

**FREE MARKETS  
AND  
FLEXIBLE INTEREST  
RATES**

*Annual Report of the Federal Reserve Bank of Philadelphia: Year 1952*



THE FEDERAL RESERVE BANK  
OF PHILADELPHIA

April 15, 1952

**THE ROLE OF  
FLEXIBLE INTEREST RATES  
IN PRINCIPLE AND IN PRACTICE  
DURING 1952**

THE FEDERAL RESERVE BANK  
OF PHILADELPHIA

April 15, 1953

*We are witnessing currently a renewed emphasis on the free-market mechanism as a way of conducting our economic affairs. One of the important segments of the free market is the money and credit market. And the price of money and credit—the interest rate—plays a strategic role in influencing the nature and level of economic activity.*

*This Annual Report for 1952, therefore, focuses on the principles underlying flexible interest rates and how they worked, in practice, during 1952.*

*Alfred H. Williams*  
President.

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OF PHILADELPHIA  
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## FREE MARKETS AND FLEXIBLE INTEREST RATES

*It is possible that a group of supermen could make decisions in a sounder way than the market, but such supermen are not likely to be found. Accordingly, the greatest measure of freedom and initiative will be obtained by relying on the changes in price arrived at in an orderly market rather than in attempting to dictate terms. This is the heart of our problem, and it will require the vigilance of all of us to preserve our liberty.*

—WILLIAM MCC. MARTIN, *Chairman  
Board of Governors of the  
Federal Reserve System*

Disciples of rigid economic planning never cease to wonder at the success of the American system of free enterprise. They find it particularly hard to understand how a society in which individuals are, in general, free to make the basic economic decisions can continue to set records in production as we did in 1952. The answer lies, to a large extent, in an economic organization which places a premium on freedom of the individual and has successfully harnessed the fundamental psychological motive of self-interest. In short, much of the answer lies in the free market.

Under this system, the various economic units of our society—workers, property owners, businessmen, and, most important, consumers—may buy, sell, trade, haggle, and in general do pretty much as they please in attempting to maximize their own well being. This “anarchy” of the market place under which consumers and producers seek to improve their own positions without economic directives handed down by a group

of supermen was one of the things which led Karl Marx, over one hundred years ago, to conclude that the capitalistic system would someday destroy itself. The internal collapse of capitalism which Marx predicted seems even less likely today.

A system like ours requires some means of welding together the actions of the millions of economic units so that the individual's attempts to make himself better off will be translated into the common welfare. This apparatus is the price mechanism, which transmits the desires of the consumer — who rightfully steers the course in our economic endeavors—to the producers of goods and services. In this way our productive resources are drawn into the lines of production preferred by the consumer.

But a system such as ours also requires utmost vigilance on the part of society to see that the privilege of economic freedom is not abused. We work on the principle that as individuals we can retain this freedom only so long as we do not infringe upon the rights of others. In line with this principle, we have enacted anti-trust and labor laws to control monopolistic activities by both business and labor, food and drug laws to prevent unscrupulous producers and merchants from manufacturing and selling impure products, and a variety of other legislation which may in the short run seem restrictive but is in the long run designed to strengthen and perpetuate the free-choice system.

In addition, frictions and immobilities which exist in the market sometimes prevent the allocation of resources according to the free choice of consumers. And the free-market mechanism is usually suspended during times of national emergency such as war. Under such conditions, when the survival of the nation is at stake, the goal of producing what consumers want must be discarded in favor of more pressing im-

mediate ends. In spite of all these important qualifications, in our economy the free market is the rule and the controlled market is the exception.

### **The Function of the Rate of Interest**

One of the most important but, unfortunately, one of the least understood of the millions of prices which are significant in our day-to-day activities is the interest rate, which performs the essential task of guiding production over time. The interest rate, as the price for borrowed funds, affects the total volume of goods and services people consume *today relative to the future*. That is, the rate influences decisions we make as to how much of our total resources we will use in expanding productive capacity and how much will be devoted to turning out goods which will be immediately consumed.

How does the interest rate do this? The answer is again through the price mechanism. Consumers who desire to postpone consumption save more; their higher saving pushes down the price of borrowed funds (the interest rate); and both the lower price and larger volume of funds available for borrowing induce producers—particularly those who are undecided as to whether to expand or not to expand—to increase their scale of operations. A reversal of consumer desires works in the opposite way. Also, if producers become more anxious to expand their operations, they will pay a higher price for funds and people may be induced to save more.

From time to time the relationship between consumers' desires to save and producers' desires to expand get out of hand. One reason this happens is because of the operation of a banking system which has the power to create and destroy money and can therefore increase or decrease the flow of funds to producers. Bank deposit expansion and contraction, how-

ever, is related to the availability of reserves which, when interest rates are flexible, is under the control of the central bank.

### **The Effects of Pegged Interest Rates**

When for some reason interest rates are pegged at levels below those which would prevail in a free market, the price in terms of today's consumption of devoting more of our output to long-run expansion of plants and equipment is understated. Low interest rates mean that credit is cheap and easily available, which causes producers to use more borrowed funds in financing long-term projects. The fact that interest rates would rise if allowed to do so indicates that people would like to devote less effort to long-run expansion and more to satisfying immediate desires. Consumer preferences are modified and an essential element of a truly free-choice system is lacking.

Maintenance of abnormally high interest rates works in just the opposite way. High rates overstate the price of expanding our productive plant and tend to slow down the rate of economic growth. Again, consumer desires are modified and free choice is impaired.

During most of the period from 1942 to 1951, the Federal Reserve System, because of the exigencies of war finance and, afterwards, concern over the stability of the market for Government securities, followed policies designed to keep the rates on United States Government securities at levels which practically all observers agree were below those that would have prevailed in a free market. In order to prevent rates from rising, the Federal Reserve purchased Government securities from the market whenever lenders wanted extra funds for private credit expansion. This action of supplying reserves to

lenders, coupled with the fact that rates on Government securities serve as benchmarks for rates on private credit instruments, resulted in a relatively low level of interest rates on all types of credit instruments. Just two years ago rates on Government securities were freed and interest rates in general have since risen to heights considerably above those which existed in the years of market stabilization.

Thus consumers and producers once again are making economic decisions in a market characterized by flexible interest rates. With interest rates free to rise or fall in response to changes in supply and demand in a free market, decisions of consumers to save more or less are more likely to be reflected in changes in rates. These changes will in turn affect decisions of producers who are marginal as to expansion—that is, those who are undecided whether to add a wing to the plant or those who are contemplating the purchase of some additional machinery. The wishes of the ultimate consumer are, therefore, once more the basic guides to economic activity.

### **Flexible Interest Rates and the Treasury**

The new policy in regard to interest rates is important to the Treasury, too. The inauguration of a regime of flexible rates which has been preceded by an era of abnormally low controlled rates naturally results in an increase in interest payments on the Federal debt and, other things remaining equal, an increase in budget expenditures. This would appear to be unfortunate during a period of high Governmental expenditures for national defense when the problem of combating a deficit is ever present. "Other things," however, do not remain equal.

Restoration of flexible interest rates facilitates the control of inflation—the central bank no longer has to create new

funds at whatever pace may be necessary to hold down interest rates—which in turn acts as a damper on the cost of Government purchases; inflation strikes just as heavily at the Government as any other spender. In this respect, the old adage "an ounce of prevention is worth a pound of cure" may be applicable. In 1952, interest on the Federal debt amounted to only \$6 billion as compared with total budget expenditures of \$71 billion. Thus even a 33 1/3 per cent (\$2 billion) increase in interest payments would be economical, insofar as total expenditures are concerned, if the monetary policies which gave rise to the higher payments prevented a rise in prices of only 5 per cent, since an increase in prices of this amount would cause Government expenditures to rise by about \$3 billion. It is therefore quite possible that flexible rates will prove to be helpful in the attempt to curtail Federal spending.

The Treasury is also affected in the field of debt management. At the present time, over \$73 billion of public marketable obligations mature within one year. The Treasury therefore faces a continual refunding problem which, it has been argued, cannot be carried out efficiently under conditions of flexible rates. Experience during 1952 would seem to cast doubt on this argument, as the discussion on pages 17-18 of a major borrowing operation carried out last summer illustrates. It appears that so long as the Treasury properly gauges the state of the market and prices its new issues accordingly, the debt can be managed quiet well. If the Treasury is successful in its attempt to lengthen the maturity of the debt, the management problem may be reduced even more.

### **Flexible Interest Rates and the Federal Reserve**

As significant as flexible interest rates are to the Treasury, the Federal Reserve in its attempts to promote stable economic conditions has even more at stake. A policy of stabilizing

rates on Government securities at levels lower than would prevail in a free market requires that the central bank, in effect, guarantee the liquidity of Government securities. Under such conditions, control of the money supply is relinquished to the many holders of these instruments, and the central bank must resort to other than the traditional general devices in carrying out its basic function. These alternative measures may include selective instruments which are designed to control the uses to which credit is put. The effectiveness of such techniques is open to question when the total quantity of means of payment is outside of central bank control. When flexible rates are permissible, on the other hand, Federal Reserve authorities are free to follow policies of expansion, contraction, or neutrality as the situation warrants.

Flexible interest rates, in other words, are a necessary condition of flexible Federal Reserve policy. The System cannot at the same time stabilize interest rates at levels below or above those which would prevail in a free market and carry out the monetary policies which are best suited to the economic environment of the day.

Two years of experience lend support to the judgment that the advantages of permitting interest rates to fluctuate in response to market forces far outweigh the disadvantages. This is not in the least surprising to those who believe in the superiority of the price mechanism for directing economic activity. Frozen interest rates are no more appropriate to a free-choice society than are frozen wages. In the final analysis, the interest rate is, after all, nothing more than a price.

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## REVIEW OF 1952

The effect of flexible interest rates on economic developments in 1952 is, of course, impossible to measure. It is hard even to trace. The record for the year shows that businesses, consumers, and Government spent heavily and financed much of their spending by credit. In fact, the expansion of private credit was one of the largest we have ever had in peacetime. But credit was more expensive and harder to come by; and a large part of the credit expansion was offset by increased savings. On top of that, our factories and farms turned out goods at a rate unprecedented in peacetime, so that there was a pretty good balance between production and spending. Prices were relatively stable.

This is what the record shows. No one would claim that the Federal Reserve's policy of moderate restriction working through the cost and availability of bank reserves brought about this balance. But it undoubtedly helped.

In the following pages the charts and text spell out this story in more detail.

### **Expansion of Credit**

Greater spending and heavier demand for credit went hand in hand during 1952, as is shown in the charts on pages 10-11.

*Businesses* spent a record amount for new plant and equipment, but because they had less funds from internal sources to finance these expenditures, they were forced to go outside for credit. During 1952, they raised more new money from security issues than they had in any other year in their history. Businessmen spent large amounts for short-term purposes, too, but largely because inventories were increasing at nowhere near the rate they did in 1950 and 1951, the rise in

short-term business borrowing from banks was the smallest in three years.

*Home buyers* spent more and borrowed more than they ever had except in the record year 1950. More houses were built in 1952 than in 1951 (although not quite as many as in 1950), but fewer apartments were built, and commercial structures were held back by materials controls. As a result, borrowing for these purposes fell off, and by enough to bring total mortgage borrowing below 1951 and 1950.

During most of the year, mortgage lending was subject to selective credit restrictions. These were relaxed in the spring and removed entirely, in the case of conventional loans, in the fall. Requirements on FHA-insured and VA-guaranteed loans were relaxed to levels prevailing around mid-1950. There was no strong evidence that lenders actually eased their terms substantially following relaxation of the restrictions, however, and the reluctance of lenders to make 4 per cent veterans' loans continued to restrict this sector of the mortgage field.

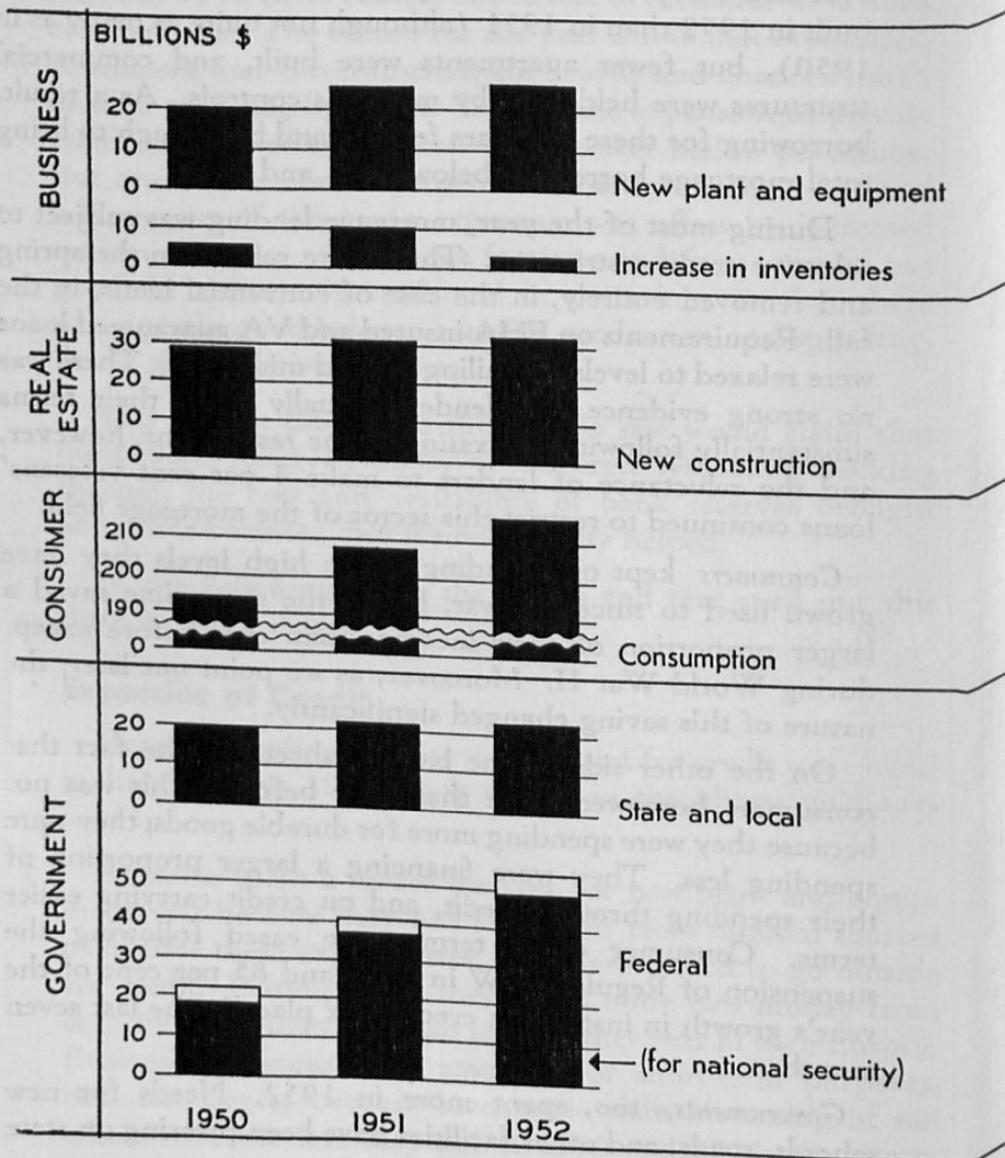
*Consumers* kept on spending at the high levels they have grown used to since the war, but at the same time saved a larger proportion of their incomes than ever before except during World War II. Moreover, as we point out later, the nature of this saving changed significantly.

On the other side of the balance sheet was the fact that consumers borrowed more than ever before. This was not because they were spending more for durable goods; they were spending less. They were financing a larger proportion of their spending through credit, and on credit carrying easier terms. Consumer credit terms were eased following the suspension of Regulation W in May, and 85 per cent of the year's growth in instalment credit took place in the last seven months.

*Governments*, too, spent more in 1952. Needs for new schools, roads, and other facilities have been pressing on state

# HAND IN HAND DURING 1952

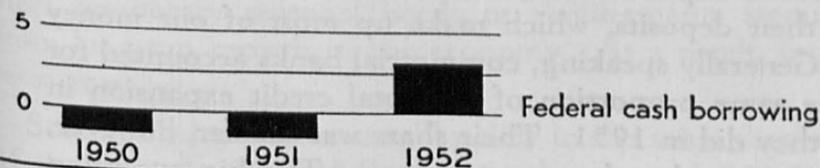
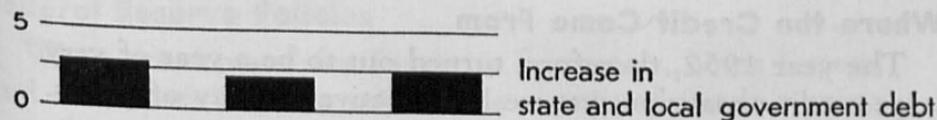
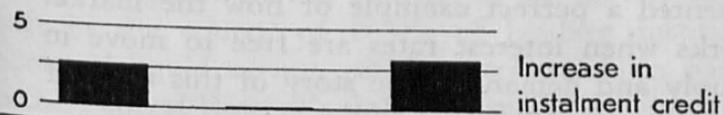
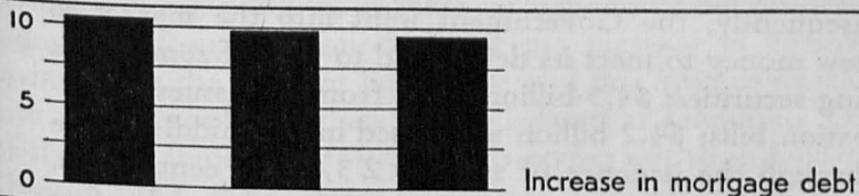
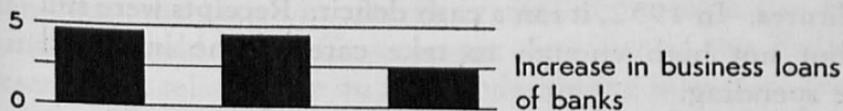
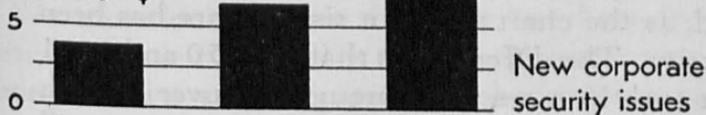
greater spending . . .



# WENT . . .

## and credit expansion

BILLIONS \$



1950

1951

1952

and local governments ever since World War II. And ever since the war these political units have been increasing their debt. The year 1952 was no exception.

The Federal Government presents a different picture, however. On the spending side the record is one of rapid increase since Korea, and, as the chart shows, a rising share has been for national security. The difference is that in 1950 and 1951 the Government took in more than enough to cover its cash expenditures. In 1952, it ran a cash deficit. Receipts were still high, but not high enough to take care of the increased defense spending.

Consequently, the Government went into the market to raise new money to meet its deficit and to pay off some of its maturing securities; \$4.5 billion came from two issues of tax-anticipation bills; \$4.2 billion was raised in the middle of the year through the issuance of six-year  $2\frac{3}{8}$  per cent bonds. This issue was significant not only because it was the first issue of marketable bonds for new money in six years, but also because it presented a perfect example of how the market mechanism works when interest rates are free to move in response to supply and demand. The story of this issue of  $2\frac{3}{8}$ s is given on pages 17-18.

### **Where the Credit Came From**

The year 1952, therefore, turned out to be a year of very large credit expansion; yet we had relative stability of prices. Why?

One place to look for an answer is in the sources of credit expansion — whether non-banks or banks; for when commercial banks expand their loans and investments, they also increase their deposits, which make up most of our money supply. Generally speaking, commercial banks accounted for about the same proportion of the total credit expansion in 1952 as they did in 1951. Their share was smaller, however, than in 1950 and early post-war years. The big exception

to this statement was in consumer instalment credit where commercial banks extended a larger part of the total than at any time since World War II. On the other hand, the expansion of bank loans to business was less than in either 1950 or 1951.

We must look further than this to where the lenders, in turn, got their funds. We find that a larger part came from savings, and a smaller part from the creation of new funds than was the case in recent years. Non-bank lending institutions sold fewer Government securities to the Federal Reserve and relied more on the funds coming into them from savings. The importance of these savings should not be underestimated. Roughly, four-fifths of the increase in personal savings took the form of liquid assets of one kind or another into which people put their money instead of spending. One of the most important forms of this saving was time deposits. During 1952, the increase in savings accounts made up an exceptionally large proportion of total savings, and constituted over half of the increase in our money supply. This shift in the source of funds of lending institutions, this increased liquid saving, can be attributable in part, at least, to the Federal Reserve's policy of moderate restriction.

### **Federal Reserve Policies**

When the demand for funds by businesses, home buyers, and consumers tends to outrun the supply of funds coming out of savings, interest rates tend to rise — unless the Federal Reserve steps in to make the deficient supply available by creating new reserves. During 1952, the Federal Reserve consistently held back from supplying reserves except to meet temporary seasonal needs or requirements stemming from long-run growth of the economy. As a result, interest rates rose.

Some called this a "neutral" policy in the sense that much of the time the Federal Reserve neither provided nor with-

drew funds. But the result during most of the year was restriction. Money was more costly. Treasury bills, which were yielding 1.7 per cent at the beginning of the year broke through 2 per cent toward the end. The rate on Federal funds — that is, the rate one bank charges another for excess reserves overnight — was at or near its ceiling of  $1\frac{11}{16}$  per cent, right under the discount rate, for at least three-fourths of the year. Banks charged higher rates on their short-term loans to business.

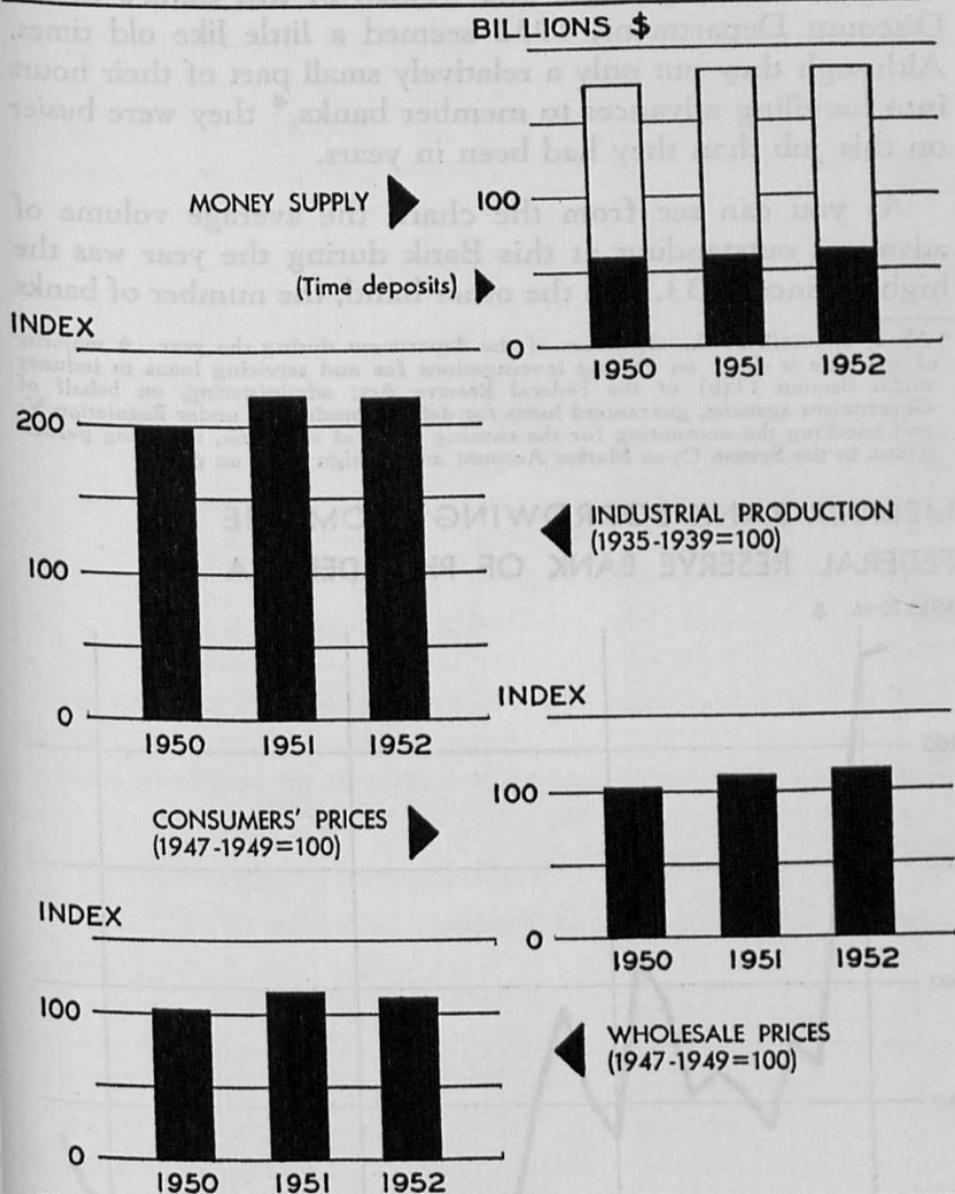
As the demands for credit pressed against the difficulty and greater cost of getting reserves, banks more and more borrowed from the Federal Reserve Banks. This revival of borrowing is one of the most important new developments in Federal Reserve policy, and we discuss it further beginning on page 16.

In general, policy actions were centered increasingly on over-all methods of influencing the cost and availability of reserves rather than on restricting credit going into particular uses. Regulation W, governing consumer credit, and the Voluntary Credit Restraint Program were discontinued in May. Regulation X, governing real estate construction credit, was removed in October. This greater reliance on over-all measures allows greater latitude for bankers to allocate funds to the most deserving use. It is part of the swing toward freer markets, which we discussed at the beginning of this report.

### **Money, Production, and Prices**

The charts on the opposite page show the 1952 picture in summary. Although people had more money available to spend, most of the increase in the money supply during the year was in time deposits which people apparently intended to hold idle. At the same time, production—in physical terms—stayed high. Consumer prices rose somewhat, but wholesale prices actually fell. The picture is one of general stability at high levels of activity.

# MONEY, PRODUCTION, AND PRICES



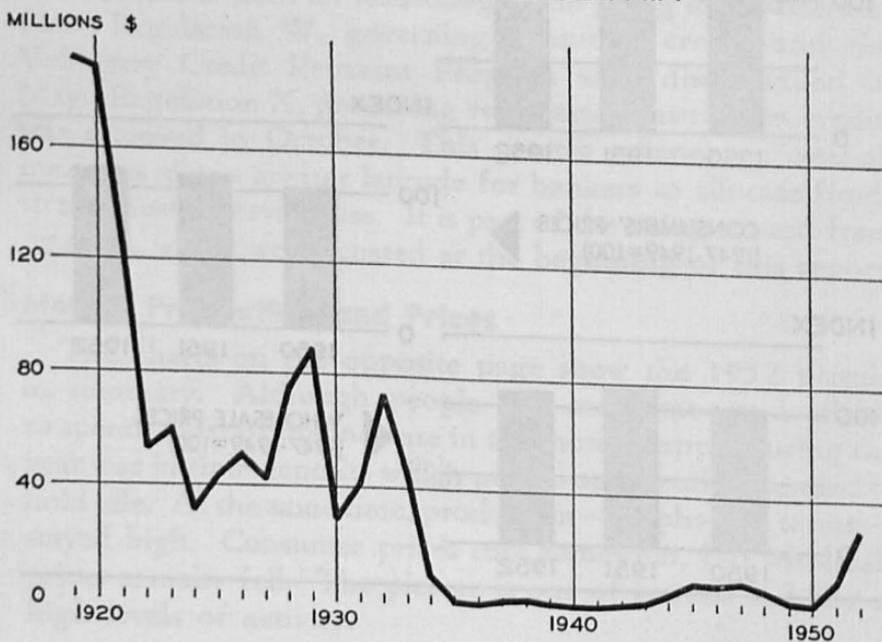
## LENDING TO MEMBER BANKS

To the seventeen men and women of this Bank's Credit-Discount Department, 1952 seemed a little like old times. Although they put only a relatively small part of their hours into handling advances to member banks,\* they were busier on this job than they had been in years.

As you can see from the chart, the average volume of advances outstanding at this Bank during the year was the highest since 1933. On the other hand, the number of banks

\* About one-sixth of the manhours of the department during the year. A majority of the time is spent on making investigations for and servicing loans to industry under Section 13(b) of the Federal Reserve Act; administering, on behalf of Government agencies, guaranteed loans for defense production under Regulation V; and handling the accounting for the earning assets of the Bank, including participation in the System Open Market Account and foreign loans on gold.

### MEMBER BANK BORROWING FROM THE FEDERAL RESERVE BANK OF PHILADELPHIA



One of the fascinating things about free markets is that they are basically simple yet, in their detailed workings, extremely complicated. In 1952, the money market and Government security market gave us an illuminating example of this in connection with the new issue of 2 3/8 per cent bonds mentioned on page 12.

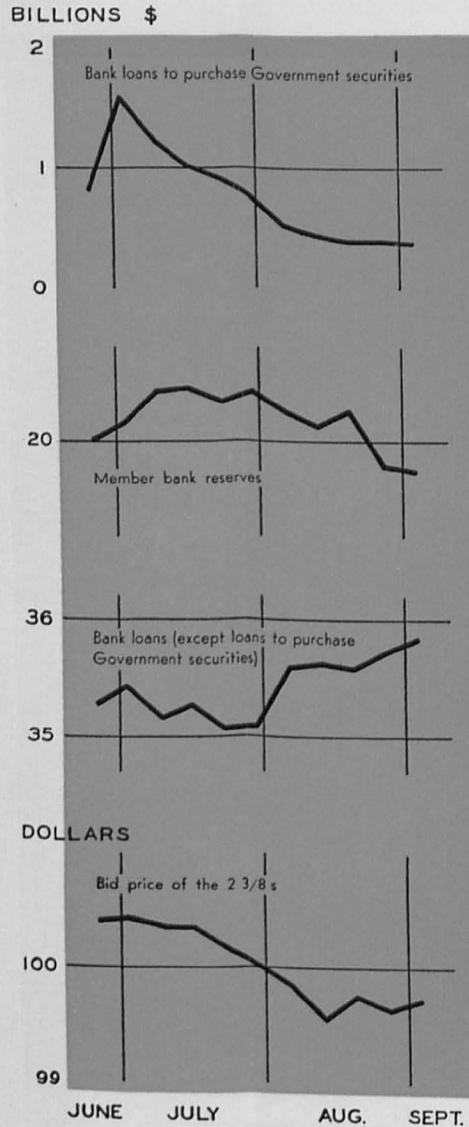
The story really began in the spring when the Treasury reopened the 2 3/4 per cent long-term, non-marketable bonds originally offered in March 1951. These securities were offered for cash or in exchange for ineligible 2 1/2 per cent bonds provided the investor added one-fourth cash of his own. The results of this offering were as follows:

- \$1,307 million of 2 1/2s presented for exchange
- \$ 452 million total cash subscriptions
  - \$132 million subscriptions by Government trust accounts
  - \$320 million new money obtained from private investors

This was disappointing.

Therefore, in preparing for the next issue of securities for new money, the Treasury made even greater efforts to price the issue attractively—interest rate of 2 3/8 per cent and maturity of six years. Non-bank investors were allowed all they wanted, but in the interests of holding down the expansion of bank credit the Treasury restricted allotments to commercial banks to \$100,000. It was feared, however, that banks would buy large amounts of the issue in the market, thus expanding bank credit and contributing to further inflation.

The charts show what actually happened.



**1** Speculators, expecting the price of the issue to rise as banks bought, borrowed from banks just before the securities were issued on July 2.

**3** But the Federal Reserve refrained from buying securities and kept reserves tight.

**5** Banks began to expand loans to home buyers, businessmen, and consumers.

**7** Although the 2 3/8s were at first traded at about 100 1/2, they soon declined below par. The "free-ride" failed to materialize.

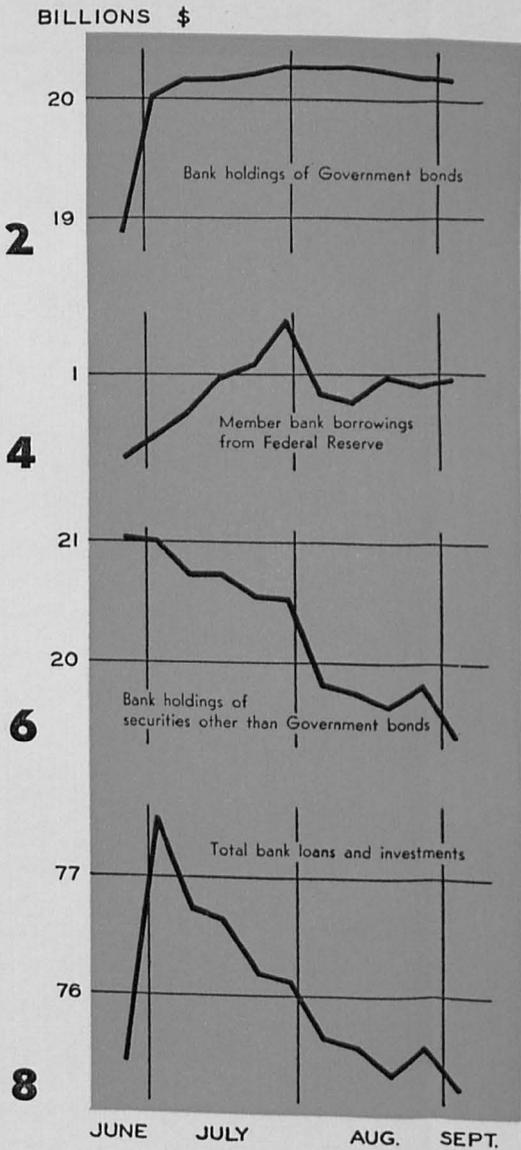
# STORY

Commercial banks increased their holdings of bonds as they subscribed to the 2 3/8s and later bought in the market.

Banks borrowed temporarily from the Federal Reserve as their reserve positions tightened, but soon reduced their borrowings.

The funds to buy the 2 3/8s, to pay down borrowings at the Federal Reserve, and to expand loans came from sales of short-term Governments — mostly Treasury bills. These were bought by non-bank investors attracted by the higher rates.

And although bank holdings of bonds and bank loans had increased, holdings of short-term Governments had declined enough to produce no net change in total loans and investments. The Treasury had succeeded in raising over \$4 billion of new money without any net increase in bank credit.



This experience with the 2 3/8s tells us several useful things about the workings of a market in which interest rates are flexible. It shows that an open market policy focused on the cost and availability of reserves, can hold down the expansion of bank credit. It indicates that non-bank investors will buy securities when market forces make the rates attractive enough. In fact, flexible interest rates were the key to the entire 2 3/8s story. As the Federal Reserve exercised restraint, rates rose and non-bank investors bought the bills which banks sold. There was no net creation of new reserves or bank credit.

Another lesson of the 2 3/8s story is that discounting has advantages over buying Government securities as a way of supplying reserves. Reserves provided by discounting have a string on them and are more likely to be returned.

Finally, experience with the 2 3/8s demonstrates how Federal Reserve policy works in an over-all manner. Restraint was simply exercised over total reserves; and so long as total bank credit did not increase, banks were free to work out their portfolio distribution however they pleased.

When monetary and debt management policies are integrated effectively, as they were in this case, they can help to restrain wide swings in the flow of money and credit, thus contributing to economic stability. And when they work through a market in which interest rates are flexible, they permit, at the same time, a maximum of freedom.

accommodated, although large historically, was not exceptional compared with recent years. This indicates an important fact about the revival of member bank borrowing, which we mentioned on page 14; heavier activity in this District was not caused by more banks resorting to borrowing but by banks which *were* borrowing coming in more often, for larger amounts, and for a longer time.

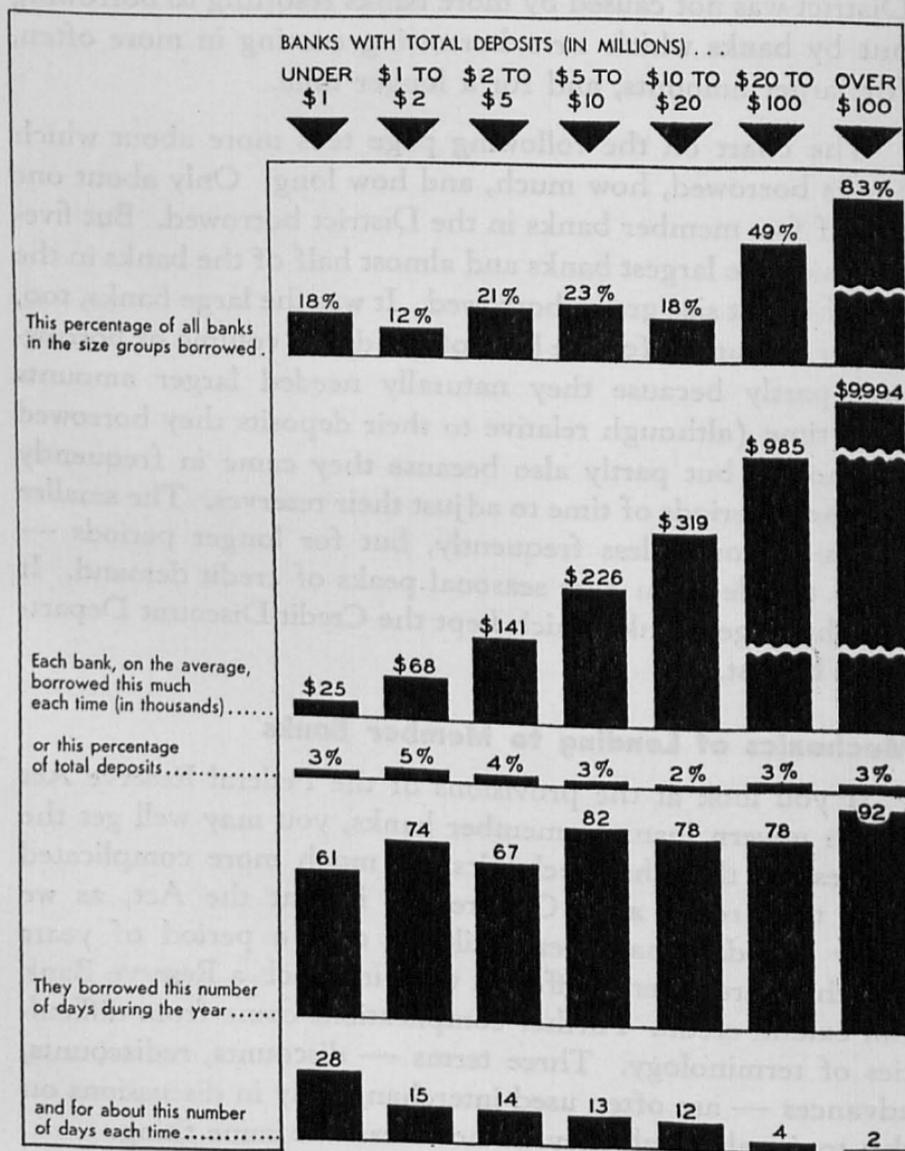
The chart on the following page tells more about which banks borrowed, how much, and how long. Only about one out of five member banks in the District borrowed. But five-sixths of the largest banks and almost half of the banks in the next highest size group borrowed. It was the large banks, too, which accounted for the bulk of the dollar volume of borrowing, partly because they naturally needed larger amounts each time (although relative to their deposits they borrowed no more), but partly also because they came in frequently for short periods of time to adjust their reserves. The smaller banks borrowed less frequently, but for longer periods — often to tide them over seasonal peaks of credit demand. It was the larger banks which kept the Credit-Discount Department busiest.

### **Mechanics of Lending to Member Banks**

If you look at the provisions of the Federal Reserve Act which govern loans to member banks, you may well get the impression that the mechanics are much more complicated than they really are. One reason is that the Act, as we know it today, has been built up over a period of years and there are several different ways in which a Reserve Bank can extend credit. Further complications come from difficulties of terminology. Three terms — discounts, rediscounts, advances — are often used interchangeably in discussions on this topic, although they do not mean the same thing.

# SOME DETAILS IN MEMBER BANK BORROWING IN 1952 . . .

*Which banks, how many, how long* (Third Federal Reserve District)



The Act provides, first of all, that the Reserve Banks may discount eligible paper presented by member banks. To be eligible, the paper must meet a number of tests, including maturity within three months (nine months in the case of agricultural paper); it may consist of notes, bills of exchange, and drafts, but must involve some kind of commercial, industrial, or agricultural transaction. The Act uses the term "rediscount" infrequently, but this is an accurate description of what happens in cases where an instrument which has already been discounted with a lender is discounted again by a bank with the Reserve Bank.

A discussion of discounts or rediscounts of commercial paper, however, is academic today. Lending to member banks now is on the basis of discount of promissory notes — the Act calls these "advances." Collateral which may be used includes paper eligible for discount, but in practice Government securities are used almost exclusively. One part of the Act says that the maturity of loans secured by Governments is limited to fifteen days; but because the Act was amended in 1933 to permit such advances up to ninety days to any individual, partnership, and corporation, and because member banks are corporations, advances to member banks may run up to ninety days.

For the record, one other provision of the Act should be mentioned, but it is seldom used. Section 10(b), added in 1932, provides that a Reserve Bank may make an advance up to four months to a member bank on any security satisfactory to the Reserve Bank. The rate on such advances is one-half per cent higher than the regular discount rate.

Although all this may seem complicated (and it is considerably abbreviated here) the actual procedure followed in practically all cases is simple. Before borrowing, a bank files

with the Reserve Bank a resolution certifying that the board of directors of the member bank has authorized a specified officer or officers to borrow, sign collateral notes, and take such other steps as may be necessary to effect the advance and repayment of the credit. This authorization, once filed, remains effective until cancelled or altered by specific written notice. When the bank wants to borrow it submits its note and collateral. The Government securities used as collateral usually are held at the Reserve Bank for safekeeping and are simply switched on the books. The member bank gets an immediate credit to its reserve account for the amount of the loan less the interest charged. (Although these loans are called "advances," they are nevertheless made on a discount basis.)

Each note has a specified maturity, and when the note matures the borrowing bank's reserve account is automatically charged. Large city banks usually borrow on one-day notes — in fact, almost one-half of all the notes put on for Philadelphia banks during 1952 were for one day, and about four-fifths of them were for less than five days. In the case of country banks, the maturities of notes are longer, but very few run as long as the maximum of ninety days. Only one out of six notes of country banks ran for less than five days; but half were up to fourteen days, and an additional one-fourth were for exactly fifteen days. Repayments are often made in instalments, and occasionally a bank which has paid back part of one note will find it necessary to borrow on a new note; some banks may have several notes outstanding at the same time. In all cases, whether city or country banks, if a bank wants to borrow for a longer period than the term of the original note, it must pay the first note off and submit a new one.

The maturity of the note, therefore, does not necessarily show how long a bank may be borrowing continuously. Figures on this show that, on the average, during the year the largest banks borrowed for five days straight (although not necessarily for the same amount) while the smallest banks borrowed continuously for 52 days.

Because the procedure is so simple, the work of handling an average of \$29 million of advances is not great. This is quite different from the job of processing an average of \$190 million discounts in 1920, each one being made on some particular kind of commercial paper which had to be analyzed and evaluated as to eligibility and soundness.

### **Lending Policy**

Although the mechanics of lending are now reduced pretty much to routine, there are important questions of policy involved in making loans to member banks. The Federal Reserve Act gives the Reserve Banks heavy responsibilities. It provides that they may —

extend to each member bank such discounts, advancements, and accommodations *as may be safely and reasonably made with due regard for the claims and demands of other member banks, the maintenance of sound credit conditions, and the accommodation of commerce, industry, and agriculture* . . . Each Federal reserve bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the main-

tenance of sound credit conditions; and, *in determining whether to grant or refuse advances, rediscunts, or other credit accommodations, the Federal reserve bank shall give consideration to such information.* (Italics added.)

Underlying this provision is the basic philosophy that borrowing from the Federal Reserve is a privilege, not a right. It means, for example, that a Reserve Bank may want to look very closely into any situation in which a member bank has been a continuous borrower for a long period. Or, as another example, Federal may refuse to lend to a bank which is interested primarily in borrowing to reduce its tax liability.

As lending to member banks becomes a relatively larger source of reserves, policy decisions made at the Reserve Banks become more important. This applies not only to policies along the above lines, but also to the discount rates which are established, subject to review and determination of the Board of Governors, by the Reserve Banks.

For about two decades, practically the only source of Reserve Bank credit was from open market purchases of Government securities by the System. When banks sold Government securities, they often were not aware that the ultimate source of reserves was the Federal Reserve. In a sense, reserves often came in the back door; the purchase of Governments in New York by the Open Market Committee put new reserves into the market, but as the reserves eventually spread around, banks had no way of knowing how they were originally generated. When banks borrow, however, reserves come in the front door; banks know they come from the Federal Reserve Bank. This is a source of strength in relations between the Reserve Bank and its member banks, and helps to make credit policies more effective.

Lending policies are made more effective also by the general reluctance of banks to be in debt to the Federal Reserve for very long. Banks particularly dislike showing borrowings on their published statements. As an example, although 42 banks were borrowing from this Bank on an average day during December, only 18 were still in debt by the close of business on December 31. While they are in debt, banks tend to be more cautious in expanding credit and tend to use any inflow of reserves to pay off their borrowings. The Federal Reserve can, therefore, discourage an expansion of credit by selling Government securities; as banks borrow to replenish reserves they are less anxious to expand credit. On the other hand, it can encourage expansion by buying Government securities; as banks get more reserves they can pay off their borrowings and increase credit more vigorously.

These inter-relationships between open market operations and discounts remind us that lending policies do not work in a vacuum. They are an inseparable part of over-all policies by which the Federal Reserve, through changes in the cost and availability of bank reserves, attempts to foster economic stability at high levels. But the fact that lending to member banks is growing means that the twelve Federal Reserve Banks, and within those Banks the people who make and administer lending policies, have a greater responsibility for achieving this objective.

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## RESERVE BANK OPERATIONS

Nineteen fifty-two was a year of further expansion in the operations of the Federal Reserve Bank of Philadelphia. These operations, involving large totals and often shifting substantially from day to day, challenge the efforts and abilities of the nearly 1,200 people on the staff of the Bank. While contributing very directly to the efficient operation of the economy, they are meshed so smoothly into the banking structure as to attract little public notice.

A record number of ordinary checks — 169 million — was handled, more than half again as many as a decade earlier. The volume of Government checks was the largest since post-war 1946, and more than 23 million postal money orders were processed in 1952, the first full year for this type of operation. Increasing use has been made of motor carriers to expedite the delivery of checks to this Bank. More than 100 banks within a radius of 100 miles are so served. Collections also are being facilitated by the operation of 26 group clearings systems and the wire settlement of balances for 18 clearing houses.

Operations of the Cash Department involve huge sums, measured either in units or in dollars. In addition to the new notes handled in bulk, 304 million pieces of used currency were counted during 1952, a new high point. The demand for coin continued heavy, but the number of pieces counted declined from 480 to 413 million pieces. Coin, to a greater extent than currency, tends to stay in circulation, partly because of direct shipments between banks and postal limitations on shipments.

With expansion in bank credit and the money supply, bank reserves were under pressure during 1952. This was reflected in heavier borrowing from this Bank. The number of banks accommodated decreased slightly, but the volume of discounts

and advances increased from \$1.5 billion in 1951 to \$5.1 billion in 1952, and the average daily balance outstanding from \$11 million to \$29 million. Inquiries for 13 (b) loans, mostly to finance defense production contracts, and for loan guarantees under the provisions of Regulation V were less numerous than in 1951.

Mixed changes were shown in fiscal agency activities performed for the Federal Government. Sales and redemptions of savings bonds were somewhat larger in number than a year earlier, and revision in the terms of Series E Bonds led to a great deal of work in supplying issuing agents with new-type bonds in place of the old. There was a decline, however, in the number of marketable securities issued, redeemed or exchanged, owing in part to the fact that the Government did not exercise its right to call several bond issues for redemption. Payments of Government coupons also declined.

Turning to other activities, the figures show that transfers of funds have been climbing year by year and that the volume of securities held in custody for member banks continues to rise slowly. Purchases and sales of securities for member banks declined in number, but dollar volume was maintained. Further expansion from 292,000 to 336,000 was reported in the number of depositary receipts for withheld taxes handled by the Bank. The regulation of consumer and real estate credit under Regulations W and X was discontinued in the course of the year.

The visitor to the Bank finds many desks and much machinery. Increasing mechanization and other improvements in methods naturally are designed to promote efficiency. This efficiency is measured not merely by the effect on costs but also by the extent to which it enables the Bank to give better, prompter service to banks, the Government, and the public.

Linked with improved service is the endeavor to foster a better understanding of the what, the why, and the how of Reserve Bank operation, whether in the field of service or in the area of monetary and credit policy. These objectives are pursued through meetings in the field with bank officers and directors from the District, hundreds of visits to individual banks, the loan of films depicting operations, addresses, and tours of the Bank for students and many other visitors.

The staff of the Department of Research participates in bank and public relations activities. Basically, the function of the Department is to assemble and analyze statistical and other information bearing on banking and business to provide a sound factual basis for policy determination. Going beyond this, every effort is made to channel valuable data back to banks and the general public through statistical releases, publications, speeches, and participation in meetings.

The Bank realizes its obligation to maintain operations, insofar as possible, in the event of disaster. To this end, plans were completed and put into operation for the maintenance of duplicate records outside the city.

An efficient plant and staff require efficient housing. During the year, work started actively on changes in the Bank building. Complete air-conditioning, partial revamping of the lighting system, the provision of badly needed extra space, and replacement of elevators are the principal features of the program.

## **Directors and Officers**

In the fall, Bernard C. Wolfe was elected by the banks of Group 3 to serve as a Class A director for a term of three years beginning January 1, 1953. He succeeds J. Nyce Patterson. Charles E. Oakes, completing an unexpired term as a Class B director representing Group 1, was reelected for a full term.

As the year drew to a close, Warren F. Whittier, a Class C director since 1939 and Chairman of the Board of Directors since 1949, expressed the desire to retire from office. The Board of Governors of the Federal Reserve System designated William J. Meinel as Chairman, and C. Canby Balderston as Deputy Chairman for the year 1953. Henderson Supplee, Jr., was appointed a Class C director for a term of three years.

Geoffrey S. Smith, President of the Girard Trust Corn Exchange Bank, Philadelphia, represented the District on the Federal Advisory Council. He was reappointed for 1953 by the Board of Directors of this Bank.

The only change in the official staff during 1952 was the appointment of Murdoch K. Goodwin as Assistant Counsel, effective July 14. Late in the year, Clay J. Anderson, Financial Economist, was granted a leave of absence to serve as Advisor to the Union Bank of Burma, Rangoon.

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## DIRECTORS

as of April 1, 1953

Group	CLASS A	Term expires December 31
1	<b>ARCHIE D. SWIFT</b> Chairman of the Board, Central-Penn National Bank, Philadelphia, Pennsylvania	1953
2	<b>WADSWORTH CRESSE</b> Executive Vice President and Trust Officer, The First National Bank and Trust Company, Wood- bury, New Jersey	1954
3	<b>BERNARD C. WOLFE</b> President, The First National Bank of Towanda, Towanda, Pennsylvania	1955
<b>CLASS B</b>		
1	<b>CHARLES E. OAKES</b> President and Director, Pennsylvania Power and Light Company, Allentown, Pennsylvania	1955
2	<b>WARREN C. NEWTON</b> President, O. A. Newton and Son Company, Bridgeville, Delaware	1953
3	<b>ANDREW KAUL, III</b> President and Director, Speer Carbon Company, St. Marys, Pennsylvania	1954
<b>CLASS C</b>		
	<b>WILLIAM J. MEINEL, Chairman</b> President and Chairman of the Board, Heintz Manufacturing Company, Philadelphia, Pennsylv- ania	1954
	<b>C. CANBY BALDERSTON, Deputy Chairman</b> Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pennsylv- ania	1953
	<b>HENDERSON SUPPLEE, JR.</b> President, Atlantic Refining Company, Philadelphia, Pennsylvania	1955

## **OFFICERS**

**as of April 1, 1953**

**ALFRED H. WILLIAMS**  
President

**W. J. DAVIS**  
First Vice President

**KARL R. BOPP**  
Vice President

**ROBERT N. HILKERT**  
Vice President

**ERNEST C. HILL**  
Vice President

**WILLIAM G. McCREEDY**  
Vice President and Secretary

**PHILIP M. POORMAN**  
Vice President

**RICHARD G. WILGUS**  
Cashier and Assistant Secretary

**JAMES V. VERGARI**  
Counsel and Assistant Secretary

**WALLACE M. CATANACH**  
Assistant Vice President

**NORMAN G. DASH**  
Assistant Vice President

**GEORGE J. LAVIN**  
Assistant Vice President

**EVAN B. ALDERFER**  
Industrial Economist

**CLAY J. ANDERSON\***  
Financial Economist

**MURDOCH K. GOODWIN**  
Assistant Counsel

**EDWARD A. AFF**  
Assistant Cashier

**RALPH E. HAAS**  
Assistant Cashier

**ROY HETHERINGTON**  
Assistant Cashier

**HENRY J. NELSON**  
Assistant Cashier

**HARRY W. ROEDER**  
Assistant Cashier

**HUGH BARRIE**  
Machine Methods Officer

**FRED A. MURRAY**  
Director of Plant

**HERMAN B. HAFFNER**  
General Auditor

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\* On leave of absence

# APPENDIX

## Statistical Tables

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# STATEMENT OF CONDITION

Federal Reserve Bank of Philadelphia

(000's omitted in dollar figures)	End of Year		
	1952	1951	1950
<b>ASSETS</b>			
Gold certificates .....	\$1,271,008	\$1,145,047	\$1,130,280
Redemption fund—Fed. Res. notes .....	57,278	56,306	50,563
Total gold certificate reserves .....	\$1,328,286	\$1,201,353	\$1,180,843
Other cash .....	18,316	17,513	19,125
Discounts and advances .....	5,476	3,440	3,640
Industrial loans .....	3,469	3,763	2,204
United States Government securities .....	1,510,542	1,485,205	1,378,198
Total loans and securities .....	\$1,519,487	\$1,492,408	\$1,384,042
Due from foreign banks .....	2	2	2
Fed. Res. notes of other Fed. Res. Banks .....	16,086	11,682	11,382
Uncollected items .....	252,296	267,200	268,232
Bank premises .....	3,269	2,854	2,920
All other assets .....	9,762	8,298	7,759
Total assets .....	\$3,147,504	\$3,001,310	\$2,874,305
<b>LIABILITIES</b>			
Federal Reserve notes .....	\$1,857,370	\$1,769,888	\$1,665,849
Deposits:			
Member bank reserve accounts .....	929,318	912,100	822,286
United States Government .....	33,091	4,285	58,227
Foreign .....	40,833	41,119	71,016
Other deposits .....	7,093	7,411	5,142
Total deposits .....	\$1,010,335	\$964,915	\$956,671
Deferred availability items .....	205,923	195,198	183,799
All other liabilities .....	702	660	239
Total liabilities .....	\$3,074,330	\$2,930,661	\$2,806,558
<b>CAPITAL ACCOUNTS</b>			
Capital paid in .....	\$17,186	\$16,765	\$15,675
Surplus—Section 7 .....	43,578	41,493	39,710
Surplus—Section 13b .....	4,489	4,489	4,489
Reserves for contingencies .....	7,921	7,902	7,873
Total liabilities and capital accounts .....	\$3,147,504	\$3,001,310	\$2,874,305
Ratio of gold certificate reserves to deposit and Federal Reserve note liabilities combined ..	46.3%	43.9%	45.0%
Commitments to make industrial advances .....	\$1,136	\$1,319	\$593

# EARNINGS AND EXPENSES

Federal Reserve Bank of Philadelphia

(000's omitted)	1952	1951	1950
<b>Earnings from:</b>			
U. S. Government securities .....	\$27,455	\$24,444	\$18,142
Other sources .....	738	373	184
<b>Total earnings .....</b>	<b>\$28,193</b>	<b>\$24,817</b>	<b>\$18,326</b>
<b>Expenses:</b>			
Operating expenses* .....	\$ 5,286	\$ 4,858	\$ 4,252
Cost of Federal Reserve currency .....	817	695	439
Assessments for expenses of Board of Governors .....	322	322	272
<b>Total net expenses .....</b>	<b>\$ 6,425</b>	<b>\$ 5,875</b>	<b>\$ 4,963</b>
<b>Current net earnings .....</b>	<b>\$21,768</b>	<b>\$18,942</b>	<b>\$13,363</b>
<b>Additions to current net earnings:</b>			
Profits on sales of U. S. Government securities (net) .....	132	0	2,630
All other .....	1	3	1
<b>Total additions .....</b>	<b>\$ 133</b>	<b>\$ 3</b>	<b>\$ 2,631</b>
Deductions from current net earnings .....	1	114	—
<b>Net additions to current net earnings .....</b>	<b>\$ 132</b>	<b>—\$ 111†</b>	<b>\$ 2,631</b>
Transferred to reserves for contingencies .....	29	29	23
<b>Paid to U. S. Treasury:</b>			
Interest on Federal Reserve notes .....	18,763	16,042	13,539
<b>Net earnings after reserves and payments to U. S. Treasury .....</b>	<b>\$ 3,108</b>	<b>\$ 2,760</b>	<b>\$ 2,432</b>
Dividends paid .....	1,023	978	927
<b>Transferred to surplus (Section 7) .....</b>	<b>\$ 2,085</b>	<b>\$ 1,782</b>	<b>\$ 1,505</b>

\*After deducting reimbursements received for certain fiscal agency and other expenses.  
†Net deduction.

# VOLUME OF OPERATIONS

Federal Reserve Bank of Philadelphia

	1952	1951	1950
<b>Number of pieces</b> (000's omitted)			
<b>Collections:</b>			
Ordinary checks .....	169,300	161,500	157,300
Government checks (paper and card) .....	33,000	26,100	23,300
Post Office money orders (card) .....	23,600	10,100*	—
Non-cash items .....	800	800	700
Currency counted .....	304,200	290,800	277,900
Coins counted .....	412,800	479,700	541,000
Discounts and advances to member banks .....	1	1	1
Transfers of funds .....	73	70	53
<b>Fiscal agency activities:</b>			
Marketable securities delivered or redeemed..	157	229	200
<b>Savings bond transactions</b> (Federal Reserve Bank and agents)			
Issues (including re-issues) .....	6,247	6,059†	5,705†
Redemptions .....	6,132	5,974†	6,066†
Coupons redeemed (Government and agencies) .....	944	1,032	1,106
<b>Dollar amounts</b> (000,000's omitted)			
<b>Collections:</b>			
Ordinary checks .....	\$48,264	\$46,718	\$42,416
Government checks (paper and card) .....	4,364	3,640	2,950
Post Office money orders (card) .....	331	145*	—
Non-cash items .....	149	167	163
Currency counted .....	1,943	1,859	1,708
Coins counted .....	50	49	52
Discounts and advances to member banks .....	5,115	1,537	195
Transfers of funds .....	30,798	28,371	21,157
<b>Fiscal agency activities:</b>			
Marketable securities delivered or redeemed..	8,405	8,968	9,613
<b>Savings bond transactions</b> (Federal Reserve Bank and agents)			
Issues (including re-issues) .....	388	380†	493†
Redemptions .....	321	330†	336†
Coupons redeemed (Government and agencies) .....	87	90	113

\*New activity, beginning July 1952.

†Revised.

# MEMBER BANKS

## Third Federal Reserve District

### Statement of Condition

(000,000's omitted in dollar figures)	Dec. 31, 1952	Change during		Percent distribution	
		1952	1951	Dec. 31, 1952	Dec. 31, 1951
<b>Assets</b>					
Loans and discounts .....	\$2,763	+\$279	+\$276	33.3%	31.1%
U. S. Government securities .....	2,768	+ 6	- 265	33.4	34.5
Other securities .....	805	+ 14	+ 39	9.7	9.9
Cash assets .....	1,865	- 2	+ 127	22.4	23.3
Fixed assets .....	76	+ 5	+ 3	.9	.9
Other assets .....	25	....	- 2	.3	.3
Total .....	\$8,302	+\$302	+\$178	100.0%	100.0%
<b>Liabilities and capital accounts</b>					
<b>Deposits:</b>					
Individuals, partnerships, and corporations—					
Demand .....	\$4,463	+\$126	+\$110	53.8%	54.3%
Time .....	1,946	+ 80	+ 31	23.4	23.3
U. S. Government .....	219	+ 68	- 13	2.6	1.9
Bank .....	489	- 10	+ 21	5.9	6.2
Other .....	405	+ 10	- 5	4.9	4.9
Total deposits .....	\$7,522	+\$274	+\$144	90.6%	90.6%
Other liabilities .....	63	+ 10	+ 2	.8	.7
Capital accounts .....	717	+ 18	+ 32	8.6	8.7
Total .....	\$8,302	+\$302	+\$178	100.0%	100.0%

### Earnings, Expenses, and Profits

(Millions of dollars)	1952*	1951	1950	1949
<b>Earnings</b>				
On U. S. Government securities .....	52.4	50.1	53.7	54.1
On other securities .....	17.6	16.3	16.3	15.0
On loans .....	121.9	106.4	88.0	76.3
Other earnings .....	36.6	35.6	33.8	31.1
Total earnings .....	228.5	208.4	191.8	176.5
<b>Current expenses</b>				
Salaries and wages .....	68.4	62.6	56.5	51.7
Interest on deposits .....	19.3	17.1	16.6	16.4
Other expenses .....	50.9	48.2	46.1	43.6
Total current expenses .....	138.6	127.9	119.2	111.7
Net current earnings before income taxes .....	89.9	80.5	72.6	64.8
Net recoveries and profits on sales (+) or charge-offs (-)† .....	- 17.2	- 11.3	- 6.6	- 7.4
Taxes on net income .....	27.7	23.4	17.5	15.5
Net profits .....	45.0	45.8	48.5	41.9
Cash dividends declared .....	25.3	23.7	23.0	21.5

\*Preliminary

†Charge-offs include substantial transfers to reserves for bad debt losses on loans.

# EMPLOYMENT AND EARNINGS PENNSYLVANIA FACTORY WORKERS

	All Manufacturing		Durable Goods		Nondurable Goods	
	Employment*	Weekly earnings	Employment*	Weekly earnings	Employment*	Weekly earnings
1939	100	\$22.42	100	\$25.76	100	\$19.16
1940	110	24.27	119	28.19	101	19.77
1941	134	29.25	158	34.31	111	22.23
1942	147	35.45	184	41.57	111	25.58
1943	156	41.48	203	47.82	110	30.03
1944	153	44.57	198	51.14	108	32.80
1945	138	43.29	171	48.89	106	34.47
1946	133	42.21	151	45.63	115	37.86
1947	143	48.04	166	52.18	120	42.47
1948	143	52.84	166	57.59	120	46.42
1949	127	52.94	143	57.63	112	47.12
1950	131	57.01	150	62.15	113	50.29
1951	139	63.74	168	70.22	111	54.10
1952	132	66.54	159	72.77	106	57.00
1952: January	137	66.06	168	72.94	106	55.38
February	137	66.15	168	72.76	106	55.92
March	136	66.64	168	73.26	106	56.38
April	134	64.01	166	70.11	104	54.49
May	134	64.54	166	69.69	103	56.24
June	112	63.24	121	68.88	103	56.75
July	111	62.19	120	67.76	103	55.97
August	133	66.44	160	71.88	107	57.57
September	137	68.50	166	75.32	109	58.32
October	139	68.94	169	75.67	109	58.74
November	139	69.59	170	76.61	109	58.90
December	140	70.91	172	78.39	108	59.35

\*1939 = 100

## INCOME AND PRICES

Factory Payrolls: 1939 = 100 Farm Income — Prices: 1947-1949 = 100	Factory Payrolls Pennsylvania			Income from farm marketings N. J., Pa., and Del.*	Consumer prices in Phila.†
	Total	Durable goods	Consumer goods		
1939	100	100	100	33	59
1940	119	131	104	34	59
1941	175	210	129	40	62
1942	232	297	148	51	69
1943	288	377	172	65	74
1944	303	394	185	66	75
1945	266	324	191	76	77
1946	250	267	228	88	83
1947	306	336	267	98	95
1948	336	372	290	106	103
1949	300	320	275	96	102
1950	334	362	298	93	102
1951	395	459	313	111	112
1952	393	452	315	111	114
1952: January	403	476	306	98	113
February	403	475	309	93	112
March	406	478	311	102	113
April	384	451	295	108	113
May	385	449	301	108	113
June	316	324	305	106	114
July	309	316	299	122	115
August	393	447	322	135	115
September	418	484	331	130	115
October	426	496	336	119	115
November	430	504	334	111	115
December	442	524	334	105	115

Sources: \*U. S. Dept. of Agriculture

†U. S. Bureau of Labor Statistics.

## DEPARTMENT STORE SALES

1947-1949 = 100 (Adjusted for seasonal variation)	Third District	Phila- delphia	Lancaster	Reading	Trenton	Wilkes- Barre	York
1939 .....	38	41	36	36	32	32	36
1940 .....	41	44	37	39	35	32	39
1941 .....	48	51	45	47	40	38	45
1942 .....	53	57	52	53	44	41	53
1943 .....	56	60	57	58	50	46	60
1944 .....	62	65	62	62	55	56	68
1945 .....	68	70	67	65	63	65	74
1946 .....	87	88	87	88	83	88	94
1947 .....	96	98	97	97	91	97	95
1948 .....	104	104	103	104	104	105	105
1949 .....	100	99	100	99	105	98	100
1950 .....	106	104	108	102	116	101	106
1951 .....	109	106	110	104	121	100	114
1952 .....	109	104	111	104	122	99	117
1952: January ..	110	107	110	109	123	99	113
February ..	110	105	103	101	117	99	111
March .....	109	106	114	92	117	100	110
April .....	102	99	100	94	113	91	102
May .....	107	100	112	105	126	102	130
June .....	107	105	108	106	125	99	116
July .....	106	104	104	95	115	93	113
August .....	115	107	120	103	125	105	128
September ..	104	102	104	100	113	91	110
October .....	114	107	112	114	123	103	123
November ..	108	104	116	104	122	100	121
December ..	111	105	117	118	133	103	121

## DEPARTMENT STORE INVENTORIES

1939 .....	41	43	44	38	32	32	43
1940 .....	42	44	46	41	33	32	45
1941 .....	51	52	52	51	47	39	55
1942 .....	70	78	64	69	61	50	71
1943 .....	60	65	55	57	54	46	65
1944 .....	62	68	58	66	56	50	66
1945 .....	64	69	56	69	56	52	64
1946 .....	81	87	78	83	69	70	85
1947 .....	93	98	96	92	84	83	91
1948 .....	107	105	105	108	112	116	108
1949 .....	99	97	99	100	105	100	101
1950 .....	108	107	108	106	105	110	112
1951 .....	127	125	124	131	127	126	128
1952 .....	113	110	114	114	113	109	119
1952: January ..	116	112	114	115	122	105	117
February ..	113	112	112	110	118	99	117
March .....	112	112	112	107	114	107	115
April .....	112	110	118	114	116	108	121
May .....	114	110	111	113	111	109	122
June .....	113	113	111	112	109	111	120
July .....	114	113	111	123	109	110	122
August .....	112	112	110	116	111	106	114
September ..	113	108	113	117	109	109	116
October ..	113	109	114	113	109	113	116
November ..	113	109	117	116	112	110	122
December ..	114	106	125	118	121	116	122