limitations were subject to various exceptions; for exceptions in detail, and for additional provisions not reflected in this table, the regulation should be consulted.

NO. 15—ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES DURING 1947

	All banks	Commercial and stock savings banks and nondeposit trust companies					Mutual savings banks	
		Total	Member banks		Nonmember banks			
			National	State member	Insured	Noninsured	Insured	Noninsured
Number of banks, Dec. 31, 1946	**14,585**	**14,044**	**5,007**	**[1]1,893**	**6,457**	**690**	**[1]191**	**350**
Changes during 1947:								
New banks[2]	+111	+111	+19	+14	+66	+12	......	......
Suspensions	−1	−1	......	......	......	−1	......	......
Consolidations and absorptions:								
Banks converted into branches	−55	−55	−19	−11	−23	−2	......	......
Other	−29	−29	−7	−4	−13	−5	......	......
Voluntary liquidations[3]	−11	−11	−2	−1	−3	−5	......	......
Unclassified	−1	−1	......	......	......	−1	......	......
Inter-class changes:								
Conversions—								
National into State	......	......	−1	......	+1	......	......	......
State into national	......	......	+8	−6	−2	......	......	......
Federal Reserve membership:[4]								
Admissions of State banks	......	......	......	+38	−37	−1	......	......
Withdrawals of State banks	......	......	......	−5	+5	......	......	......
Federal deposit insurance:[5]								
Admissions of State banks	......	......	......	......	+28	−28	+3	−3
Withdrawals of State banks	......	......	......	......	−1	+1	......	......
Net increase or decrease	+14	+14	−2	+25	+21	−30	+3	−3
Number of banks, Dec. 31, 1947 before revision	**14,599**	**14,058**	**5,005**	**1,918**	**6,478**	**660**	**194**	**347**
Changes due to revision of series[6]	+115	+123	......	......	......	+123	......	−8
Number of banks after revision	**14,714**	**14,181**	**5,005**	**1,918**	**6,478**	**783**	**194**	**339**
Number of branches,[7] Dec. 31, 1946	**4,059**	**3,902**	**1,721**	**1,118**	**1,001**	**62**	**115**	**42**
Changes during 1947:								
De novo branches	+160	+146	+64	+32	+47	+3	+9	+5
Banks converted into branches	+55	+55	+30	+16	+9	......	......	......
Branches discontinued	−21	−21	−5	−3	−13	......	......	......
Unclassified	−1	−1	−1	......	......	......	......	......
Inter-class branch changes:								
National to State member	......	......	−1	+1	......	......	......	......
State member to national	......	......	+4	−4	......	......	......	......
Nonmember to State member	......	......	......	+7	−7	......	......	......
Insured to noninsured	......	......	......	......	−1	+1	......	......
Noninsured to insured	......	......	......	......	+1	−1	......	......
Net increase or decrease	+193	+179	+91	+49	+36	+3	+9	+5
Number on Dec. 31, 1947, before revision	**4,252**	**4,081**	**1,812**	**1,167**	**1,037**	**65**	**124**	**47**
Changes in number of branches due to revision of series[6]	+9	+9	+5	+1	+1	+2	......	......
Number of branches,[7] after revision	**4,261**	**4,090**	**1,817**	**1,168**	**1,038**	**67**	**124**	**47**
Number of banking facilities at military reservations,[8] Dec. 31, 1946	**79**	**79**	**60**	**14**	**5**	......	......	......
Changes during 1947:								
Established	+2	+2	+2	......	......	......	......	......
Reopened at veterans hospital	......	......	......	......	......	......	......	......
Discontinued	−10	−10	−9	−1	......	......	......	......
Inter-class change	......	......	......	......	......	......	......	......
Net decrease	−8	−8	−7	−1	......	......	......	......
Number of banking facilities at military reservations,[8] Dec. 31, 1947	**71**	**71**	**53**	**13**	**5**	......	......	......

[1] The State member bank figures and the insured mutual savings banks figures both include three member mutual savings banks. These banks are not included in the total for "commercial banks" and are included only once in "all banks."

[2] Exclusive of new banks organized to succeed operating banks.

[3] Exclusive of liquidations incident to the succession, conversion, and absorption of banks.

[4] Exclusive of conversions of national banks into State member banks, or vice versa. Such changes do not affect Federal Reserve membership; they are included under "conversions."

[5] Exclusive of insured nonmember banks converted into national banks or admitted to Federal Reserve membership, or vice versa. Such changes do not affect Federal Deposit Insurance Corporation membership; they are included in the appropriate groups under "inter-class bank changes."

[6] As of June 30, 1947 the series was revised to conform (except that it excludes possessions) with the number of banks in the revised all bank series announced in November 1947 by the Federal bank supervisory authorities. The revision resulted in a net addition of 115 banks and 9 branches.

[7] Covers all branches and other additional offices at which deposits are received, checks paid, or money lent.

[8] "Banking facilities" are provided through arrangements made by the Treasury Department with banks designated as depositaries and financial agents of the Government. The figures shown do not include branches that have also been designated by the Treasury Department as "banking facilities."

NO. 16—NUMBER OF BANKING OFFICES ON FEDERAL RESERVE PAR LIST AND NOT ON PAR LIST, BY FEDERAL RESERVE DISTRICTS AND STATES, DECEMBER 31, 1947[1]

Federal Reserve district or State	Total banks, branches, and offices on which checks are drawn		On par list						Not on par list (Nonmember)	
			Total		Member		Nonmember			
	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices	Banks	Branches and offices
DISTRICT										
Boston	493	289	493	289	336	214	157	75	......	....
New York	926	835	926	835	797	770	129	65	......	....
Philadelphia	844	134	844	134	647	99	197	35	......	....
Cleveland	1,145	247	1,145	247	710	214	435	33	......	....
Richmond	1,010	430	790	305	475	200	315	105	220	125
Atlanta	1,166	163	547	127	340	111	207	16	619	36
Chicago	2,484	561	2,428	535	1,000	216	1,428	319	56	26
St. Louis	1,467	131	1,115	71	495	40	620	31	352	60
Minneapolis	1,278	111	609	41	475	26	134	15	669	70
Kansas City	1,751	7	1,740	7	758	4	982	3	11	....
Dallas	1,007	36	897	28	613	19	284	9	110	8
San Francisco	507	1,204	503	1,204	271	1,138	232	66	4	....
Total	**14,078**	**4,148**	**12,037**	**3,823**	**6,917**	**3,051**	**5,120**	**772**	**2,041**	**325**
STATE										
Alabama	222	22	112	22	87	22	25	....	110	....
Arizona	10	40	10	40	5	30	5	10	......	....
Arkansas	228	19	99	5	66	1	33	4	129	14
California	192	896	192	896	115	854	77	42	......	....
Colorado	142	1	142	1	92	1	50	....	......	....
Connecticut	115	22	115	22	65	11	50	11	......	....
Delaware	39	14	39	14	17	4	22	10	......	....
Dist. of Col.	19	38	19	38	16	35	3	3	......	....
Florida	178	2	115	2	71	2	44	....	63	....
Georgia	379	31	99	27	64	26	35	1	280	4
Idaho	48	45	48	45	26	43	22	2	......	....
Illinois	878	3	876	3	503	3	373	....	2	....
Indiana	487	89	487	89	237	33	250	56	......	....
Iowa	664	162	664	162	163	....	501	162	......	....
Kansas	609	....	607	....	214	....	393	....	2	....
Kentucky	385	36	385	36	113	25	272	11	......	....
Louisiana	160	63	58	41	46	36	12	5	102	22
Maine	63	69	63	69	38	37	25	32	......	....
Maryland	166	101	166	101	78	68	88	33	......	....
Massachusetts	182	152	182	152	147	140	35	12	......	....
Michigan	442	206	442	206	229	160	213	46	......	....
Minnesota	677	6	264	6	208	6	56	....	413	....
Mississippi	206	55	39	7	31	1	8	6	167	48
Missouri	594	....	526	....	180	....	346	....	68	....
Montana	112	....	112	....	82	....	30	....	......	....
Nebraska	410	2	410	2	145	2	265	....	......	....
Nevada	8	18	8	18	6	17	2	1	......	....
New Hampshire	73	2	73	2	52	1	21	1	......	....
New Jersey	340	137	340	137	292	121	48	16	......	....
New Mexico	47	8	47	8	33	....	14	8	......	....
New York	658	714	658	714	575	661	83	53	......	....
North Carolina	205	170	87	48	53	28	34	20	118	122
North Dakota	151	24	49	5	41	....	8	5	102	19
Ohio	668	189	668	189	424	165	244	24	......	....
Oklahoma	384	1	374	1	225	1	149	....	10	....
Oregon	69	81	69	81	32	76	37	5	......	....
Pennsylvania	990	149	990	149	758	125	232	24	......	....
Rhode Island	19	41	19	41	11	29	8	12	......	....
South Carolina	150	33	57	31	31	27	26	4	93	2
South Dakota	170	47	69	21	63	20	6	1	101	26
Tennessee	295	74	196	58	81	46	115	12	99	16
Texas	889	4	829	4	563	4	266	....	60	....
Utah	60	15	60	15	34	13	26	2	......	....
Vermont	69	10	69	10	40	2	29	8	......	....
Virginia	314	88	307	87	202	42	105	45	7	1
Washington	123	119	119	119	54	112	65	7	4	....
West Virginia	182	....	180	....	108	....	72	....	2	....
Wisconsin	552	150	443	99	163	21	280	78	109	51
Wyoming	55	....	55	....	38	....	17	....	......	....

[1] Does not include mutual savings banks, on a few of which some checks are drawn, but does include 71 banking facilities (see footnote 8, Table 15). The difference in the number of member banks on Dec. 31, 1947 shown in this table and in Table 15 is due to the fact that this table excludes 3 nondeposit trust companies and 3 mutual savings banks on which no checks are drawn. The difference between the number of nonmember commercial banks is due to the fact that this table excludes 100 banks and trust companies on which no checks are drawn.

Back figures.—See Banking and Monetary Statistics, Table 15, and previous *Annual Reports.*

APPENDIX

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

JANUARY 17, 1947

Members present: Mr. Eccles, Chairman; Mr. Draper; Mr. Evans.

Amendments to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange.

> By unanimous vote and effective February 1, 1947, Regulations T and U were amended to reduce from 100 per cent to 75 per cent the margin requirements prescribed on registered securities (other than exempted securities) in a general account and on short sales under Regulation T and on stocks under Regulation U. The change restored margin requirements to the levels prevailing prior to January 21, 1946.

When the Board increased margin requirements from 75 per cent to 100 per cent, effective January 21, 1946, accumulated and prospective inflationary pressures had reached dangerous proportions because of the vast expansion of the country's money supply resulting from war financing, the rising level of current incomes, the huge backlog of public wants and needs, and the acute shortage of most goods to satisfy this demand. Under these circumstances, the Board felt that any growth in the use of credit for the purpose of buying securities could only intensify inflationary pressures. While it was recognized that margin requirements would have only a minor influence in combating general inflation, the Board nevertheless felt that it should do what it could to curb inflationary developments brought about by speculative activity in the stock markets.

In the intervening year economic conditions and prospects had altered somewhat. The supply of money was reduced during the year as a result of a substantial decrease of the Government debt held by the banking system, and this had had a salutary effect.

In contrast with the behavior of most prices, stock prices, which had risen sharply for several months prior to January 1946 and continued to rise somewhat further after that time, subsequently declined materially. The level at the beginning of 1947 was about the same as that existing when margin requirements were increased to 75 per cent. At the same time, the volume of credit in the stock market had been substantially reduced until that used for carrying listed securities was at about the lowest level in the last thirty years.

In these circumstances some readjustment in margin requirements was appropriate. By its action the Board restored the 75 per cent level in effect from July 5, 1945 until January 21, 1946. The resulting requirement, with this adjustment to changed economic conditions, continued to be restrictive without being prohibitive.

APRIL 23, 1947

Members present: Mr. Draper, Chairman pro tem; Mr. Evans; Mr. Vardaman; Mr. Clayton.

Establishment of Interest Rate Payable by the Federal Reserve Banks on Federal Reserve Notes.

Under authority of the fourth paragraph of Section 16 of the Federal Reserve Act, the Board, by unanimous vote, established for each Federal Reserve Bank for the three months' period ending March 31, 1947, a specified rate of interest per annum on that amount of the Federal Reserve notes of each such Bank which equalled the average daily total amount of its outstanding Federal Reserve notes during such period less the average daily amount of gold certificates held during such period by the Federal Reserve Agent as collateral security for such notes.

Interest in an amount calculated in the manner and at the rate specified for each Federal Reserve Bank was required to be paid by such Bank to the United States on April 24, 1947.

The reasons for and the purpose of the Board's action are contained in the following announcement released in the press on April 24, 1947:

"As a result of operations essential to Government financing during and since the war, and operations required by the needs of business and the public for credit and currency, earnings of the twelve Federal Reserve Banks have been at relatively high levels. On the basis of present estimates, it is expected that net earnings of the Federal Reserve Banks for 1947, after payment of the statutory dividends to member banks, will aggregate more than $60,000,000. In view of these facts, and of the fact that at the end of 1946 the surplus of each Federal Reserve Bank was equal to its subscribed capital, the Board has decided to invoke the authority, granted to it under Section 16 of the Federal Reserve Act, to levy an interest charge on Federal Reserve notes issued by the Federal Reserve Banks. The purpose of this interest charge is to pay into the Treasury approximately 90 per cent of the net earnings of the Federal Reserve Banks for 1947.

"The authority to levy an interest charge on Federal Reserve notes not covered by gold certificates has not been used previously, chiefly because of the existence, prior to 1933, of so-called franchise tax provisions of the law which had a similar effect; that is, of transferring excess earnings of the Reserve Banks to the Treasury. Under these provisions, which were repealed in 1933, each Federal Reserve Bank was required to pay a franchise tax to the Government equal to 90 per cent of its net earnings after it had accumulated a surplus equal to its subscribed capital. To the end of 1932, the Federal Reserve Banks had paid franchise taxes to the United States Treasury amounting to $149,000,000, and at that time the Federal Reserve Banks had accumulated surplus accounts of $278,000,000, as compared with subscribed capital aggregating $302,000,000. In the amendment of the Federal Reserve Act, contained in the Banking Act of 1933, providing for the establishment of the Federal Deposit Insurance Corporation, Congress required each Federal Reserve Bank to pay an amount equal to one-half of its surplus on January 1, 1933, as a subscription to the capital stock of the FDIC on which no dividends would

December 19, 1947

Members present: Mr. Eccles, Chairman; Mr. Szymczak; Mr. Draper; Mr. Evans; Mr. Vardaman; Mr. Clayton.

Standard for Classification of Reserve Cities.

By unanimous vote, the following standard for classification of reserve cities was adopted, for the reasons set forth in the statement, to become effective March 1, 1948:

For a considerable period of time, the Board of Governers of the Federal Reserve System has been considering the adoption of a standard or basis for the classification of central reserve and reserve cities in order to enable it properly to discharge its responsibilities under the provision of the Federal Reserve Act which empowers the Board to add to or reclassify such cities or to terminate their designation as such.

For many years prior to the enactment of the Federal Reserve Act in 1913, national banks had been permitted by law to carry a part of their reserves with other national banks in cities known as central reserve or reserve cities, and accordingly national banks in such cities were required to maintain higher reserves against their deposits. The Federal Reserve Act, following the National Bank Act in this respect, provided for differentials in the reserve requirements of member banks of the Federal Reserve System according to their location in central reserve cities, reserve cities, or elsewhere. Central reserve and reserve cities existing in 1913 were continued as such by the Federal Reserve Act, but the Board of Governors was given authority to make changes in the designations of such cities. From time to time since the enactment of the Federal Reserve Act, the Board has designated cities as reserve cities and terminated the reserve city status of other cities. Such determinations by the Board have been made on the basis of the facts of particular cases without the consistent application of any uniform guiding principle; and consequently certain anomalous and illogical situations have developed in the classifications of reserve cities. The Board, therefore, concluded that the existing classifications are unsatisfactory and that there is a need for the establishment of a logical, fair, and appropriate basis for the designation and termination of reserve cities.

On October 24, 1947, the Board, acting in accordance with Section 4 of the Administrative Procedure Act and Section 2 of the Rules of Procedure of the Board of Governors of the Federal Reserve System, published in the Federal Register notice of a proposed action with respect to the classification of cities as reserve and central reserve cities and the termination of the designation of certain cities as reserve cities. This notice stated that interested persons might submit to the Board written data, views, and arguments with respect to the proposal, and accordingly a number of banks submitted letters expressing their views and comments. In addition, representatives of banks in a number of the cities whose status would be affected by the proposal appeared before the Board and made an oral presentation of their views.

After due and careful consideration of all relevant matter thus presented to the Board with respect to the proposal, the Board has concluded that a logical, fair, and appropriate standard for determining the designation and termination of reserve cities is one that is determined by the ratio of interbank demand deposits held by member banks in each city to the aggregate amount of interbank demand deposits held by all member banks of the Federal Reserve System, or by such a ratio considered in connection with the ratio of interbank demand deposits held by member banks in each city to the aggregate amount of all demand deposits held by the member banks in such city; and that such standard for the designation and termination of reserve cities should be reapplied at three-year intervals.

In opposition to the discontinuance of certain cities as reserve cities under the Board's proposal it was contended by the representatives of member banks in such cities that such discontinuance would adversely affect the business of banks in those cities, would detract from their prestige, would not take into account their geographical situation, or would deprive them of certain advantages with respect to deposits under applicable State law. The Board feels that such objections, while they may be important to the banks involved, are not to be regarded as controlling factors in determining whether cities should be classed as reserve cities in view of the purpose of such classifications. However, the Board recognizes the fact that certain cities now classified as reserve cities have held this status for many years, in some instances since before the enactment of the Federal Reserve Act, and, since the continuance of such cities as reserve cities would mean that member banks therein must carry higher reserves than would be required of them if such cities were discontinued as reserve cities in accordance with the standard indicated above, the Board is willing that such cities be continued as reserve cities if all the member banks in such cities request that this be done.

In accordance with the conclusions reached above and pursuant to authority conferred upon it by Section 11 (e) of the Federal Reserve Act and other provisions of that Act, the Board hereby adopts the rule set forth below, to become effective March 1, 1948:

Classification of Central Reserve and Reserve Cities.

(a) *Central reserve cities.* The cities of New York and Chicago are hereby classified (and continued) as central reserve cities.

(b) *Reserve cities.* (1) The city of Washington, D. C., and every city except New York and Chicago in which there is situated a Federal Reserve Bank or a branch of a Federal Reserve Bank are hereby classified (and continued) as reserve cities.

(2) The following are also classified as reserve cities: (A) Every city in which, on the dates of official call reports of condition in the two years ended June 30, 1947, member banks of the Federal Reserve System, exclusive of their offices in other cities, held an aggregate amount of demand deposits owing to banks equal, on the average, to one-third of one per cent or more of the aggregate amount of demand deposits owing to banks by all member banks of the Federal Reserve System; and (B) Every city in which, on the dates of official call reports of condition in the two years ended June 30, 1947, member banks of the Federal Reserve System, exclusive of their offices in other cities, held an aggregate amount of demand deposits owing to banks equal, on the average, to one-fourth of one per cent or more of the aggregate amount of demand deposits owing to banks by all member banks of the Federal Reserve System and also equal, on the average, to 33⅓ per cent or more of the aggregate amount of all demand deposits held by the member banks in such city. On the basis of (A) and (B) above, the following cities, in addition to the reserve cities classified as such under paragraph (1) above, are hereby classified (and continued) as reserve cities:

Columbus, Ohio; Des Moines, Iowa; Indianapolis, Indiana; Milwaukee, Wisconsin; St. Paul, Minnesota; Lincoln, Nebraska; Tulsa, Oklahoma; Wichita, Kansas; Fort Worth, Texas; Cedar Rapids, Iowa; and Sioux City, Iowa; the following city is hereby added and is hereby classified as a reserve city: National City (National Stock Yards), Illinois; and the designation of the following cities as reserve cities is hereby terminated (unless the present classification of such cities is continued in accordance with paragraph (3) below): Toledo, Ohio; Dubuque, Iowa; Grand Rapids, Michigan; Peoria, Illinois; Kansas City, Kansas; Pueblo, Colorado; St. Joseph, Missouri; Topeka, Kansas; Galveston, Texas; Waco, Texas; Ogden, Utah; and Spokane, Washington.

(3) The Board of Governors of the Federal Reserve System, prior to March 1, 1948, will also designate (and continue) as a reserve city any city now classified as a reserve city (although not within the scope of paragraphs (1) or (2) above) if a written request for the continuance of such city as a reserve city is received by the Federal Reserve Bank of the district in which the city is located on or before February 16, 1948 from every member bank which has its head office or a branch in such city (exclusive of any member bank in an outlying district of such city permitted by the Board of Governors to maintain reduced reserves) together with a certified copy of a resolution of the board of directors of such member bank duly authorizing such request.

(4) Effective as of March 1 of each third year after March 1, 1948, the Board of Governors (a) will continue as reserve cities or designate as additional reserve cities all cities then falling within the scope of paragraph (1) above and all cities which then meet the standard prescribed in paragraph (2) above based upon official call reports of condition in the two-year period ending on June 30 of the year preceding such third year; and (b) will terminate the designation as reserve cities of all other cities, except that the Board will continue the designation as a reserve city of any city which then has the designation of a reserve city and does not then fall within the scope of paragraph (1) or of paragraph (2) based upon the new two-year period, if a request for the continuance of such designation is made by every member bank (as specified in paragraph (3) above) in such city and, together with a certified copy of a resolution of the bank's board of directors authorizing such request, is received by the Federal Reserve Bank of the district not later than the 15th day of February of such third year.

RECORD OF POLICY ACTIONS
FEDERAL OPEN MARKET COMMITTEE

MARCH 1, 1947

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Clayton; Mr. Davis; Mr. Draper; Mr. Evans; Mr. Gidney; Mr. Peyton; Mr. Vardaman; Mr. Whittemore.

(A meeting of the Federal Open Market Committee—the last before the members of the Committee took office who were elected as representatives of the Federal Reserve Banks for terms of one year beginning March 1, 1947—was held on February 27 for the purpose of ratifying actions which had been taken under existing policies and of discussing developments in the international and domestic monetary and credit situation. At that meeting no policy actions were taken.)

1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved:

The executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account or for the purpose of maintaining an orderly market in Treasury securities and a general level of prices and yields of Government securities which will support the Treasury issuing rates of 7/8 per cent for one-year certificates and 2½ per cent for 27-year bonds restricted as to ownership; provided that the aggregate amount of securities held in the account at the close of this date [other than (1) bills purchased outright in the market on a discount basis at the rate of 3/8 per cent per annum and bills redeemed at maturity and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury] shall not be increased or decreased by more than 1.5 billion dollars.

That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

be paid. These stock subscriptions amounted to $139,000,000 and reduced the surplus of the Federal Reserve Banks to an equivalent figure, or considerably less than one-half of their subscribed capital. Congress, therefore, eliminated the franchise tax in order to permit the Federal Reserve Banks to restore their surplus accounts from future earnings.

"Net earnings for the next ten years were relatively small, and at the end of 1944 the combined surplus accounts of the Federal Reserve Banks were less than 75 per cent of their subscribed capital. During the next two years, however, net earnings increased substantially, due primarily to large holdings of Government securities accumulated through open market operations. This made possible transfers to surplus accounts which increased the combined surplus of the Federal Reserve Banks to $439,823,000 at the end of 1946, as compared with subscribed capital of $373,660,000.

"Under the circumstances, the Board concluded that it would be appropriate for the Federal Reserve Banks to pay to the Treasury the bulk of their net earnings after providing for necessary expenses and the statutory dividend. In effect, this will involve paying currently to the Treasury funds which, under existing law, would otherwise come to it only in the event of liquidation of the Federal Reserve Banks. The Federal Reserve Act still provides that, in case of liquidation of the Federal Reserve Banks, any surplus remaining after the payment of all claims shall be paid to the Treasury. It is expected that the present payments will be made at quarterly intervals. By invoking its authority under Section 16 of the Federal Reserve Act, the Board is able to accomplish the same results as were accomplished by the payment of a franchise tax, i. e., the transfer of excess earnings to the Government. The payments can thus be reflected in current revenues and taken into account in the Government's budget without further legislation.

"In the event of restoration of a franchise tax by the Congress, the Board would, of course, withdraw the requirement that Federal Reserve Banks pay interest on Federal Reserve notes, as there would be no justification for utilizing both means of accomplishing the same purpose—namely, payment of excess earnings of the Federal Reserve Banks to the Treasury.

"In his Budget Message for 1948 the President recommended that Congress authorize the Federal Deposit Insurance Corporation to repay the $139,000,000 of capital furnished by the Federal Reserve Banks, and accepted the proposal of the Board of Governors that Congress at the same time authorize the payment of this sum to the Treasury instead of to the Reserve Banks. Similarly, the President in his Budget Message concurred in the Board's further recommendation that Congress release to the Treasury general fund approximately $139,000,000 earmarked for payments to the Reserve Banks to enable them to make loans to industry under Section 13b of the Federal Reserve Act. Legislation has been introduced in Congress to repeal Section 13b and to substitute therefor authority for the Reserve Banks, upon request of any commercial bank, to guarantee in part loans made by such bank to business enterprises. If this legislation be enacted, the Federal Reserve Banks would rely upon their own surplus funds for this purpose, without resort to Government funds."

When this meeting was held the members of the Committee had the benefit of recent discussions of the members of the executive committee, and of representatives of the full Committee with representatives of the Treasury, with respect to the changes that might be made in Treasury financing, debt management, and System credit policies to adjust them to changing conditions. Since the previous meeting there had been further discussions of the desirability of the termination by the Federal Open Market Committee of the 3/8 per cent rate at which the Federal Reserve Banks stood ready to purchase bills, a change in procedure to provide for the direct replacement of maturing Treasury bills held by the Federal Reserve Banks, an increase in the rate at which bills were issued by the Treasury, and steps that might be taken to return to the Treasury the increased earnings of the Federal Reserve Banks which would result from an increase in the bill rate. Consideration was also given to the means available to combat the resumption, when the current debt retirement program came to an end, of pressure on the long-term rate which would result from sales by banks of short-term Treasury issues and the purchase of long-terms for the purpose of improving earnings.

The Treasury debt retirement program, which was designed to keep the reserve position of member banks under pressure, had been continued and, with the announced retirement of 2.9 billion dollars of securities maturing in March 1947, would result in cash payments on maturing securities of 4.2 billion in the first three months of 1947 and of 27.4 billion since March 1, 1946, with a net reduction in the debt of 21 billion dollars during the 13-month period. Treasury receipts had been higher and expenditures lower than anticipated and it appeared that additional amounts of Government securities could be retired during the remaining months of the fiscal year.

It was the view of the Committee that the posted rate of 3/8 per cent for the purchase and sale of Treasury bills by the Federal Reserve Banks no longer served its original purpose and should be discontinued. It was felt that action should not be taken, however, until the question of future policy with respect to Treasury bills had been more fully established. It was agreed, therefore, that action to terminate the rate might be deferred temporarily.

For the reasons which prompted the open market policy actions of the Committee in 1946 and because of the continued inflationary conditions which are reviewed in the *Annual Report* of the Board of Governors of which this record is a part, the Committee continued to be of the opinion that monetary and credit policy should be directed, as a part of the program of the Government for combating inflation, toward restraining the further expansion of bank credit without increasing the cost of carrying the Government debt. The above direction was issued in order to continue the existing open market policies of the System, which were designed to keep pressure on the reserves of member banks while, at the same time, maintaining orderly conditions in the Government securities market. This involved the continuation of a general level of prices and yields of Government securities which would support the Treasury issuing rates on Treasury certificates and long-term Treasury bonds.

The direction set forth above was in the same form as the direction issued at the previous meeting of the committee on October 3, 1946, except that the limitation contained in the first paragraph on the amount by which the total securities held in the account could be changed was reduced from 2 billion dollars to 1.5 billion. This change was made for the reason that it was anticipated that smaller Treasury operations in connection with the retirement of public debt would make the larger authority unnecessary.

June 5, 1947

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Clayton; Mr. Davis; Mr. Draper; Mr. Evans; Mr. Gidney; Mr. Peyton; Mr. Szymczak; Mr. Whittemore.

1. Increase in Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote:

The action of the members of the Federal Open Market Committee on April 2, 1947, pursuant to a recommendation of the executive committee, increasing from 1.5 billion to 2 billion dollars the limitation on the authority of the executive committee with respect to increasing or decreasing the total amount of securities in the System account, contained in the first paragraph of the direction issued at the meeting on March 1, 1947, was approved, ratified, and confirmed.

Under the direction issued at the last meeting of the Federal Open Market Committee, the total amount of securities held in the System account had been reduced on April 1 by more than 1.1 billion dollars. At a meeting of the executive committee of the Federal Open Market Committee on the latter date it appeared that further contemplated retirement of the Government debt might result in further substantial reductions in System account holdings of securities. The executive committee recommended, therefore, and the members of the Committee approved, the increase of 500 million dollars referred to above.

2. Tender of Maturing Treasury Bills for New Issues.

Upon motion duly made and seconded, and by unanimous vote:

The actions of the members of the Federal Open Market Committee on April 24, 1947, (a) authorizing each Federal Reserve Bank to place weekly tenders for new Treasury bills in an amount not exceeding the amount of weekly maturities in the option account and authorizing the Federal Reserve Bank of New York to place tenders for new Treasury bills in an amount not exceeding the amount of weekly maturities in the System open market account, and (b) amending the direction issued by the Committee on March 1, 1945, with respect to the purchase of Treasury bills to read as follows, were approved, ratified, and confirmed.

"Until otherwise directed by the Federal Open Market Committee, the 12 Federal Reserve Banks are directed to purchase all Treasury bills that may be offered to such Banks on a discount basis at the rate of 3/8 per cent per annum, any such purchases to be upon the condition that the Federal Reserve Bank, upon the request of the seller on or before the last business day preceding the closing day on which the Treasury will accept tenders of the bills for new Treasury bills, will sell to him Treasury bills of like amount and maturity at the same rate of discount. All bills purchased under this direction are to be held by the purchasing Federal Reserve Bank in its own account and prompt reports of all transactions in Treasury bills are to be made to the Manager of the System Open Market Account."

Following the meeting of the Federal Open Market Committee on March 1, 1947, there were further discussions with representatives of the Treasury of a program looking toward the elimination of certain wartime financing methods and controls which were considered to be no longer desirable or necessary. These discussions included (1) the establishment by the Board of Governors of an interest charge on Federal Reserve notes, which would have the effect of transferring surplus earnings of the Federal Reserve Banks to the Treasury, (2) permission to bidders for future issues of Treasury bills to make payment in cash or by the surrender of maturing bills, and (3) the elimination of the posted 3/8 per cent buying rate and repurchase option on Treasury bills. On April 24 the first two of these steps were announced and put into effect.

The above stated actions on April 24 by the members of the Federal Open Market Committee were for the purpose of adjusting open market procedure to the changed arrangement with respect to Treasury bills. The direction of March 1, 1945, provided that the original seller of the bills could repurchase bills at his request at any time before their maturity. The revised direction set forth above required that the request to repurchase be made on or before the last business day preceding the closing day on which the Treasury would accept tenders of bills for new Treasury bills. This change, however, applied only to bills issued on or after April 25, 1947.

On May 5, 1947, the members of the Federal Open Market Committee approved a procedure which provided for the transfer each week of maturing bills held by the individual Reserve Banks to the System account and for a single tender of all maturing bills in payment for new bills to be held in the System account. This action was for the purpose of improving and simplifying the handling of tenders of maturing bills for new bills and involved no question of open market policy.

3. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved:

The executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account or for the purpose of maintaining an orderly market in Treasury securities and a general level of prices and yields of Government securities which will support the Treasury issuing rates of 7/8 per cent for one-year certificates and 2½ per cent for 27-year bonds restricted as to ownership; provided that the aggregate amount of securities held in the account at the close of this date [other than (1) maturing bills transferred to the System account from the option accounts of the Federal Reserve Banks pursuant to the direction issued by the Federal Open Market Committee on May 5, 1947, bills purchased outright in the market on a discount basis at the rate of 3/8 per cent per annum, bills redeemed or exchanged at maturity, and bills taken in exchange for maturing bills, and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury] shall not be increased or decreased by more than 2 billion dollars.

That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

Following the actions announced on April 24, 1947, there were further discussions with representatives of the Treasury of the proposed elimination of the 3/8 per cent posted rate and repurchase option on Treasury bills, but no decision as to the timing of this action was reached. There were also discussions of questions relating to Treasury financing, including an increase in the rate on Treasury certificates, and the issuance by the Treasury of a long-term Series G type security. The retirement of Government debt, for anti-inflationary purposes, had been continued and while the steps that had been taken by the System and the Treasury apparently had stopped temporarily the decline in yields on long-term securities resulting from "playing the pattern of rates," it was expected by the Committee that the long-term rate would continue to be under pressure. In that event, the Committee would be faced with the alternative of allowing the long-term rate to decline further or of permitting the short-term rate to rise to a point where there would be no incentive for banks to continue to "play the pattern of rates" with the resulting increase in member bank reserves.

The Committee therefore decided that, until a decision was reached on action to discontinue the posted rate on Treasury bills and to increase the short-term rate, no change should be made in existing open market policies, and that the direction issued by the Federal Open Market Committee on March 1, 1947, and amended on April 2, 1947, with respect to the purchase of Treasury bills, should be changed only to the extent necessary to bring the direction into conformity with the procedure approved on May 5, 1947, for transferring maturing bills held by the Federal Reserve Banks to the System account and the exchange of bills in the System account for new bills.

OCTOBER 6-7, 1947

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Clayton; Mr. Davis; Mr. Draper; Mr. Evans; Mr. Gidney; Mr. Peyton; Mr. Szymczak; Mr. Vardaman; Mr. Whittemore.

1. Elimination of Posted Rate on Treasury Bills.

Upon motion duly made and seconded, and by unanimous vote:

The action of the members of the Federal Open Market Committee on July 2, 1947, discontinuing the posted rate on Treasury bills issued on or after July 10, 1947, in accordance with the following amended direction to the Federal Reserve Banks, was approved, ratified, and confirmed.

"Until otherwise directed by the Federal Open Market Committee, the 12 Federal Reserve Banks are directed to purchase all Treasury bills issued prior to July 10, 1947, that may be offered to such Banks on a discount basis at the rate of 3/8 per cent per annum, any such purchases to be upon the condition that the Federal Reserve Bank, upon the request of the seller on or before the last business day preceding the closing day on which the Treasury will accept tenders of the bills for new Treasury bills, will sell to him Treasury bills of like amount and maturity at the same rate of discount. All bills purchased under this direction are to be held by the purchasing Federal Reserve Bank in its own account and prompt reports of all transactions in Treasury bills are to be made to the Manager of the System Open Market Account."

Following the meeting of the Federal Open Market Committee on June 5, 1947, there were further discussions with the Treasury of the proposed discontinuance of the posted 3/8 per cent rate on Treasury bills and agreement was reached that the rate should be terminated as to all bills issued on or after July 10, 1947. The above direction was issued to accomplish that result. The reasons for the action are set forth in the following statement released to the press for publication in the morning papers of July 3, 1947:

"The Federal Open Market Committee of the Federal Reserve System has directed the Federal Reserve Banks to terminate the policy of buying all Treasury bills offered to them at a fixed rate of 3/8 per cent per annum and to terminate the repurchase option privilege on Treasury bills. The new policy will apply to bills issued on or after July 10, 1947. Existing policy will continue to apply to bills issued prior to that date.

"The above action was taken by the Committee after consultation with the Secretary of the Treasury.

"The so-called posted rate on Treasury bills was a wartime measure adopted in 1942 to facilitate war financing and to stabilize the market for Government securities. It was designed primarily to encourage banks to make fuller use of their excess reserves and thus bring about a wider distribution of Treasury bills. Under current peacetime conditions these arrangements no longer serve their original purpose and tend to distort conditions in the money market and the securities market. Certificates of indebtedness, which bear a higher rate than Treasury bills, have largely replaced bills in the market, not only as a medium for the investment of short-term funds but also as a means by which banks adjust their reserve positions.

"Increased amounts of Treasury bills have been sold to the Federal Reserve Banks by the market, and bills have gradually ceased to be a market instrument. Currently, only about 1.5 billion dollars of the nearly 16 billion total of Treasury bills outstanding are held outside the Federal Reserve Banks. The Treasury bill rate has thus been eliminated as a factor in the money market. The need for large-scale borrowing of new money by the Treasury ceased with the completion of the Victory Loan Drive and since that time the public debt has been reduced substantially. Consequently there is no reason for continuing this wartime mechanism. On the contrary, its elimination will serve a useful purpose in restoring the bill as a market instrument and giving added flexibility to the Treasury's debt management program.

"Under the new policy the Treasury bill rate will be expected to find its level in the market in proper relation to the yields on certificates of indebtedness. The Federal Reserve System will continue to purchase and hold Treasury bills as well as other Government securities in amounts deemed necessary in the maintenance of an orderly Government security market and the discharge of the System's responsibility with regard to the general credit situation of the country.

"As a result of the action taken by the Board of Governors of the Federal Reserve System in April to transfer to the Treasury the excess earnings of the Federal Reserve Banks, the Reserve Banks are now paying into the Treasury approximately 90 per cent of their net earnings after dividends. Since most of the Treasury bills now outstanding are held by the Federal Reserve Banks, whatever increase in interest cost to the Treasury results from the termination of the posted buying rate and repurchase option will be largely offset by increased Reserve Bank payments to the Treasury."

2. Revised Authority to Effect Transactions in the System Account.

Upon motion duly made and seconded, and by unanimous vote:

A change made by the members of the Federal Open Market Committee on August 8, 1947, in the direction issued to the executive committee on June 5, 1947, so as to provide for supporting the current issuing rate on Treasury certificates instead of the 7/8 rate previously prevailing, was approved, ratified, and confirmed. The direction as revised read as follows:

"The executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account or for the purpose of maintaining an orderly market in Treasury securities and a general level of prices and yields of Government securities which will support the Treasury current issuing rate for certificates and 2½ per cent for 27-year bonds restricted as to ownership; provided that the aggregate amount of securities held in the account at the close of this date [other than (1) maturing bills transferred to the System account from the option accounts of the Federal Reserve Banks pursuant to the direction issued by the Federal Open Market Committee on May 5, 1947, bills purchased outright in the market on a discount basis at the rate of 3/8 per cent per annum, bills redeemed or exchanged at maturity, and bills taken in exchange for maturing bills, and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury] shall not be increased or decreased by more than 2 billion dollars.

"The executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars."

As the first step in a program which contemplated an increase to one per cent in the issuing rate on Treasury certificates, the Treasury in July announced that the August 1 maturity of certificates would be refunded into an 11-month 7/8 per cent certificate. The direction issued by the Federal Open Market Committee on June 5, 1947, provided for support of an issuing rate of 7/8 per cent for one-year certificates, and the anticipated issuance by the Treasury of certificates at a higher rate made necessary the approval of the change in the above direction, which required that the current issuing rate on Treasury certificates be supported instead of the 7/8 per cent rate as previously.

3. Increase in Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote:

The action of the members of the Federal Open Market Committee on September 4, 1947, increasing from 2 billion dollars to 2.75 billion the authority of the executive committee contained in the first paragraph of the direction issued at the meeting of the full Committee on June 5 and amended on August 8, 1947, was approved, ratified, and confirmed.

When the action was taken on September 4, the authority granted to the executive committee had been used to the extent of increasing the amount of securities held in the System account by 1.8 billion dollars. In view of the program for refunding Treasury securities maturing on September 1, September 15, and October 1, and of possible open market transactions over the tax payment period, it appeared that the executive committee would need further authority to increase the amount of securities in the System account to carry out the existing policies. The increase in the authority was granted for that reason.

4. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved:

The executive committee is directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary, in the light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market more closely to the needs of commerce and business; provided that the aggregate amount of securities held in the account at the close of this date other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury shall not be increased or decreased by more than 2 billion dollars.

The executive committee is further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

In the period since the previous meeting of the Committee conditions affecting the money market had changed considerably. Inflationary pressures had increased and there were indications that they would continue to be strong in the months immediately ahead. Conditions were favorable to further credit growth, bank loans were expanding rapidly and the demand for capital funds was strong, and there were further substantial gold imports. Because of the policy of supporting the Government securities market, which the Committee felt was a sound policy and should be continued, banks had ready access to additional reserves by the sale of securities to the System account. There was no prospect of the accumulation of substantial Treasury cash balances that could be used for the retirement of Government debt at this time, and therefore, the restraining influence of such accumulation could not be imposed. It was also recognized that the strongest forces working toward inflation lay outside the field of monetary policy and debt management and that measures available to the System and the Treasury could have only limited effectiveness.

It was the view of the Committee that, since further credit expansion would add to the inflationary pressures, the situation was such as to justify the Treasury and the Federal Reserve System taking such actions as were available to them to eliminate or moderate excessive credit expansion. While continuing the existing policy of maintaining orderly conditions in the Government security market, it was agreed that with a view to preventing to the extent possible further expansion of bank credit, there should be action by the appropriate authorities to carry out an anti-inflationary program which would contemplate (1) continued use of Treasury balances when available to retire Government debt, particularly bills and certificates held by the Federal Reserve Banks, (2) a further increase in the short-term rate on Government securities to 1⅛ per cent, (3) an increase in the discount rates at the Federal Reserve Banks in keeping with the increase in the rate on short-term Government securities, (4) an increase in reserve requirements of member banks in central reserve cities, (5) a statement by the Board of Governors emphasizing, in connection with the termination of Regulation W, the dangers of more liberal instalment credit terms and a further growth of outstanding consumer credit, (6) a joint statement by the Federal and State bank supervisory agencies which would point out the dangers of further overall expansion of bank credit through the medium of bank loans, and (7) a change in the policy with respect to the refunding of maturing savings bonds to encourage the reinvestment of proceeds of maturing bonds in new issues of savings bonds.

The language in the first paragraph of the direction issued by the Committee, setting forth the considerations governing transactions for the System account, was changed from the direction previously in effect for the purpose of relating it more closely to the current policies of the Committee in the light of existing monetary and credit conditions.

December 9, 1947

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Clayton; Mr. Draper; Mr. Evans; Mr. Gidney; Mr. Gilbert (alternate for Mr. Davis); Mr. Peyton; Mr. Szymczak; Mr. Vardaman, Mr. Whittemore.

1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, and by unanimous vote, the following direction to the executive committee was approved:

The executive committee is directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for

> the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary, in the light of the general credit situation of the country, for the practical administration of the account, for the maintenance of stable and orderly conditions in the Government security market, and for the purpose of relating the supply of funds in the market more closely to the needs of commerce and business; provided that the aggregate amount of securities held in the account at the close of this date other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury shall not be increased or decreased by more than 3 billion dollars.
>
> The executive committee is further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

The above direction, which was in the same form as the direction issued at the meeting on October 7, 1947, was adopted for substantially the same reasons as the earlier direction. Inflationary forces had continued strong, substantial amounts of long-term Government securities were being sold to the System to meet the demands for funds, and it was felt that the existing open market policy should be continued as a means, coupled with other actions by the System and with debt-management policies of the Treasury, of keeping pressure on the market and thereby restraining the expansion of bank credit.

It was understood that, in carrying out the direction, the executive committee would continue the existing prices at which Government securities were being supported until after the Treasury January refunding had been completed, at which time prices of bonds should be permitted to decline rapidly, if the market did not support itself, to a level not more than 100½ and not less than par on the longest restricted 2½ per cent issue and to not less than par on 1⅛ per cent one-year certificates. It was also understood that if, before the completion of the January refunding, market selling should increase substantially, the executive committee would be authorized to permit prices to decline to the level stated above as rapidly as was consistent with the maintenance of orderly market conditions.

The limitation contained in the first paragraph of the direction was increased from 2 billion to 3 billion dollars because it was felt that it would be desirable for the executive committee to have the enlarged authority, in order to be in position to meet adequately the conditions that were likely to prevail in connection with the Treasury's refunding operations and tax collections before another meeting of the Committee.

STATEMENT OF FEDERAL ADVISORY COUNCIL ON BANK CREDIT, CONSUMER CREDIT CONTROLS, AND BANK RESERVES

NOVEMBER 18, 1947

The Board of Governors of the Federal Reserve System submitted the following question to the Federal Advisory Council:

> "The Board is very concerned about the rapid expansion of bank credit. The Board, therefore, desires to have the views of the Council as to the further steps that might be taken to correct this serious situation through monetary or fiscal means."

The Federal Advisory Council gave the Board of Governors the following statement in answer to the foregoing question:

The Council has reviewed the question of the volume of bank credit both in the aggregate and as shown in the banks with which they are familiar.

We do not know what "serious situation" in bank credit the Board has in mind. For the past year the total volume of bank credit (i.e. the available amount of bank money) as measured by adjusted demand deposits has shown only a moderate increase. As bank loans have increased, the banks have decreased their investments.

We find nothing in bank loans themselves to suggest that growth of loans has been an active inflationary factor. It rather appears to have been a reflection of the very high level of business activity and high prices.

To a large extent growth of loans is a direct result of Government policies. For example, an increase of nearly 4 billion dollars in the real estate loans by insured banks since the end of the war reflects directly the purchase of FHA and GI mortgages in the housing program.

The Reconstruction Finance Corporation is encouraging bank lending by guaranteeing risky loans.

Commercial loans are influenced by high prices and active movement of agricultural and manufactured products for the foreign aid program.

High wages and high costs of materials have meant that business needed more money to take care of its customers.

There is nothing in the figures or our experience to suggest that there exists any substantial lending for speculation or for unnecessary uses. Loans for carrying securities are much reduced.

In this period the Government, through various agencies, has been making loans that the banks refrained from making because of their speculative nature. The Reserve System itself is asking for more power to guarantee loans on the presumption that bank lending is too cautious.

The causes of our present inflation are not in current banking policies but are found in the great wartime expansion of buying power together with unusual events and public policies since that time. Among recent inflationary causes may be listed the following:

The foreign aid program.
A cycle of wage increases in excess of increases in either the cost of living or productivity.
A shorter working week.
A short corn crop.
Veterans' bonuses and relief payments.
Agricultural price subsidies.
United States Government spending of 36 billion dollars a year.
Housing subsidies.

In the face of these developments a substantial increase in bank loans was inevitable and the banks have shown restraint. The dangers in the present situation are understood by bankers and there is hardly a bank in the country which has not been warning its customers against overexpansion. The loans being made are mostly for direct production.

The first thing to do is to reconsider Government policies which are inflationary and especially excessive Government spending and subsidies.

We recognize that even though the causes of inflation are largely outside the sphere of monetary policy, the Reserve System has a special responsibility for bank credit and in this situation should take all reasonable care to assure conservative credit policies.

In this special area we suggest that the System and the Treasury already have large powers, without new legislation, to place credit under broad restraints.

One of these powers is the discount rate which is a recognized instrument for serving notice on the public of the need for restraint in the use of credit.

Similarly by open market operations the System can control the reserves of the member banks and limit their lending power.

The Board also still has the power to raise reserve requirements in central reserve cities and so tighten money.

The Treasury by the pricing of new issues and the handling of its balances has great influence on the rate and volume of money.

In the past year the System and the Treasury have used these powers effectively.

The money markets and the policies of business men are today so sensitive to action of these sorts which the Reserve System and the Treasury take that present powers are ample to place all restraints on credit expansion which the System and the Treasury may consider necessary.

The Council wishes it clearly understood that it shares the apprehension of the Board of Governors with respect to inflation dangers. It does, however, most strenuously object to the singling out of the increase in bank loans as a principal contributing factor; and it has attempted to point out above, the vastly more important elements of inflation—of which bank loans are a barometer.

This is not to say that there have not been unwise bank loans in some cases. After all, banking is a form of human endeavor, operated by human beings. It would be amazing if there were not some errors in judgment. But we submit that, on the record, there is no evidence of bank credit expansion beyond that which could be expected under all the circumstances. There is every evidence that loans are today doing a wholesome and constructive work in their intended place in the economy.

The Council has studied the increase in consumer credit in relation to the termination of Regulation W. While consumer credit has increased substantially, much of this reflects the availability of automobiles and household appliances. There is so far too little experience on which to judge the effect of the termination of Regulation W. The American Bankers Association is undertaking with considerable success to ensure maintenance by banks of sound lending standards. This effort towards voluntary cooperation seems to the Council the sensible and the democratic method of dealing with this problem, both with respect to the banks and other lenders. The Council is opposed to legislation giving the Board new regulatory powers in this matter.

Suggestions in the President's message to Congress with respect to credit control indicate the possibility that the Federal Reserve Board may present to Congress the proposal in its 1945 *Annual Report* for a required bank reserve of short-term Government securities. The Council therefore wishes to state its views on this proposal.

The proposal as we understand it is that banks should be required by law to maintain, in addition to cash reserves, reserves of short-term Government securities in a percentage relationship to deposits, to be fixed from time to time by the Federal Reserve Board.

The Council is unanimously opposed to this scheme for the following reasons:

(1) It is impractical. The operations of banks are so different, reflecting as they do adaptation to the varying needs of their communities and customers, that no percentage of short-term Government security holdings can be applied fairly or practically to all banks. Any percentage high enough to offer any measure of restraint on a substantial number of banks will have disastrous effects on many other banks, compelling them to liquidate sound and necessary loans and thus actually check production. The very banks which have served the business in their communities most aggressively and helpfully would be hardest hit.

(2) Such a plan would substitute the edicts of a board in Washington for the judgments of the boards of directors of 15,000 banks throughout the country as to the employment of a substantial part of the funds of their banks. This is a step towards socialization of banking.

(3) As indicated earlier, the Federal Reserve System and the Treasury already possess large powers of credit control not now being fully used. Such new powers as those proposed are not necessary.

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1947]

	Term Expires
MARRINER S. ECCLES, of Utah, *Chairman*	January 31, 1958
M. S. SZYMCZAK, of Illinois	January 31, 1948
ERNEST G. DRAPER, of Connecticut	January 31, 1950
R. M. EVANS, of Virginia	January 31, 1954
JAMES K. VARDAMAN, JR., of Missouri	January 31, 1960
LAWRENCE CLAYTON, of Massachusetts	January 31, 1952

ELLIOTT THURSTON, *Assistant to the Chairman*
CHESTER MORRILL, *Special Adviser to the Board of Governors*
S. R. CARPENTER, *Secretary*
BRAY HAMMOND, *Assistant Secretary*
MERRITT SHERMAN, *Assistant Secretary*
GEORGE B. VEST, *General Counsel*
J. LEONARD TOWNSEND, *Associate General Counsel*
WOODLIEF THOMAS, *Director, Division of Research and Statistics*
RALPH A. YOUNG, *Associate Director, Division of Research and Statistics*
J. BURKE KNAPP, *Assistant Director, Division of Research and Statistics*
BONNAR BROWN, *Assistant Director, Division of Research and Statistics*
ROBERT F. LEONARD, *Director, Division of Examinations*
EDWIN R. MILLARD, *Assistant Director, Division of Examinations*
GEORGE S. SLOAN, *Assistant Director, Division of Examinations*
EDWARD L. SMEAD, *Director, Division of Bank Operations*
J. R. VAN FOSSEN, *Assistant Director, Division of Bank Operations*
J. E. HORBETT, *Assistant Director, Division of Bank Operations*
LOWELL MYRICK, *Assistant Director, Division of Bank Operations*
CARL E. PARRY, *Director, Division of Security Loans*
FRED A. NELSON, *Director, Division of Personnel Administration*
LISTON P. BETHEA, *Director, Division of Administrative Services*
GARDNER L. BOOTHE, II, *Assistant Director, Division of Administrative Services*

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1947]

MEMBERS

MARRINER S. ECCLES, *Chairman* (Board of Governors)
ALLAN SPROUL, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
LAWRENCE CLAYTON (Board of Governors)
CHESTER C. DAVIS (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
ERNEST G. DRAPER (Board of Governors)
R. M. EVANS (Board of Governors)
RAY M. GIDNEY (Elected by Federal Reserve Banks of Cleveland and Chicago)
J. N. PEYTON (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
M. S. SZYMCZAK (Board of Governors)
JAMES K. VARDAMAN, JR. (Board of Governors)
LAURENCE F. WHITTEMORE (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)

EXECUTIVE COMMITTEE

MARRINER S. ECCLES, *Chairman*
ALLAN SPROUL, *Vice Chairman*
ERNEST G. DRAPER
JAMES K. VARDAMAN, JR.
CHESTER C. DAVIS

AGENT

FEDERAL RESERVE BANK OF NEW YORK
ROBERT G. ROUSE, *Manager of System Open Market Account*

OFFICERS

CHESTER MORRILL, *Secretary*
S. R. CARPENTER, *Assistant Secretary*
GEORGE B. VEST, *General Counsel*
J. LEONARD TOWNSEND, *Assistant General Counsel*
WOODLIEF THOMAS, *Economist*
PAUL W. MCCRACKEN, *Associate Economist*
ALFRED C. NEAL, *Associate Economist*
WILLIAM H. STEAD, *Associate Economist*
DONALD S. THOMPSON, *Associate Economist*
JOHN H. WILLIAMS, *Associate Economist*

FEDERAL ADVISORY COUNCIL

[December 31, 1947]

MEMBERS

District No. 1—CHARLES E. SPENCER, JR., President, The First National Bank of Boston, Boston, Massachusetts.

District No. 2—W. RANDOLPH BURGESS, Vice Chairman, The National City Bank of New York, New York, New York.

District No. 3—DAVID E. WILLIAMS, President, Corn Exchange National Bank and Trust Company, Philadelphia, Pennsylvania.

District No. 4—JOHN H. MCCOY, President, The City National Bank and Trust Company, Columbus, Ohio.

District No. 5—ROBERT V. FLEMING, President, The Riggs National Bank, Washington, District of Columbia.

District No. 6—J. T. BROWN, President, The Capital National Bank of Jackson, Jackson, Mississippi.

District No. 7—EDWARD E. BROWN, Chairman, The First National Bank of Chicago, Chicago, Illinois.

District No. 8—JAMES H. PENICK, President, Worthen Bank and Trust Company, Little Rock, Arkansas.

District No. 9—HENRY E. ATWOOD, President, First National Bank of Minneapolis, Minneapolis, Minnesota.

District No. 10—JAMES M. KEMPER, President, Commerce Trust Company, Kansas City, Missouri.

District No. 11—ED H. WINTON, President, Continental National Bank of Fort Worth, Fort Worth, Texas.

District No. 12—RENO ODLIN, President, Puget Sound National Bank of Tacoma, Tacoma, Washington.

EXECUTIVE COMMITTEE

EDWARD E. BROWN, *ex officio*
W. RANDOLPH BURGESS
JOHN H. MCCOY
CHARLES E. SPENCER, JR., *ex officio*
DAVID E. WILLIAMS
ROBERT V. FLEMING

OFFICERS

President, EDWARD E. BROWN
Vice President, CHARLES E. SPENCER, JR.
Secretary, WALTER LICHTENSTEIN
Acting Secretary, HERBERT V. PROCHNOW

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS

[December 31, 1947]

CHAIRMEN AND DEPUTY CHAIRMEN OF BOARDS OF DIRECTORS

Federal Reserve Bank of—	Chairman and Federal Reserve Agent	Deputy Chairman
Boston	Albert M. Creighton	Donald K. David
New York	Vacancy	William I. Myers
Philadelphia	Thomas B. McCabe	Warren F. Whittier
Cleveland	George C. Brainard	Reynold E. Klages
Richmond	W. G. Wysor	Charles P. McCormick
Atlanta	Frank H. Neely	J. F. Porter
Chicago	Clarence W. Avery	Paul G. Hoffman
St. Louis	Russell L. Dearmont	Douglas W. Brooks
Minneapolis	Roger B. Shepard	W. D. Cochran
Kansas City	Robert B. Caldwell	Robert L. Mehornay
Dallas	J. R. Parten	R. B. Anderson
San Francisco	Brayton Wilbur	Harry R. Wellman

Conference of Chairmen

The Chairmen of the Federal Reserve Banks are organized into a Conference of Chairmen which meets from time to time to consider matters of common interest, and to consult with and advise the Board of Governors.

Mr. Henry F. Grady served as Chairman of the Conference and as Chairman of the Executive Committee until May 1, when he resigned as Chairman of the Federal Reserve Bank of San Francisco. The other members of the Executive Committee were Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, and Mr. Shepard, Chairman of the Federal Reserve Bank of Minneapolis. Mr. Parten succeeded Mr. Grady as Chairman of the Conference and served until December 2.

At the meeting of the Conference on December 2, Mr. Shepard was elected Chairman of the Conference and Chairman of the Executive Committee. The other members of the Executive Committee elected at that time were Mr. Avery, Chairman of the Federal Reserve Bank of Chicago, and Mr. Dearmont, Chairman of the Federal Reserve Bank of St. Louis.

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

DIRECTORS

Class A and Class B directors are elected by the member banks of the district. Class C directors are appointed by the Board of Governors of the Federal Reserve System.

The Class A directors are chosen as representatives of the member banks and, as a matter of practice, are active officers of member banks. The Class B directors may not, under the law, be officers, directors, or employees of banks. At the time of their election they must be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

The Class C directors may not, under the law, be officers, directors, employees, or stockholders of banks. They are appointed by the Board of Governors as representatives not of any particular group or interest, but of the public interest as a whole.

Federal Reserve Bank branches have either five or seven directors, of whom a majority are appointed by the Board of Directors of the parent Federal Reserve Bank and the others are appointed by the Board of Governors of the Federal Reserve System.

District No. 1—Boston

		Term Expires Dec. 31
Class A:		
Allan Forbes	President, State Street Trust Company, Boston, Mass.	1947
Leon A. Dodge	President, The First National Bank of Damariscotta, Damariscotta, Me.	1948
Earle W. Stamm	President, The National Bank of Commerce of New London, New London, Conn.	1949
Class B:		
Philip R. Allen	Director, Bird & Son, inc., E. Walpole, Mass.	1947
Frederick S. Blackall, jr.	President and Treasurer, The Taft-Peirce Manufacturing Company, Woonsocket, R. I.	1948
Roy L. Patrick	President, Rock of Ages Corporation, Burlington, Vt.	1949
Class C:		
Albert M. Creighton	Chairman of the Board	1947
Donald K. David	Dean, Graduate School of Business Administration, Harvard University, Boston, Mass.	1948
Harold D. Hodgkinson	Vice President, General Manager and Chairman of Management Board, Wm. Filene's Sons Company, Boston, Mass.	1949

District No. 2—New York

Class A:		
Harry H. Pond	Chairman of the Board, The Plainfield Trust Company, Plainfield, N. J.	1947
Howard A. Wilson	President, Citizens National Bank and Trust Company of Fulton, Fulton, N. Y.	1948
Winthrop W. Aldrich	Chairman of the Board, The Chase National Bank of the City of New York, New York, N. Y.	1949
Class B:		
Charles E. Adams	Chairman, Air Reduction Company, Inc., New York, N. Y.	1947
Carle C. Conway	Chairman of the Board, Continental Can Company, Inc., New York, N. Y.	1948
Lewis H. Brown	Chairman of the Board, Johns-Manville Corporation, New York, N. Y.	1949
Class C:		
Vacancy		1947
William I. Myers	Dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.	1948
Robert D. Calkins	Director and Vice President, General Education Board, New York, N. Y.	1949

Buffalo Branch

Appointed by Federal Reserve Bank:		
Charles H. Norton	President, Erie County Trust Company, East Aurora, N. Y.	1947
Charles H. Diefendorf	President, The Marine Trust Company of Buffalo, Buffalo, N. Y.	1948
Raymond F. Leihen	Executive Vice President, Lincoln Rochester Trust Company, Rochester, N. Y.	1949
C. George Niebank	President, Bank of Jamestown, Jamestown, N. Y.	1949
Appointed by Board of Governors:		
Marion B. Folsom	Treasurer, Eastman Kodak Company, Rochester, N. Y.	1947
Carl G. Wooster	Farmer, Union Hill, N. Y.	1948
Thomas Robins, Jr.	President, Hewitt-Robins, Incorporated, Buffalo, N. Y.	1949

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

DIRECTORS—Cont.

District No. 3—Philadelphia

		Term Expires Dec. 31
Class A:		
Howard A. Loeb	Chairman, Tradesmens National Bank & Trust Company, Philadelphia, Pa.	1947
George W. Reily	President, Harrisburg National Bank, Harrisburg, Pa.	1948
John. B. Henning	President, Wyoming National Bank, Tunkhannock, Pa.	1949
Class B:		
Charles A. Higgins	Chairman and President, Hercules Powder Company, Inc., Wilmington, Del.	1947
Albert G. Frost	President, The Esterbrook Pen Company, Camden, N. J.	1948
William J. Meinel	President and General Manager, Heintz Manufacturing Company, Philadelphia, Pa.	1949
Class C:		
C. Canby Balderston	Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa.	1947
Thomas B. McCabe	President, Scott Paper Company, Chester, Pa.	1948
Warren F. Whittier	Agricultural Consultant, Chester Springs, Pa.	1949

District No. 4—Cleveland

Class A:		
F. F. Brooks	Chairman of the Board, Peoples First National Bank & Trust Company, Pittsburgh, Pa.	1947
B. R. Conner	President, The First National Bank of Ada, Ada, Ohio	1948
John D. Bainer	President, The Merchants National Bank and Trust Company of Meadville, Meadville, Pa.	1949
Class B:		
George D. Crabbs	Industrialist, Cincinnati, Ohio	1947
Thomas E. Millsop	President, Weirton Steel Company, Weirton, W. Va.	1948
Ross Pier Wright	Secretary-Treasurer, Reed Manufacturing Company, Erie, Pa.	1949
Class C:		
A. Z. Baker	Chairman of the Board, The Cleveland Union Stock Yards Company, Cleveland, Ohio	1947
Reynold E. Klages	President, Columbus Auto Parts Company, Columbus, Ohio.	1948
George C. Brainard	President and General Manager, Addressograph-Multigraph Corporation, Cleveland, Ohio	1949

Cincinnati Branch

Appointed by Federal Reserve Bank:		
Walter H. J. Behm	President, The Winters National Bank and Trust Company of Dayton, Dayton, Ohio	1947
Neil McElroy	Vice President and General Manager, The Procter & Gamble Company, Cincinnati, Ohio	1948
Spears Turley	Vice President and Trust Officer, State Bank and Trust Company of Richmond, Kentucky, Richmond, Ky.	1948
Waldo E. Pierson	President, The First National Bank of Cincinnati, Cincinnati, Ohio	1949
Appointed by Board of Governors:		
Paul G. Blazer	Chairman of the Board, Ashland Oil & Refining Company, Ashland, Ky.	1947
Francis H. Bird	Dean, College of Business Administration, University of Cincinnati, Cincinnati, Ohio	1948
S. Headley Shouse	Tobacco and Livestock Raiser, Lexington, Ky.	1949

Pittsburgh Branch

Appointed by Federal Reserve Bank:		
T. C. Swarts	Executive Vice President, Woodlawn Trust Company, Aliquippa, Pa.	1947
Archie J. McFarland	President, Wheeling Steel Corporation, Wheeling, W. Va.	1948
Laurence S. Bell	Executive Vice President, The Union National Bank of Pittsburgh, Pittsburgh, Pa.	1948
R. E. Bowie	President, Security Trust Company, Wheeling, W. Va.	1949
Appointed by Board of Governors:		
Josiah M. Koch	Vice President, Quaker State Oil Refining Corporation, Oil City, Pa.	1947
A. H. Burchfield, Jr.	Vice President and General Manager, Joseph Horne Company, Pittsburgh, Pa.	1948
Howard W. Jordan	President, Pennsylvania Rubber Company, Jeannette, Pa.	1949

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

DIRECTORS—Cont.

District No. 5—Richmond

		Term Expires Dec. 31
Class A:		
John A. Sydenstricker	Cashier, First National Bank in Marlinton, Marlinton, W. Va.	1947
James D. Harrison	President, First National Bank of Baltimore, Baltimore, Md.	1948
Warren S. Johnson	President, Peoples Savings Bank and Trust Company, Wilmington, N. C.	1949
Class B:		
Edwin Malloy	President & Treasurer, Cheraw Cotton Mills, Inc., Cheraw, S. C.	1947
Charles C. Reed	President, Williams & Reed, Inc., Richmond, Va.	1948
H. L. Rust, Jr.	President, H. L. Rust Company, Washington, D. C.	1949
Class C:		
Charles P. McCormick	President and Chairman of Board, McCormick & Company, Inc., Baltimore, Md.	1947
W. G. Wysor	General Manager, Southern States Cooperative, Inc., Richmond, Va.	1948
Edward R. Stettinius, Jr.	Rector, University of Virginia, Charlottesville, Va.	1949

Baltimore Branch

Appointed by Federal Reserve Bank:		
W. Bladen Lowndes	President, Fidelity Trust Company, Baltimore, Md.	1947
Holmes D. Baker	President, The Citizens National Bank of Frederick, Frederick, Md.	1948
George M. Moore	Vice President, The Union National Bank of Clarksburg, Clarksburg, W. Va.	1949
Eugene G. Grady	Vice President, The Western National Bank of Baltimore, Baltimore, Md.	1949
Appointed by Board of Governors:		
James M. Shriver	President, B. F. Shriver Company, Westminster, Md.	1947
James E. Hooper	Vice President, William E. Hooper and Sons Company, Baltimore, Md.	1948
L. Vinton Hershey	President, Hagerstown Shoe Company, Hagerstown, Md.	1949

Charlotte Branch

Appointed by Federal Reserve Bank:		
N. S. Calhoun	President, Security National Bank, Greensboro, N. C.	1947
Angus E. Bird	Chairman of Board, The Citizens & Southern National Bank of South Carolina, Charleston, S. C.	1948
Allen H. Sims	Executive Vice President and Trust Officer, Citizens National Bank in Gastonia, Gastonia, N. C.	1949
George S. Crouch	President, Union National Bank, Charlotte, N. C.	1949
Appointed by Board of Governors:		
Charles L. Creech	Chairman of Board, B. F. Huntley Furniture Company, Winston-Salem, N. C.	1947
R. Flake Shaw	Executive Secretary, North Carolina Farm Bureau Federation, Greensboro, N. C.	1948
W. A. L. Sibley	Vice President and Treasurer, Monarch Mills, Union, S. C.	1949

District No. 6—Atlanta

Class A:		
George J. White	President, The First National Bank of Mount Dora, Mount Dora, Fla.	1947
R. C. Williams	President, The First National Bank of Atlanta, Atlanta, Ga.	1948
W. D. Cook	President, First National Bank in Meridian, Meridian, Miss.	1949
Class B:		
Ernest T. George	President, Seaboard Refining Company, Ltd., New Orleans, La.	1947
J. A. McCrary	Vice President and Treasurer, J. B. McCrary Company, Inc., Atlanta, Ga.	1948
Donald Comer	Chairman of the Board, Avondale Mills, Birmingham, Ala.	1949
Class C:		
Frank H. Neely	President, Rich's, Inc., Atlanta, Ga.	1947
J. F. Porter	President, Tennessee Burley Tobacco Growers Association, Columbia, Tenn.	1948
Rufus C. Harris	President, The Tulane University of Louisiana, New Orleans, La.	1949

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

DIRECTORS—Cont.

		Term Expires Dec. 31
Birmingham Branch		
Appointed by Federal Reserve Bank:		
Gordon D. Palmer	President, The First National Bank of Tuskaloosa, Tuscaloosa, Ala.	1947
M. B. Spragins	President, The First National Bank of Huntsville, Huntsville, Ala.	1948
James G. Hall	Executive Vice President, The First National Bank of Birmingham, Birmingham, Ala.	1949
R. L. Adams	President, Bank of York, York, Ala.	1949
Appointed by Board of Governors:		
John C. Curry	Administrative Assistant to Algernon Blair, Contractor, Montgomery, Ala.	1947
Wm. Howard Smith	President, McQueen-Smith Farms, Prattville, Ala.	1948
Thad Holt	President and Treasurer, Voice of Alabama, Inc., (Radio Station WAPI), Birmingham, Ala.	1949
Jacksonville Branch		
Appointed by Federal Reserve Bank:		
J. L. Dart	President, The Florida National Bank of Jacksonville, Jacksonville, Fla.	1947
J. S. Fairchild	Cashier, The First National Bank of Winter Garden, Winter Garden, Fla.	1948
Max Losner	President, The First National Bank of Homestead, Homestead, Fla.	1949
H. S. Moody	Executive Vice President, Manatee River Bank & Trust Company, Bradenton, Fla.	1949
Appointed by Board of Governors:		
Walter J. Matherly	Dean, College of Business Administration, University of Florida, Gainesville, Fla.	1947
Charles S. Lee	Planter and cattle raiser, Oviedo, Fla.	1948
W. T. Bland	Citrus fruit grower and nurseryman, Lake Jem, Fla.	1949
Nashville Branch		
Appointed by Federal Reserve Bank:		
B. L. Sadler	President, First National Bank in Harriman, Harriman, Tenn.	1947
Edward Potter, Jr.	President, Commerce Union Bank, Nashville, Tenn.	1948
L. R. Driver	President, The First National Bank in Bristol, Bristol, Tenn.	1949
W. G. Birdwell	Cashier, Citizens Bank and Trust Company, Carthage, Tenn.	1949
Appointed by Board of Governors:		
Clyde B. Austin	President, The Austin Company, Inc., Greeneville, Tenn.	1947
H. C. Meacham	Farmer, Franklin, Tenn.	1948
W. Bratten Evans	President, Tennessee Enamel Manufacturing Company, Nashville, Tenn.	1949
New Orleans Branch		
Appointed by Federal Reserve Bank:		
J. F. McRae	President, The Merchants National Bank of Mobile, Mobile, Ala.	1947
T. G. Nicholson	President, The First National Bank of Jefferson Parish at Gretna, Gretna, La.	1948
John Legier	President, National American Bank of New Orleans, New Orleans, La.	1949
W. S. Johnson	Executive Vice President, First National Bank of McComb City, McComb City, Miss.	1949
Appointed by Board of Governors:		
H. G. Chalkley, Jr.	President, Sweet Lake Land and Oil Company, Inc., Lake Charles, La.	1947
John J. Shaffer, Jr.	Planter, Ellendale, La.	1948
E. O. Batson	President, Batson-McGehee Company, Inc., Millard, Miss.	1949

District No. 7—Chicago

Class A:		
Vivian W. Johnson	President, First National Bank, Cedar Falls, Iowa	1947
Walter J. Cummings	Chairman, Continental Illinois National Bank and Trust Company of Chicago, Chicago, Ill.	1948
Horace S. French	President, The Manufacturers National Bank of Chicago, Chicago, Ill.	1949
Class B:		
Nicholas H. Noyes	Vice President in Charge of Finances, Eli Lilly and Company, Indianapolis, Ind.	1947
William C. Heath	President, A. O. Smith Corporation, Milwaukee, Wis.	1948
Wm. J. Grede	President, Grede Foundries, Inc., Milwaukee, Wis.	1949

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

		Term Expires Dec. 31
DIRECTORS—Cont.		
Class C:		
Simeon E. Leland	Dean, College of Liberal Arts, and Professor of Economics, Northwestern University, Evanston, Ill.	1947
Clarence W. Avery	President and Chairman, The Murray Corporation of America, Detroit, Mich.	1948
Paul G. Hoffman	President, The Studebaker Corporation, South Bend, Ind.	1949
Detroit Branch		
Appointed by Federal Reserve Bank:		
Charles T. Fisher, Jr.	President, The National Bank of Detroit, Detroit, Mich.	1947
Rudolph E. Reichert	President, Ann Arbor Bank, Ann Arbor, Mich.	1948
Charles A. Kanter	President, The Manufacturers National Bank of Detroit, Detroit, Mich.	1948
Appointed by Board of Governors:		
Prentiss M. Brown	Chairman, The Detroit Edison Company, Detroit, Mich.	1947
Ernest Gilbert	Farmer, Waldron, Mich.	1948

District No. 8—St. Louis

Class A:		
Tom K. Smith	Chairman of Board, Boatmen's National Bank, St. Louis, Mo.	1947
Phil E. Chappell	President, Planters Bank and Trust Company, Hopkinsville, Ky.	1948
G. R. Corlis	President, Anna National Bank, Anna, Ill.	1949
Class B:		
Louis Ruthenburg	President and General Manager, Servel, Inc., Evansville, Ind.	1947
A. Wessel Shapleigh	President, Shapleigh Hardware Company, St. Louis, Mo.	1948
K. August Engel	President, Arkansas Democrat Company, Little Rock, Ark.	1949
Class C:		
Douglas W. Brooks	President, The Newburger Company, Memphis, Tenn.	1947
J. P. Redman	Farmer, Cairo, Ill.	1948
Russell L. Dearmont	Chief Counsel for Trustee, Missouri-Pacific Lines, St. Louis, Mo.	1949
Little Rock Branch		
Appointed by Federal Reserve Bank:		
Geo. S. Neal	President, Bank of Russellville, Russellville, Ark.	1947
Chas. A. Gordon	Vice President, Simmons National Bank, Pine Bluff, Ark.	1948
Lloyd Spencer	President, First National Bank, Hope, Ark.	1948
Emmet Morris	Chairman, Worthen Bank and Trust Company, Little Rock, Ark.	1949
Appointed by Board of Governors:		
S. M. Brooks	President, Brooks Advertising Agency, Little Rock, Ark.	1947
Cecil C. Cox	Farmer, Stuttgart, Ark.	1948
Ralph E. Plunkett	President, Plunkett-Jarrell Grocer Company, Little Rock, Ark.	1949
Louisville Branch		
Appointed by Federal Reserve Bank:		
Wallace M. Davis	Vice President, Citizens Fidelity Bank and Trust Company, Louisville, Ky.	1947
Lee L. Persise	President, The State Bank of Salem, Salem, Ind.	1948
H. Lee Cooper	President, Ohio Valley National Bank, Henderson, Ky.	1948
A. C. Voris	President, Citizens National Bank, Bedford, Ind.	1949
Appointed by Board of Governors:		
E. J. O'Brien, Jr.	President, E. J. O'Brien & Company, Louisville, Ky.	1947
Geo. O. Boomer	President, The Girdler Corporation, Louisville, Ky.	1948
Rosco Stone	Farmer, Hickman, Ky.	1949
Memphis Branch		
Appointed by Federal Reserve Bank:		
W. P. Kretschmar	Chairman of Board, Commercial National Bank, Greenville, Miss.	1947
Norfleet Turner	President, First National Bank, Memphis, Tenn.	1948
H. W. Hicks	President, First National Bank, Jackson, Tenn.	1948
W. W. Campbell	President, National Bank of Eastern Arkansas, Forrest City, Ark.	1949
Appointed by Board of Governors:		
J. Holmes Sherard	President, Jno. H. Sherard & Son, Sherard, Miss.	1947
Leslie M. Stratton, Jr.	Executive Vice President, Stratton-Warren Hardware Company, Memphis, Tenn.	1948
Hugh M. Brinkley	Farmer, Hughes, Ark.	1949

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

DIRECTORS—Cont.

District No. 9—Minneapolis

		Term Expires Dec. 31
Class A:		
J. R. McKnight	President, Pierre National Bank, Pierre, S. D.	1947
F. D. McCartney	Vice President, First National Bank, Oakes, N. D.	1948
Clarence E. Hill	Chairman of the Board, Northwestern National Bank, Minneapolis, Minn.	1949
Class B:		
J. E. O'Connell	President, Eddy's Bakeries, Inc., Helena, Mont.	1947
Ray C. Lange	President, Chippewa Canning Company, Chippewa Falls, Wis.	1948
Homer P. Clark	Chairman of the Board, West Publishing Company, St. Paul, Minn.	1949
Class C:		
Roger B. Shepard	Chairman of the Board	1947
Paul E. Miller	Director, Agricultural Extension Division, University of Minnesota, Minneapolis, Minn.	1948
W. D. Cochran	W. D. Cochran Freight Lines, Iron Mountain, Mich.	1949

Helena Branch

Appointed by Federal Reserve Bank:		
B. M. Harris	President, Yellowstone Bank, Columbus, Mont.	1947
Theodore Jacobs	President, First National Bank, Missoula, Mont.	1948
E. D. MacHaffie	President, State Publishing Company, Helena, Mont.	1948
Appointed by Board of Governors:		
Malcolm E. Holtz	Agriculturist, Great Falls, Mont.	1947
R. B. Richardson	President, Western Life Insurance Company, Helena, Mont.	1948

District No. 10—Kansas City

Class A:		
W. L. Bunten	Executive Vice President, Goodland State Bank, Goodland, Kans.	1947
T. A. Dines	Chairman of the Board and President, United States National Bank, Denver, Colo.	1948
M. A. Limbocker	Chairman of the Board and President, Citizens National Bank, Emporia, Kans.	1949
Class B:		
L. C. Hutson	President and General Manager, Chickasha Cotton Oil Company, Chickasha, Okla.	1947
Willard D. Hosford	Vice President and General Manager, John Deere Plow Company, Omaha, Nebr.	1948
J. M. Bernardin	Lumberman, Kansas City, Mo.	1949
Class C:		
Robert L. Mehornay	President, North-Mehornay Furniture Company, Kansas City, Mo.	1947
Lyle L. Hague	Farmer and stockman, Cherokee, Okla.	1948
Robert B. Caldwell	Caldwell, Downing, Noble and Garrity, Kansas City, Mo.	1949

Denver Branch

Appointed by Federal Reserve Bank:		
P. K. Alexander	Vice President, The First National Bank of Denver, Denver, Colo.	1947
J. D. Allen	President, The First National Bank of Eagle County, Eagle, Colo.	1948
Albert K. Mitchell	Rancher, Albert, N. M.	1948
Appointed by Board of Governors:		
W. A. Alexander	Vice President and Assistant General Manager, The Denver Tramway Corporation, Denver, Colo.	1947
M. E. Noonen	Sheep rancher, Kremmling, Colo.	1948

Oklahoma City Branch

Appointed by Federal Reserve Bank:		
S. A. Bryant	President, The Farmers National Bank, Cushing, Okla.	1947
D. M. Tyler	First Vice President, Dewey Portland Cement Company, Dewey, Okla.	1948
Hugh L. Harrell	Vice President, First National Bank and Trust Company, Oklahoma City, Okla.	1948
Appointed by Board of Governors:		
Lloyd Noble	President, Noble Drilling Corporation, Tulsa, Okla.	1947
Rufus Green	Rancher and farmer, Duncan, Okla.	1948

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

DIRECTORS—Cont.

Omaha Branch

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
George W. Holmes	President, First National Bank, Lincoln, Nebr.	1947
Walter S. Byrne	General Manager, Metropolitan Utilities District of Omaha, Omaha, Nebr.	1947
Fred W. Marble	President, Stock Growers National Bank, Cheyenne, Wyo.	1948
Appointed by Board of Governors:		
L. E. Hurtz	President, Fairmont Creamery Company, Omaha, Nebr.	1947
Fred S. Wallace	Farmer, Gibbon, Nebr.	1948

District No. 11—Dallas

Class A:		
J. E. Woods	Chairman of Board, Temple National Bank, Temple, Texas	1947
Walter P. Napier	Chairman of the Board, Alamo National Bank, San Antonio, Texas	1948
J. Edd McLaughlin	Vice President, Security State Bank and Trust Company, Ralls, Texas	1949
Class B:		
W. F. Beall	President and General Manager, 3 Beall Brothers 3, Department Stores, Jacksonville, Texas	1947
J. R. Milam	President, The Cooper Company, Inc., Waco, Texas	1948
George L. MacGregor	Chairman of the Board, President and General Manager, Dallas Power and Light Company, Dallas, Texas	1949
Class C:		
G. A. Frierson	Frierson Company, Inc., Merchants, Frierson, La.	1947
R. B. Anderson	General Manager, W. T. Waggoner Estate, Vernon, Texas	1948
J. R. Parten	President, Woodley Petroleum Company, Houston, Texas	1949

El Paso Branch

Appointed by Federal Reserve Bank:		
J. E. Moore	President, First National Bank, Roswell, N. M.	1947
W. S. Warnock	Vice President, El Paso National Bank, El Paso, Texas	1948
W. Henry Wooldridge	President, Lone Star Motor Company, El Paso, Texas	1948
George G. Matkin	Vice President, State National Bank, El Paso, Texas	1949
Appointed by Board of Governors:		
Hal Bogle	Livestock and farming, Dexter, N. M.	1947
Dorrance D. Roderick	President, Newspaper Printing Corporation, El Paso, Texas	1948
Hiram S. Corbett	President, J. Knox Corbett Lumber Company, Tucson, Ariz.	1949

Houston Branch

Appointed by Federal Reserve Bank:		
John W. McCullough	President, Hutchings-Sealy National Bank, Galveston, Texas.	1947
James A. Elkins	President, City National Bank, Houston, Texas	1948
B. C. Roberts	President, Wharton Bank & Trust Company, Wharton, Texas.	1948
Melvin Rouff	First Vice President, Houston National Bank, Houston, Texas.	1949
Appointed by Board of Governors:		
J. E. Wheat	Attorney-at-Law, Woodville, Texas	1947
Ross Stewart	General Manager, C. Jim Stewart and Stevenson, Houston, Texas	1948
George A. Slaughter	Farming, Wharton, Texas	1949

San Antonio Branch

Appointed by Federal Reserve Bank:		
T. C. Frost	Vice President, Frost National Bank, San Antonio, Texas	1947
Robert D. Barclay	President, National Bank of Commerce, San Antonio, Texas	1948
C. L. Skaggs	President, The First National Bank of Weslaco, Weslaco, Texas	1948
Riley Peters	Executive Vice President, First State Bank, Kerrville, Texas	1949
Appointed by Board of Governors:		
J. M. Odom	General Contractor, Austin, Texas	1947
Henry P. Drought	Attorney-at-Law, San Antonio, Texas	1948
Holman Cartwright	Livestock and farming, Twin Oaks Ranch, Dinero, Texas	1949

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

DIRECTORS—Cont.

District No. 12—San Francisco

		Term Expires Dec. 31
Class A:		
Chas. H. Stewart	President, Portland Trust and Savings Bank, Portland, Ore.	1947
Carroll F. Byrd	Chairman of the Board and Executive Vice President, The First National Bank of Willows, Willows, Calif.	1948
William W. Crocker	President, Crocker First National Bank of San Francisco, San Francisco, Calif.	1949
Class B:		
St. George Holden	St. George Holden Realty Company, San Francisco, Calif.	1947
Reese H. Taylor	President, Union Oil Company of California, Los Angeles, Calif.	1948
Walter S. Johnson	President, American Box Corporation of California, San Francisco, Calif.	1949
Class C:		
William R. Wallace, Jr.	Attorney-at-Law, San Francisco, Calif.	1947
Harry R. Wellman	Director, Giannini Foundation of Agricultural Economics, University of California, Berkeley, Calif.	1948
Brayton Wilbur	President, Wilbur-Ellis Company, San Francisco, Calif.	1949

Los Angeles Branch

Appointed by Federal Reserve Bank:		
F. E. Snedecor	President, The First National Bank of Corona, Corona, Calif.	1947
M. Vilas Hubbard	President, Citizens Commercial Trust and Savings Bank of Pasadena, Pasadena, Calif.	1948
Frank L. King	President, California Bank, Los Angeles, Calif.	1948
Appointed by Board of Governors:		
Y. Frank Freeman	Vice President, Paramount Pictures, Inc., Hollywood, Calif.	1947
Fred G. Sherrill	Vice President, J. G. Boswell Company, Los Angeles, Calif.	1948

Portland Branch

Appointed by Federal Reserve Bank:		
E. B. MacNaughton	Chairman of the Board, The First National Bank of Portland, Portland, Ore.	1947
William C. Christensen	President, The Commercial National Bank of Hillsboro, Hillsboro, Ore.	1948
W. W. Flint	President, The First National Bank of Cottonwood, Cottonwood, Idaho	1948
Appointed by Board of Governors:		
Aaron M. Frank	President, Meier and Frank Company, Inc., Portland, Ore.	1947
R. B. Taylor	Livestock and farming, Adams, Ore.	1948

Salt Lake City Branch

Appointed by Federal Reserve Bank:		
D. F. Richards	President, American National Bank of Idaho Falls, Idaho Falls, Idaho	1947
Chas. L. Smith	President, The First National Bank of Salt Lake City, Salt Lake City, Utah	1948
John A. Schoonover	President, The Idaho First National Bank, Boise, Idaho	1948
Appointed by Board of Governors:		
Henry Aldous Dixon	President, Weber College, Ogden, Utah	1947
Merle G. Hyer	Livestock and farming, Lewiston, Utah	1948

Seattle Branch

Appointed by Federal Reserve Bank:		
Lawrence M. Arnold	Chairman of the Board, Seattle-First National Bank, Seattle, Wash.	1947
Benj. N. Phillips	President, The First National Bank in Port Angeles, Port Angeles, Wash.	1948
Fred C. Forrest	Chairman of the Board and President, The First National Bank of Pullman, Pullman, Wash.	1948
Appointed by Board of Governors:		
John T. Tenneson	President, Superior Packing Company, Seattle, Wash.	1947
John M. McGregor	Manager, McGregor Land & Livestock Company, Hooper, Wash.	1948

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

SENIOR OFFICERS OF FEDERAL RESERVE BANKS

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston	Laurence F. Whittemore William Willett	Robert B. Harvey[1] E. G. Hult E. O. Latham	Carl B. Pitman O. A. Schlaikjer R. F. Van Amringe
New York	Allan Sproul L. R. Rounds	E. O. Douglas J. W. Jones H. H. Kimball L. W. Knoke Walter S. Logan	A. Phelan H. V. Roelse Robert G. Rouse V. Willis R. B. Wiltse
Philadelphia	Alfred H. Williams W. J. Davis	Karl R. Bopp Robert N. Hilkert E. C. Hill	Wm. G. McCreedy C. A. McIlhenny P. M. Poorman[1]
Cleveland	Ray M. Gidney Wm. H. Fletcher	W. D. Fulton J. W. Kossin A. H. Laning[2]	B. J. Lazar Martin Morrison Donald S. Thompson
Richmond	Hugh Leach J. S. Walden, Jr.	R. L. Cherry Claude L. Guthrie[2] E. A. Kincaid	R. W. Mercer W. R. Milford C. B. Strathy Edw. A. Wayne
Atlanta	W. S. McLarin, Jr. L. M. Clark	P. L. T. Beavers V. K. Bowman J. E. Denmark Joel B. Fort, Jr.	T. A. Lanford E. P. Paris S. P. Schuessler
Chicago	C. S. Young Charles B. Dunn	Allan M. Black[1] Neil B. Dawes W. R. Diercks J. H. Dillard E. C. Harris	John K. Langum O. J. Netterstrom A. L. Olson Alfred T. Sihler
St. Louis	Chester C. Davis F. Guy Hitt	O. M. Attebery Wm. E. Peterson William B. Pollard	C. A. Schacht William H. Stead C. M. Stewart
Minneapolis	J. N. Peyton O. S. Powell	H. G. McConnell A. W. Mills[2] Otis R. Preston	R. E. Towle Sigurd Ueland Harry I. Ziemer
Kansas City	H. G. Leedy Henry O. Koppang	L. H. Earhart Delos C. Johns R. L. Mathes	John Phillips, Jr. G. H. Pipkin D. W. Woolley[2]
Dallas	R. R. Gilbert W. D. Gentry	E. B. Austin R. B. Coleman H. R. DeMoss W. E. Eagle	W. H. Holloway Watrous H. Irons L. G. Pondrom[2] Mac C. Smyth
San Francisco	C. E. Earhart H. N. Mangels	W. N. Ambrose D. L. Davis J. M. Leisner[2] W. L. Partner	C. R. Shaw H. F. Slade W. F. Volberg O. P. Wheeler

[1]Cashier. [2]Also Cashier.

NOTE: See p. 113 for note on Conference of Presidents.

DIRECTORS AND SENIOR OFFICERS OF FEDERAL RESERVE BANKS, Dec. 31, 1947—Cont.

VICE PRESIDENTS IN CHARGE OF BRANCHES OF FEDERAL RESERVE BANKS

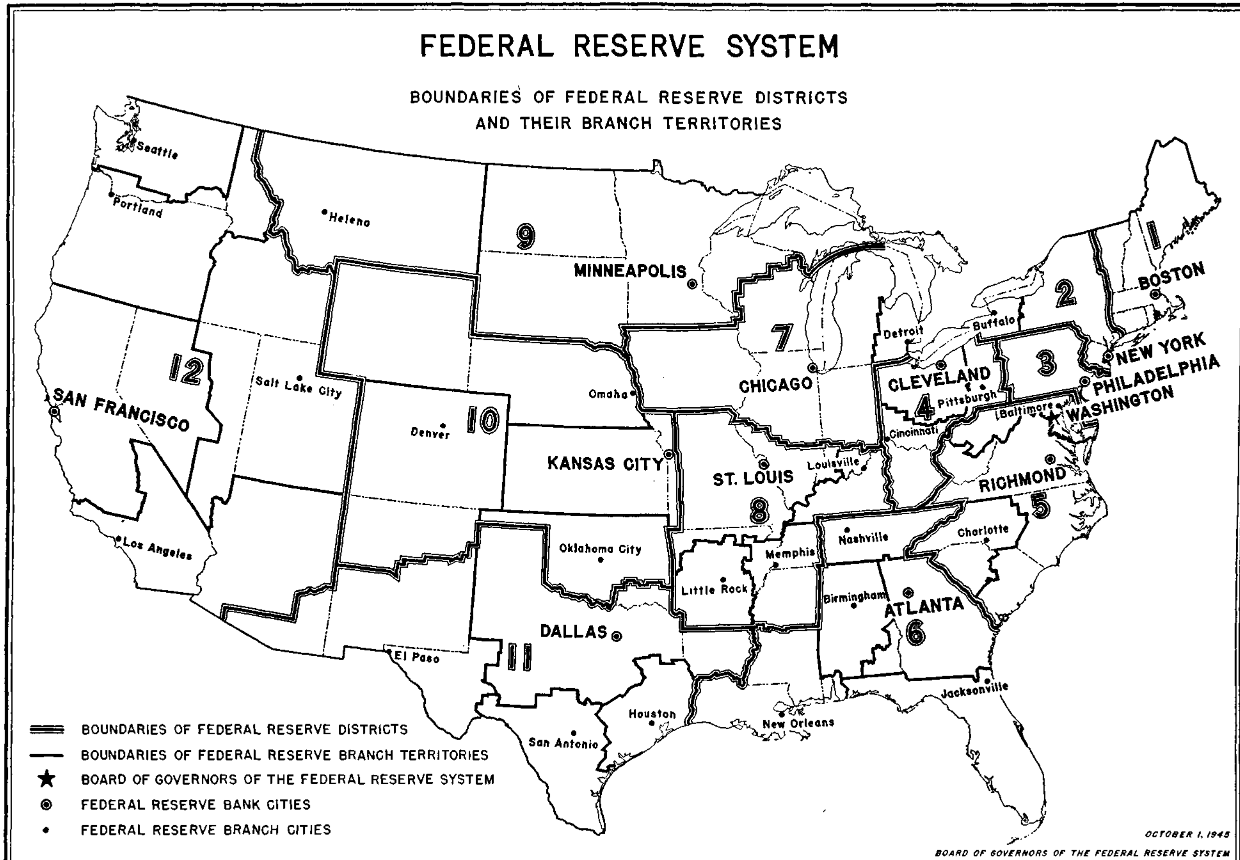
Federal Reserve Bank of—	Branch	Chief Officer
New York	Buffalo	I. B. Smith[1]
Cleveland	Cincinnati	B. J. Lazar
	Pittsburgh	J. W. Kossin
Richmond	Baltimore	W. R. Milford
	Charlotte	R. L. Cherry
Atlanta	Birmingham	P. L. T. Beavers
	Jacksonville	T. A. Lanford
	Nashville	Joel B. Fort, Jr.
	New Orleans	E. P. Paris
Chicago	Detroit	E. C. Harris
St. Louis	Little Rock	C. M. Stewart
	Louisville	C. A. Schacht
	Memphis	William B. Pollard
Minneapolis	Helena	R. E. Towle
Kansas City	Denver	G. H. Pipkin
	Oklahoma City	R. L. Mathes
	Omaha	L. H. Earhart
Dallas	El Paso	Mac C. Smyth
	Houston	W. H. Holloway
	San Antonio	W. E. Eagle
San Francisco	Los Angeles	W. N. Ambrose
	Portland	D. L. Davis
	Salt Lake City	W. L. Partner
	Seattle	C. R. Shaw

[1]General Manager.

Conference of Presidents

The Presidents of the Federal Reserve Banks are organized into a Conference of Presidents which meets from time to time to consider matters of common interest, and to consult with and advise the Board of Governors.

Mr. Sproul, President of the Federal Reserve Bank of New York and Mr. Davis, President of the Federal Reserve Bank of St. Louis, who had served during 1946 as Chairman of the Conference and Vice Chairman, respectively, were reelected to serve until the conclusion of the first meeting of the Conference held during or after February 1948. Mr. William F. Treiber, Assistant Vice President and Secretary of the Federal Reserve Bank of New York, who was appointed Secretary of the Conference in June 1946, continued to serve during 1947.



NOTE: There has been no change in district or branch territory boundaries since the publication of the description in the *Annual Report* of the Board of Governors for 1942, pp. 138-45.

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