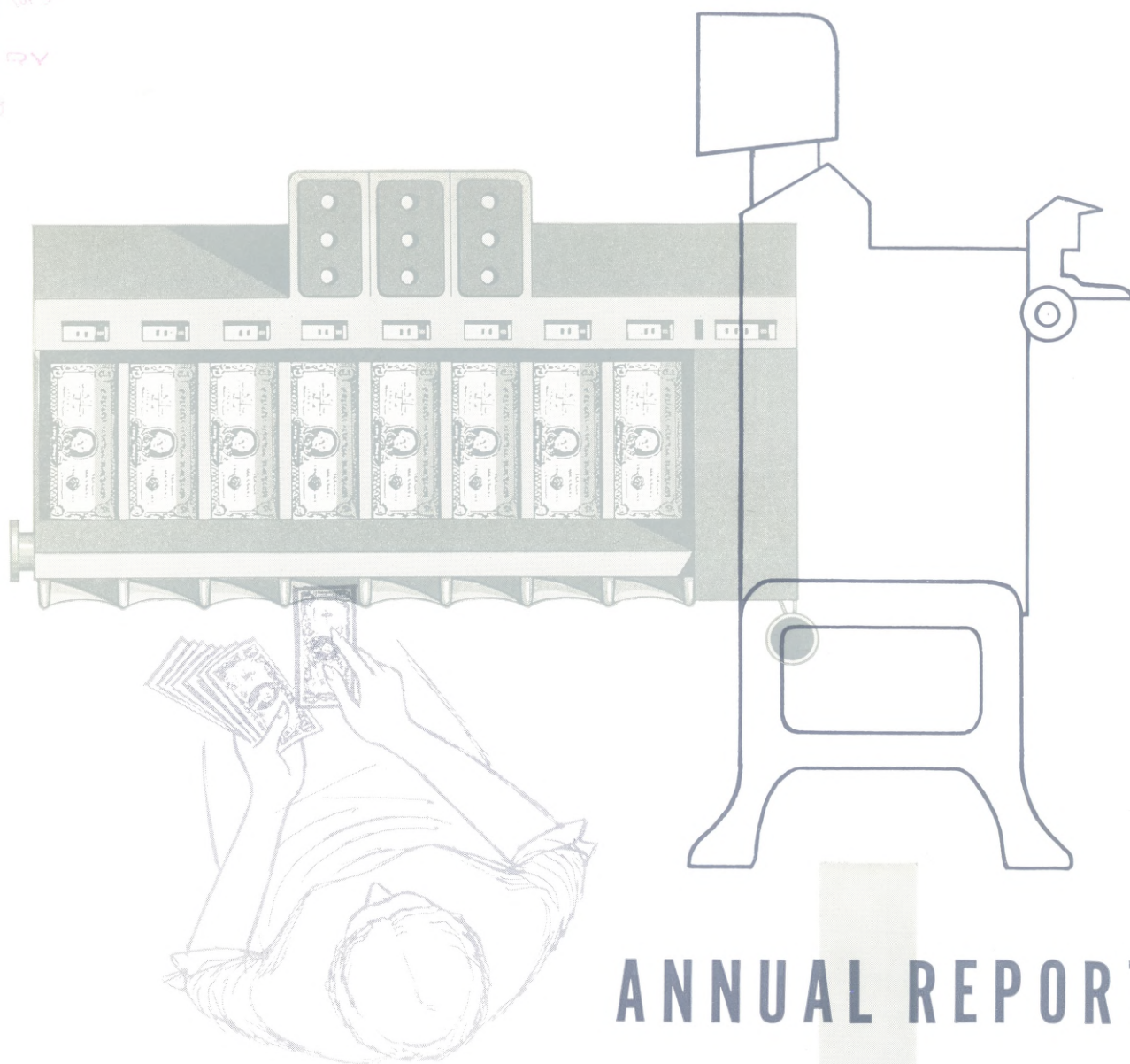




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ANNUAL REPORT

1955

FEDERAL RESERVE BANK OF RICHMOND

Federal Reserve Bank of Richmond

FORTY-FIRST ANNUAL REPORT

BRANCHES IN

BALTIMORE
AND
CHARLOTTE

FIFTH FEDERAL RESERVE DISTRICT

1955



TO THE MEMBER BANKS

It is a pleasure to present the forty-first annual report of the Federal Reserve Bank of Richmond reviewing the year 1955.

This report, like others of recent years, has been written and illustrated to present in rather informal style a few notes and comments on the economy of the Fifth Federal Reserve District and to discuss in non-technical terms some of the bank's operations and activities.

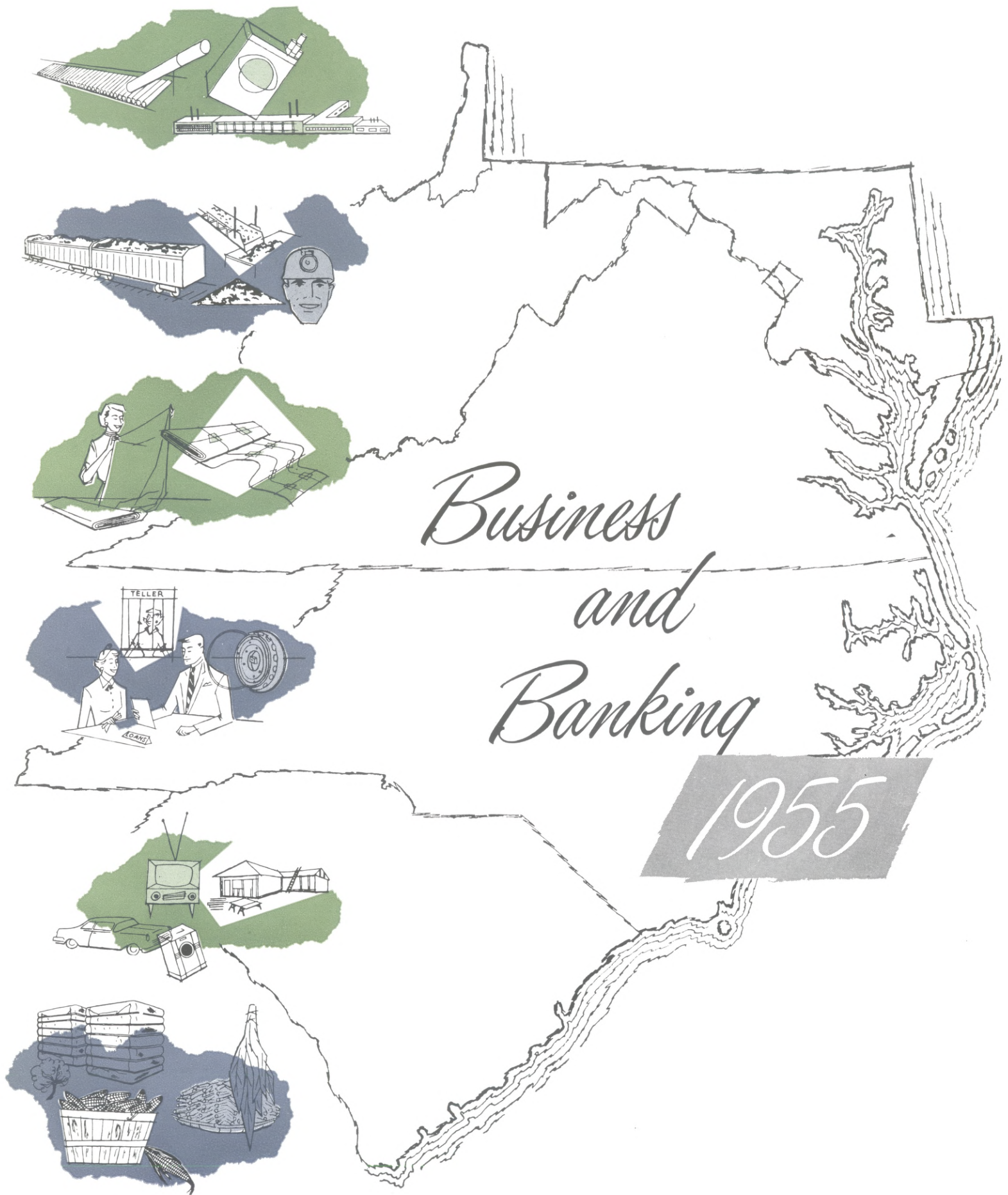
I also take this opportunity to introduce our directors to those of you who may not know them. They are pictured in these pages against the backdrops of their businesses.

On behalf of our directors and staff, I wish to express appreciation for the cooperation received throughout the year from bankers and from leaders of agriculture, commerce, and industry in the Fifth Federal Reserve District.

Very truly yours,

A handwritten signature in cursive script that reads "Hugh Leach".

President

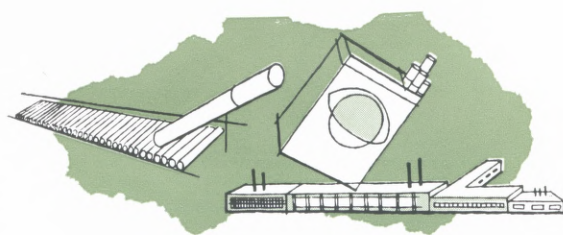
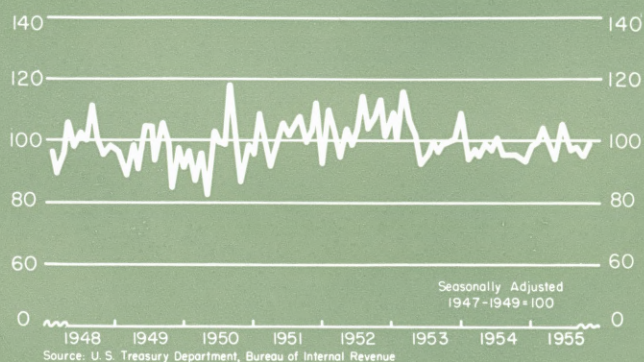


Like the proverbial circus, 1955 was “bigger and better than ever.” It was a year when new records of economic activity became commonplace. The total dollar output of goods and services produced by near-capacity operations reached heights never before ascended—as did also industrial production, national income, per capita income after taxes, and profits, to mention some other major economic indicators that pointed to all-time record highs.

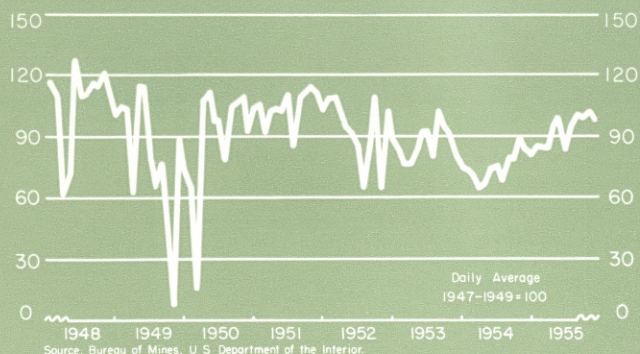
In fact, in almost any direction one looked the situation was better than it had ever been before. Employment exceeded by five million the once-improbable total of 60 million workers; the construction industry put the largest dollar volume of construction in place in its history; average weekly earnings filled the pockets of manufacturing workers to a record extent; and an unprecedented volume of consumer spending kept cash registers full and inventories relatively low. It is gilding the lily to add that all this was accomplished with but a slight jiggling of prices.

It almost seems necessary to give this picture an air of reality by pointing out that there were some weak spots in the 1955 economy. The farming community, for instance, was not a party to the booming prosperity of the rest of the nation; new housing starts, seasonally adjusted, were in a downward trend over the course of the year (although, it should be noted, at record levels); and many analysts felt that the rapid rate of increase of residential mortgage indebtedness and consumer credit

Cigarette Production
Fifth District



Soft Coal Production
Fifth District



had exceeded sustainable levels. While serious, these weaknesses were not pervasive, and by year-end the economy was operating at near-capacity, with demands for funds at high and rising levels.

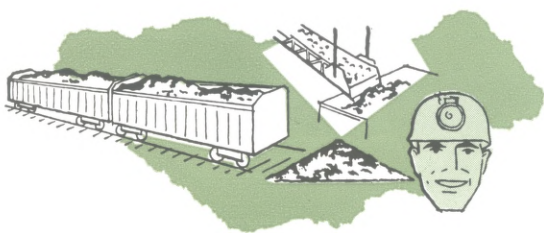
In fact, by late Fall the surging economy was flexing its muscles to such an extent that the Secretary of Commerce was led to declare, "The economy is in the pink of condition. . . . Business never was better. Workers never had it so good. Old Man Prosperity 'just keeps rolling along.'"

By Its Own Bootstraps

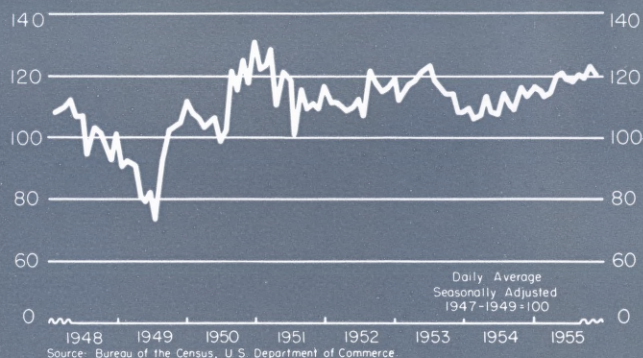
Perhaps the most significant feature of the economic expansion in 1955 was the fact that it represented private initiative and activity. Expenditures by the Federal Government for goods and services showed little change during the year at a level well below year-earlier figures. State and local government outlays increased moderately, but not enough to change the sidewise trend of total public spending.

All major types of private expenditures, however, contributed to the 7% growth in the total outlays for goods and services. Spurred by unexpectedly large purchases of automobiles, consumer spending rose at a clip that surpassed the 1954 rate. Following a rise of more than 40% from early 1954, the seasonally adjusted value of residential building declined from the peak reached in the Spring of 1955, but for the year as a whole added to the advance in the gross national product.

Private business investment outlays also rose sharply from the 1954 level. Whereas business in general lived



Cotton Consumption Fifth District



off its shelves in 1954, by January 1955 a shift to inventory accumulation had been effected. This expansionary force continued throughout the year.

New business construction was another important factor in the 1955 growth, with gains in industrial and commercial building leading the way. After lagging behind other forms of private business investment during the first quarter of the year, expenditures for new durable equipment picked up sharply in the Spring and continued to rise smartly the rest of the year.

Another significant feature of the 1955 economy was the fact that most of the approximately \$26 billion increase in total product represented growth in physical volume. Since average consumer prices rose relatively little, the bulk of the rise in consumer outlays for goods and services represented increased real consumption. In fact, the increase in per capita real income in 1955 was one of the largest of the past decade.

Credit Demand High

Banking activity in the Fifth District, as in the nation as a whole, responded to the strong upward momentum of the economy in 1955, and at the same time gave stimulus to the surging growth.

Throughout the year the demand for bank credit was unusually strong as the recovery from the mild recession of 1953-54 stood on its own legs as a boom to be reckoned with. By February the District's member banks had begun to convert government security holdings into funds to meet loan demands and these conversions continued



through mid-Summer. In recognition of potential inflationary forces being concealed beneath the strong economic growth, Federal Reserve policy early in the year shifted away from its previous "ease" to one of moderate restraint.

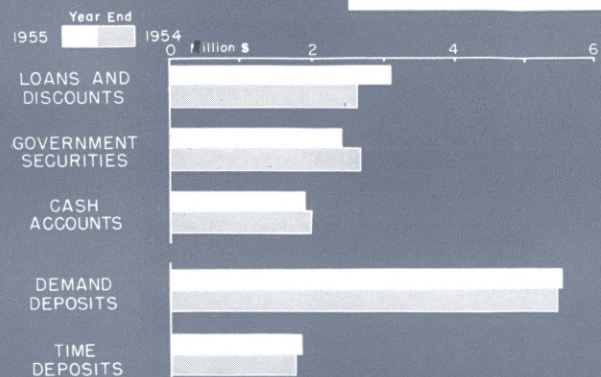
In the second half of the year demands for credit continued strong and Federal Reserve monetary actions continued to encourage conditions of money tightness without permitting serious strains to develop. Among these monetary actions were increases in the discount rate to a final level of $2\frac{1}{2}\%$, the highest the discount rate has been since 1933. Short-term interest rates rose sharply during the period, the 90-day Treasury Bill rate also reaching its highest level since 1933. The pressures on the banks continued to intensify during the Fall and their borrowings from Federal Reserve grew to meet them. In spite of all these pressures generated by the advancing economic activity and the monetary policy actions of Federal Reserve, the banks were able to supply an ample volume of credit to continue the high levels of business activity through the end of the year.

Mortgage Money Plentiful

Loan demand at Fifth District member banks paralleled that for the nation as a whole, remaining strong throughout 1955—strong enough to iron out the usual seasonal patterns that generally appear. Total loans outstanding dropped moderately during January, but by considerably less than is customary at that time of year. During the remainder of the year, seasonality was smoothed over by the presence of heavy demands for bank credit from individuals for consumption expenditures and for home pur-



Assets and Liabilities
District Member Banks



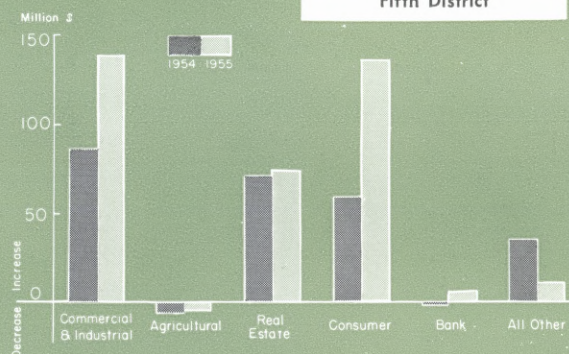
chases. Such demands as these do not have as clearcut or strongly felt seasonal characteristics as do credit demands from business firms and farmers, and their volume in 1955 was sufficient to take up the usual seasonal slack of other types of borrowers.

Member banks' loans secured by real estate advanced during 1955 at a slightly faster pace than the recent record set in 1954. Not only did individual home buyers find bank funds more readily available, but also other mortgage lenders (insurance companies, savings and loan associations, mortgage companies) were able to secure a much larger volume of short-term bank funds to support their own record level of real estate lending activities. On a nationwide basis, this high availability of mortgage funds experienced some tightening in the final quarter of the year, but was sufficient for the year as a whole to support the largest number of new housing starts since 1950.

Consumer Loans Active

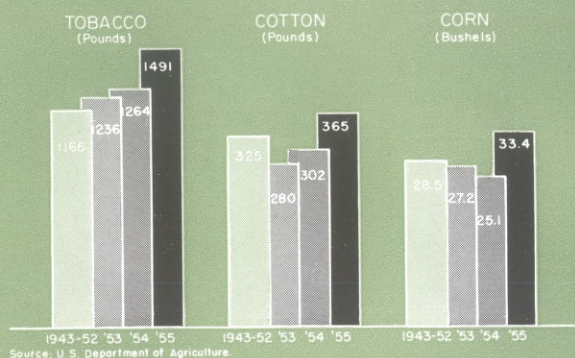
Perhaps the outstanding characteristic of bank lending in 1955, both nationally and in the District, was the unusually high proportion of such lending going to individuals for consumer purposes. Sparked by high and rising levels of personal income, by bright expectations for the immediate future, and by the sales pressures generated in a highly competitive economy, consumer borrowing expanded at a more rapid pace than in any of the post World War II years. In the District, member banks increased their loans to consumers by a larger percentage than to any other single class of borrower.

Member Bank Loans
Fifth District



BUSINESS AND BANKING

Crop Yields Per Acre
Fifth District



Agricultural Debt Up

Fifth District farmers found the 1955 crop one of the most expensive ever produced. The prices of things they had to buy in many cases were at or near record levels, and many bought larger quantities of some of the items used in farm production.

Diminished incomes, associated in part with the drought, led many farmers to carry forward into 1955 debts that would otherwise have been repaid. Continued high operating expenses and the frequent need to make additional capital investment to improve or enlarge their farms, or to buy additional machinery to increase productive efficiency, forced many farmers to increase indebtedness in 1955. The growing trend among those with relatively large short-term indebtedness to refinance part or all of their debt in the form of a farm-mortgage loan, thus spreading repayments over a longer period, also continued. While the cost-price squeeze continued to weaken the financial position of many farmers, the overall financial position of Fifth District agriculture still would compare favorably with that in most past periods.

Fortunately, most District areas which suffered drought in 1954 and other recent years had good growing weather in 1955. For example, while flue-cured tobacco acreage was reduced 5% in 1955, production jumped 14%; and while cotton acreage was cut 14%, production gained 7%.





Money

The Federal Reserve System is generally thought of, when it is thought of at all, as something pretty remote from the people. And yet there's hardly anyone living in the United States, apart from younger persons still whiling away their hours in cribs and play-pens, who doesn't come into direct contact with the Federal Reserve every day. The Federal Reserve puts the nation's money into circulation.

The Federal Reserve Bank of Richmond and its Baltimore and Charlotte branches put almost two and a half billion dollars of paper money and coins into circulation in 1955, \$2,338,676,820 in paper currency and \$52,027,926 in coins. If that all had been in one dollar bills, and if the one dollar

bills had been placed end to end . . . well, the ribbon of bills would have extended 226,392 miles.

The huge total of dollars didn't represent a net increase in the nation's supply of money. "Circulation" is the key word. Money flows out of and into the Federal Reserve Bank each business day, flowing out to take care of the demand of commercial banks and returning as the commercial banks' day to day amount of cash on hand exceeds their needs. The return flow almost equalled the outflow. The Richmond Head Office and the two branches actually handled a total of \$4,673,995,470 in paper money and \$103,758,770 in coins during 1955. That was 800,017,338 pieces

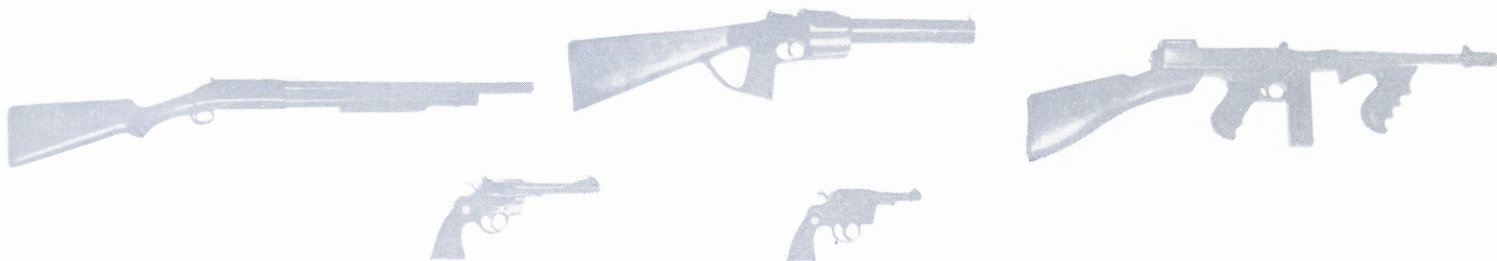
Main vault at

**Richmond holds millions of dollars
in currency and bonds.**

Door weighs 63½ tons.

**New dollar bills going into
storage in vault compartment.
Each package on truck contains
\$4,000 in Silver Certificates.**





of paper currency and 1,310,829,911 individual coins.

On a daily average, the Head Office handled \$9,524,947 in currency and \$132,446 in coins; Baltimore, \$5,051,572 in currency and \$209,023 in coins; and Charlotte, \$3,189,651 in currency and \$55,390 in coins.

By denominations, the three offices together over the whole year handled more money in \$20 bills, \$1,726,824,880, than any other size, and less in \$5,000 bills, a mere \$235,000. The biggest handle in coins was in quarters, \$39,159,730, and the smallest in silver dollars, \$1,801,295.

The Richmond Reserve bank and its branches serve the Fifth Federal Reserve District—Maryland, Virginia, North Carolina, South Carolina, West Virginia, and the District of Columbia. Some of the other eleven Reserve banks in more populous and more highly industrialized areas handle much larger amounts of money. The New York Reserve bank, for instance, handles more than \$23,000,000,000 in currency and \$600,000,000 in coins annually.

Where Does the Money Go?

Peering into one's own pocketbook or wallet and trying at the same time to visualize billions of dollars, one might wonder where all of the money goes, and why. There really isn't any simple answer to either question, but an attempt at simplification might go something like this:

To begin with, money is a medium of exchange. We get paid for the things we do, the things we make, and the things we grow. We spend money to get things we

need or want and to pay others for doing things for us. (In the present day most payments are made by check. In contrast to the total of \$4,777,754,240 in currency and coins that the bank handled in 1955, it handled \$79,879,673,000 in check clearing operations for commercial banks. But that is another story.) Money in the form of currency and coin goes into circulation according to the demand of individual persons and business firms for it.

Money on the Move

When a person who has money on deposit in a bank needs some cash for pocket money, he may go to the bank and draw out what he wants from his account, or he may cash a check at a grocery store on his bank account. Banks always keep an ample supply of cash on hand for day to day operations. Banks that are members of the Federal Reserve System obtain their cash from the Federal Reserve Bank or branch in their area, somewhat in the same way that individuals draw cash from commercial banks. That is, member banks have accounts at the Reserve banks, called reserve accounts, and when they need cash they draw on these reserve accounts. Banks that are not members of the System generally get their money from member banks, with which they have accounts.

When a member bank, say in a Carolina textile town, needs a bigger amount of cash at a given time than it might normally have in its vault, it asks the Federal Reserve Bank to ship the needed amount, which is deducted from the member bank's reserve account. Suppose it needs this cash to supply a customer, the local tex-

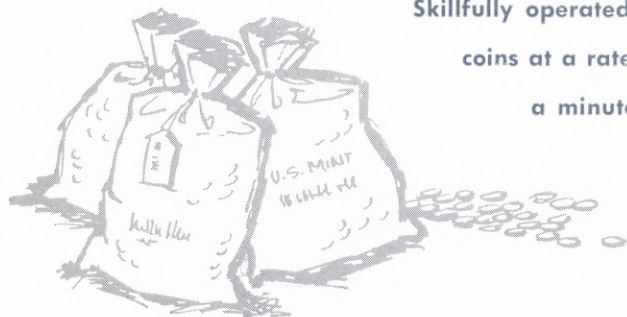


Heavily armored trucks
 deliver money to Federal Reserve Bank daily.
 Armed guards, all expert marksmen,
 watch every move.

Nerve center of bank's modern
 protection system. Control post is in
 constant touch with guards in all parts
 of Richmond Head Office.



Coins by the millions are
carefully counted and
weighed, always under close scrutiny.
Skillfully operated, machines count
coins at a rate of about 2,000
a minute, 120,000 an hour.



tile plant, which has a payroll to meet. The textile plant gets the money, which is deducted from its account at the bank, and pays its employees. The employees soon put the money into circulation. They pay the grocer, the doctor, the clothing store; they spend some of their money at the movies; they put some of it into their bank accounts. Sooner or later, and usually it doesn't take long, much of the money that the bank has paid out to the textile plant has found its way back to the bank. And with more money on hand than it needs for normal operation, the bank ships the excess back to the Federal Reserve Bank or branch.

Federal Reserve's Role

This flow of money goes on all of the time. Millions of dollars are constantly on the move. Nobody, probably, ever has enough money, or thinks he has, but because of the Federal Reserve System there is always enough money to carry on the nation's business.

One of the objectives of the Federal Re-

serve System, as specified by Congress when it enacted the Federal Reserve Act in 1913, is "to furnish an elastic currency." An elastic currency is the kind that will expand in amount to meet the needs of business and the people and contract when the needs are reduced. Before the Federal Reserve System came into being the amount of money that could be issued was limited by the value of certain government bonds held by commercial banks or by the amount of silver and gold in the country. When the need for money in business channels increased sharply over the country, at Fall harvest time, for instance, there sometimes wasn't enough money to go around, and there were, now and then, "money panics" that raised hob with the economy.

**Stowing coins in bank's vault is
like a stevedoring operation. Each bag of
nickels on electric lift contains \$100
and weighs 22 pounds.**





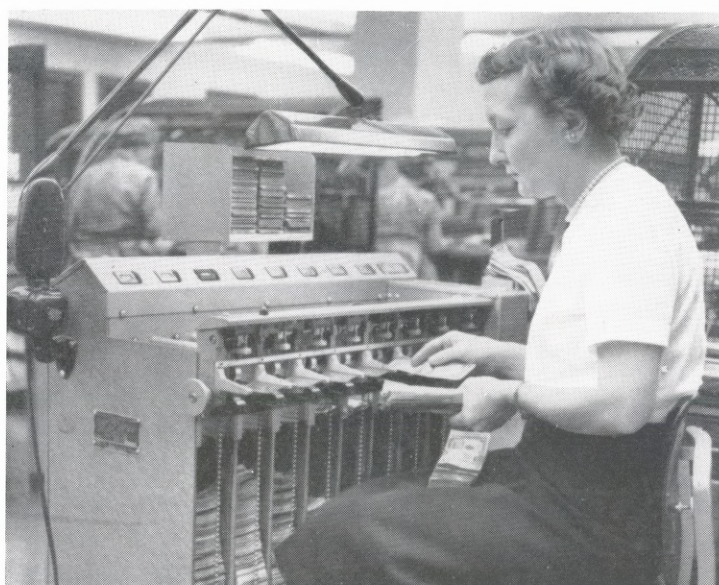
With the passage of the Federal Reserve Act, Federal Reserve Banks were authorized to issue money. At present about 85 per cent of the total of currency and coin in circulation is in the form of Federal Reserve Notes. These notes are "backed" by the Reserve banks' holdings of gold certificates, government securities, and eligible commercial paper. At least 25 per cent of the Reserve banks' assets backing the money they issue must be in gold certificates, but actually the backing of gold certificates is generally much more than the required 25 per cent.

On December 21, 1955 there were \$2,049,106,655 in Federal Reserve Bank of Richmond notes in circulation. That was the high point of the year. Average col-

lateral behind the notes over the year was \$712,000,000 in gold certificates and \$1,300,000,000 in government securities.

The total of Federal Reserve Notes of all Federal Reserve Banks outstanding at latest count was \$25,936,000,000. Two other kinds of paper money also are issued at the present time, United States Notes and Silver Certificates, both issued by the Treasury and put into circulation through the Federal Reserve Banks (except for a relatively small amount that Washington, D. C. banks obtain directly from the Treasury). The total of United States Notes outstanding is set by law at \$347,000,000; these notes are backed by gold bullion owned by the Treasury. Silver Certificates are based on silver bought by the Treasury,

Guard watches
money sorting from
upper-level "pillbox."
Within his reach are guns
and tear-gas.



Trained operators count
and sort paper money at these
machines at a rate of about
25,000 bills a day.

Stacks of money
mean just stacks of paper
to those who handle
millions of dollars daily.



which by law must pay not less than 90.5 cents an ounce for the metal; the Certificates are issued on the basis of a monetary value of \$1.29 an ounce. The average dollar amount of Silver Certificates in circulation runs around \$2,000,000,000.

Money in Storage

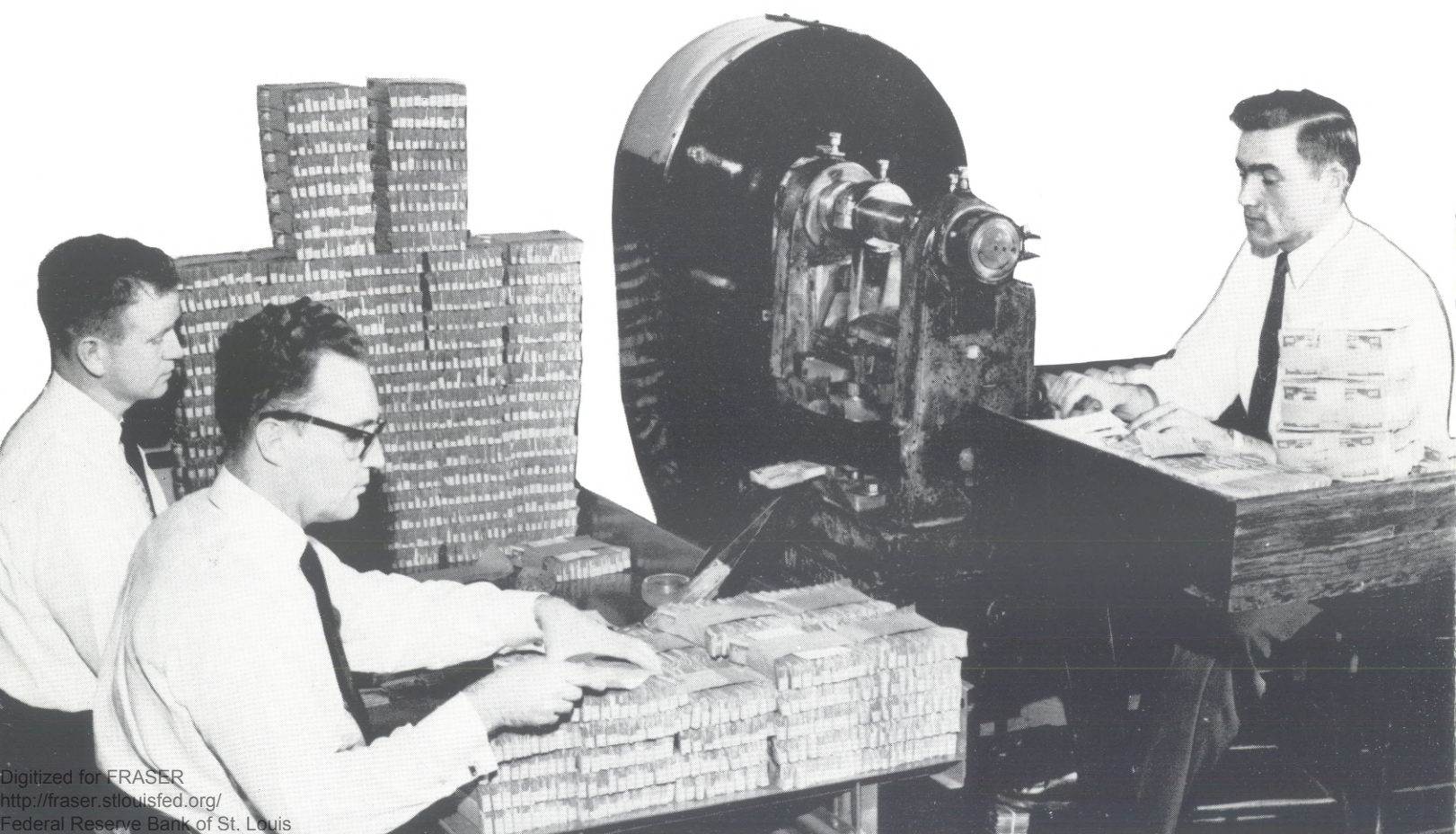
Federal Reserve Notes are issued in denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1,000, \$5,000, and \$10,000, United States Notes in only \$2 and \$5, and Silver Certificates in only \$1, \$5, and \$10.

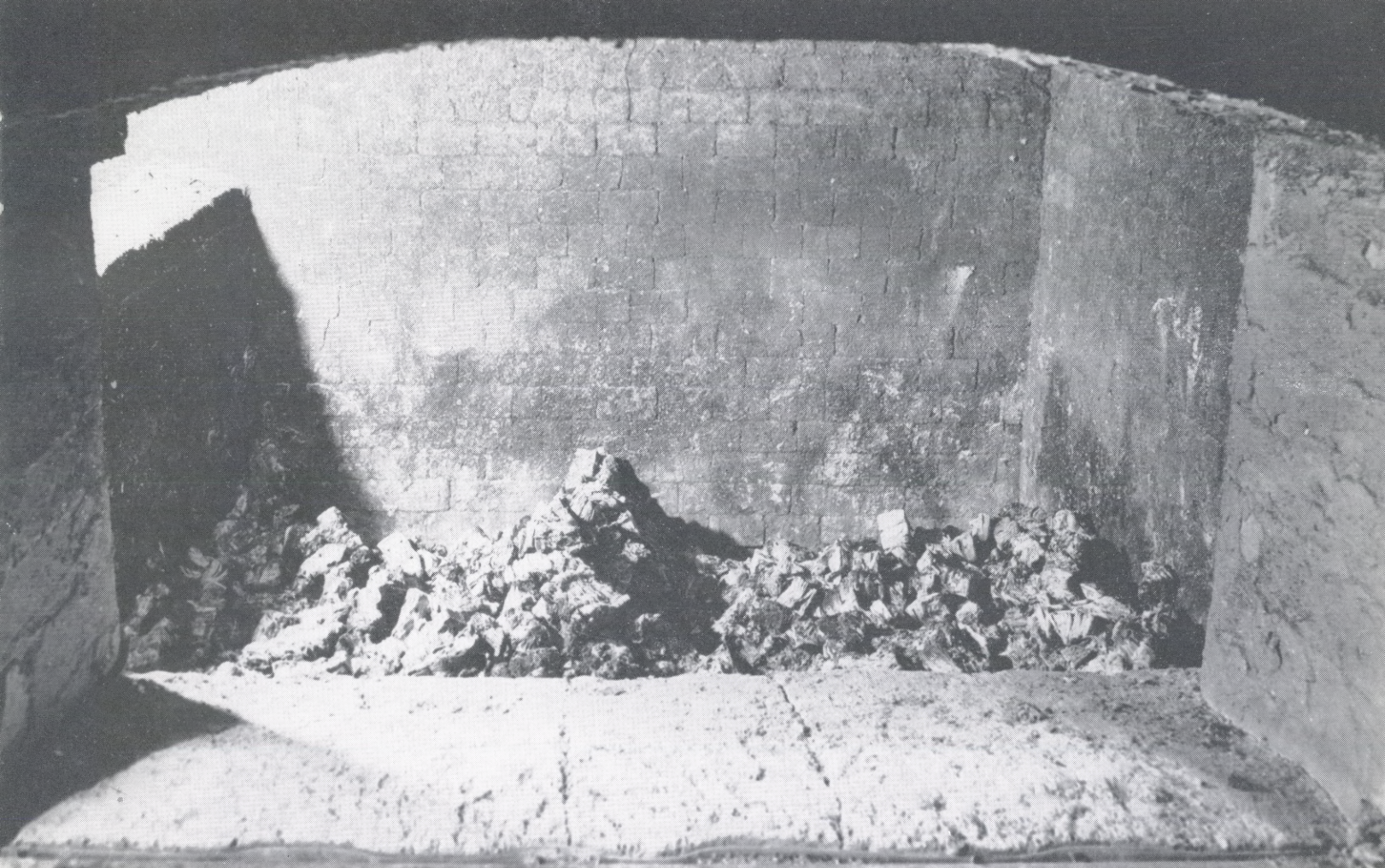
All paper money is printed by the Bureau of Engraving and Printing of the United States Treasury, at Washington. Coins are made by the Treasury in its mints at Philadelphia and Denver. The mint at San Francisco is not operating at present. The currency and coins are sent

to the Federal Reserve Banks for current use and for "cold storage." In addition to the paper money and coins kept by the Reserve banks to carry on their business with commercial banks, millions of dollars of their own as-yet-unissued Federal Reserve Notes are stored at the Reserve banks under the authority of each bank's Federal Reserve Agent. When it becomes necessary to issue new money, the Reserve bank pledges the required amount of collateral and the money is issued for use.

The Federal Reserve Bank of Richmond Head Office keeps a daily average of about \$70,000,000 in ready cash in its vaults. The Baltimore and Charlotte branches each keep about \$35,000,000 on hand. The amount of unissued currency in the Head Office vaults runs to more than \$1,000,000,000.

**Before worn-out money is burned
it is split lengthwise
into separate halves.**





Ashes are all that remain of about \$700,000 in paper money burned in bank's incinerator

Visitors to the Richmond Reserve bank and branches often ask whether any robbery attempts have ever been made. The answer is no. Any such attempts would be likely to fail, for the bank's protection systems are strong. The Head Office and branches have big and tough corps of guards, many of them former Marines and Navy and Army men and all of them marksmen (with medals to prove it) with the pistols, riot guns, tommy guns, tear-gas guns and grenades, and other weapons in the banks' several well-equipped arsenals. The buildings are honeycombed with electronic protective devices. The vaults are strong enough to shut out anyone not equipped with atomic weapons.

As happens to everything made by man, money wears out. When paper money wears out or becomes too dirty for use, it

is withdrawn from circulation by the Federal Reserve Banks and is destroyed. Federal Reserve Banks, in specially built incinerators generating nearly 3,000 degrees of heat, burn withdrawn United States Notes and Silver Certificates. They send Federal Reserve Notes to the Treasury for burning. Money so destroyed is replaced by new money.

In 1955 the bank and branches withdrew \$658,393,750 in paper money for destruction, \$496,752,350 in Federal Reserve Notes, \$14,591,150 in United States Notes, and \$147,050,250 in Silver Certificates. A total of \$179,804,000, an average of \$711,000 each working day, went up in smoke at the Federal Reserve Bank of Richmond in 1955.

They made a merry blaze.

"Do you have \$163.15 in cash? You would, if all of the currency and coin in circulation in the United States today were divided among all of the people." So read the provocative introduction to a chapter in "Readings on Money," a booklet published in 1955 by the Federal Reserve Bank of Richmond.

The question and assertion, used in a general announcement that the booklet was available to anyone interested in the role of money in the American economy, set a lot of people to counting their money, and caused thousands of them to ask for copies of the booklet. The bank was pleased to distribute thousands of copies—to students, teachers, bankers, businessmen, and others—because it believes that such contributions to the understanding of the functions of money and of the Federal Reserve System are of worth to a public that seeks to be better informed of the economic facts of life.

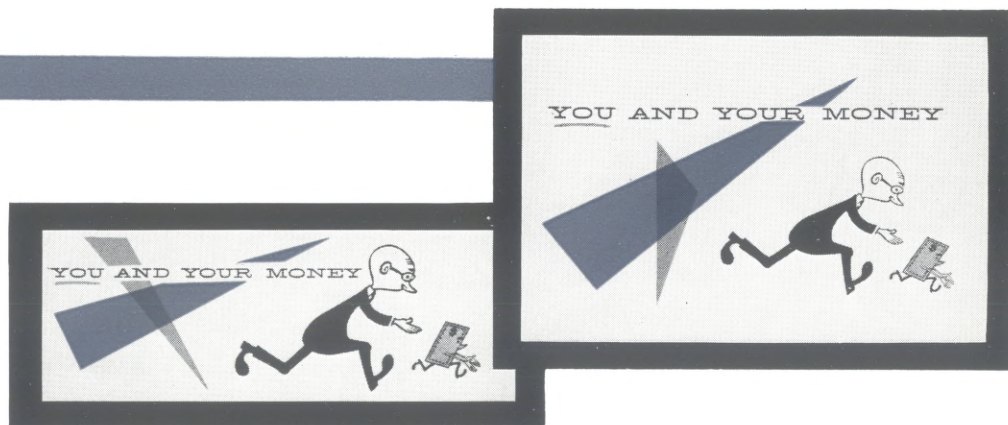
For the same reason the bank in 1955 published other booklets, produced a motion picture, conducted a seminar for col-

lege teachers, provided speakers for 143 meetings, and, among other things, welcomed some 3,000 visitors who toured the Head Office and branches.

Of particular interest in 1955 was the production of a 16-mm educational motion picture, "You and Your Money." This short feature, showing in cartoon story style what makes the wheels go around in the nation's business, joined the bank's earlier film, "Your Money's Worth," among the outstanding films on economics available in the country. That, at least, is the opinion of hundreds of college and high school teachers, bankers, and business executives who have so judged them.

Among other publications released in 1955 were "You and Your Money" and "Your Money's Worth," each an adaptation of the script of the films; the "Monthly Review," which goes to a reading list of more than 7,000; and "Operating Ratios of Fifth District Member Banks," an annual comparative compilation valued highly by bankers. All of the bank's publications are free to interested persons.

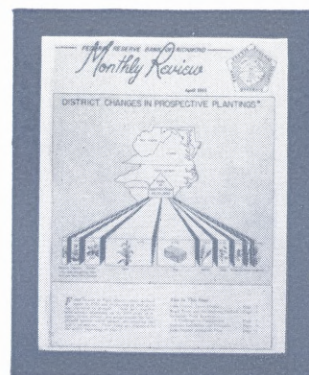
Public Information



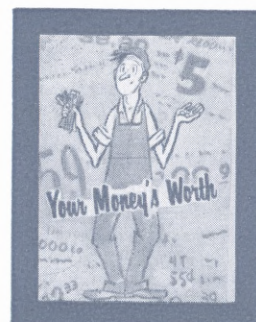
Requests for bank officers and staff members to speak at meetings in 1955 were, as always, far beyond the bank's ability to fulfill. But in so far as was possible requests were met. Representatives of the Head Office and branches addressed 143 meetings and lectured at the Graduate School of Banking at Rutgers University, at schools and conferences of bankers associations of Virginia, Maryland, West Virginia, North Carolina, and South Carolina, and at many colleges.

For the third year the bank held a central banking seminar for Fifth District college and university professors of money and banking, giving the teachers an opportunity to see the operations of the bank, to hear discussions of monetary policy from authorities in the field, and to ask questions and contribute their own thoughts. In the past three years nearly 100 teachers have attended the seminars.

Published monthly, this Review offers reports and comments on business conditions in the Fifth District



Causes and effects of the changes in the value of the dollar are discussed in "Your Money's Worth"



Thousands of copies of this new booklet have been given to bankers, businessmen and college students

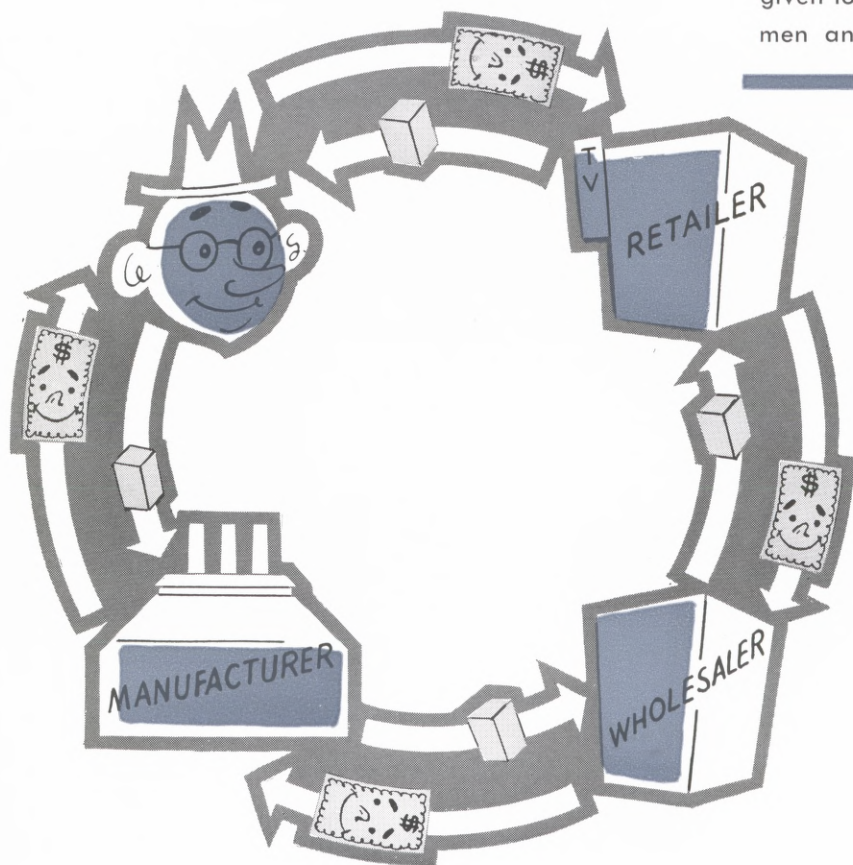
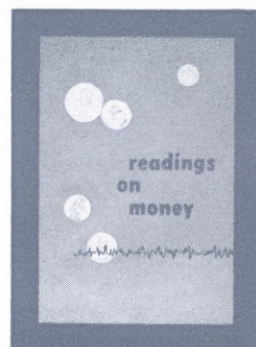


Illustration from new movie shows in outline the travels of money as it does its work as medium of exchange in the nation's business. Prints of "You and Your Money" are available on loan from the bank, its branches, and all other Federal Reserve Banks.

As the Volume of Operations table on another page indicates, 1955 was a busy year for the Federal Reserve Bank of Richmond and its Baltimore and Charlotte branches. It was indeed one of the busiest years on record, with the bank and its branches keeping pace with a booming economy.

Figures in the table, of course, are consolidated tabulations for the entire bank. It may be of interest, however, to glance at a breakdown of a few of the figures as an indication of the scope of the branch operations. For instance:

Of the total of 232,132,000 checks in the amount of \$79,879,673,000 handled during 1955, Richmond's share was 122,373,000 amounting to \$42,742,626,000, Baltimore's 62,318,000 and \$17,474,445,000, and Charlotte's 47,441,000 and \$19,662,602,000. Of currency received and paid out, Richmond's share was 401,876,406 pieces amounting to \$2,409,811,629, Baltimore's 218,518,395 and \$1,288,150,754, and Charlotte's 179,622,537 and \$976,033,087. Of coins received and paid out, Richmond's share was 400,263,574 pieces amounting to \$33,508,743, Baltimore's 716,951,641 and \$53,300,766, and Charlotte's 193,714,696 and \$16,949,261.

Richmond handled 191,000 noncash collection items adding up to \$68,789,000, Baltimore 596,000 amounting to \$259,332,000, and Charlotte 35,000 amounting to \$57,065,000. Richmond made 63,189 transfers of funds for member banks totaling \$23,718,555,000, Baltimore 26,069 totaling \$8,894,029,000, and Charlotte 40,224 totaling \$20,925,997,000.

A Year's Activity

Except in a book of telephone directory proportions not all of the persons whose work contributed to the activities of the bank could be listed. Among those whose names made news in 1955, some might be mentioned here.

Changes in Directorates

Directors: John B. Woodward, Jr., re-appointed by the Board of Governors to a new three-year term as Class C director and re-designated chairman and Federal Reserve Agent for 1956 . . . Alonzo G. Decker, Jr., re-designated by the Board of Governors deputy chairman for 1956 . . . Joseph E. Healy, elected by member banks to a three-year term as Class A director, succeeding Warren S. Johnson, who left the board after nine years . . . L. Vinton Hershey, elected by member banks to a three-year term as Class B director, succeeding H. L. Rust, Jr., who had served on the board since 1944.

Baltimore Branch directors: Wm. Pur-nell Hall, re-appointed by the Board of Governors to a three-year term . . . John W. Stout, appointed by the Head Office board to a three-year term, succeeding Lacy I. Rice . . . Stanley B. Trott, re-ap-pointed by the Head Office board to a sec-ond three-year term.

Charlotte Branch directors: T. Henry Wilson, re-appointed by the Board of Gov-ernors to a new three-year term . . . Ivey W. Stewart, appointed by the Head Office board to a three-year term, succeeding George S. Crouch . . . G. G. Watts, ap-pointed by the Head Office board to a three-year term, succeeding Jonathan Woody.

In December, the Head Office board lost a valued member when John A. Syden-stricker, executive vice president of the First National Bank in Marlinton, West Virginia, died. Mr. Sydenstricker had served on the board since 1942. A special election will be called early in 1956 to fill Mr. Sydenstricker's unexpired term, which ends December 31, 1956.

Also in December death took J. G. Holtzclaw, chairman of the bank's Indus-trial Advisory Committee since 1934. Mr. Holtzclaw was president of the Virginia Electric and Power Company.

The bank's board of directors re-ap-pointed Robert V. Fleming, chairman of the board of Riggs National Bank, Washington, to his fourteenth term as the Fifth District member of the Federal Advisory Council for 1956.

New Officers Elected

Three members of the Head Office staff became officers of the bank in 1955. Fiscal Agency Department Manager John G. Deitrick, Transit Department Manager Clifford B. Beavers, and Planning Depart-ment Manager J. Gordon Dickerson, Jr. were elected to the position of assistant cashier.

The end of 1955 brought the retirement of Assistant Cashier Edward Waller, Jr., who had been a member of the Head Office staff since 1915.

Two banks of the Fifth District entered the Federal Reserve System in 1955. They were the newly organized First National Bank, Greer, South Carolina, and the Cambria Bank, Inc., of Cambria, Virginia.

VOLUME OF PRINCIPAL OPERATIONS

	1955	1954
CHECKS HANDLED :		
Number	232,132,000	223,784,000
Amount	\$79,879,673,000	\$73,752,728,000
NONCASH COLLECTION ITEMS RECEIVED :		
Number	822,000	747,000
Amount	\$ 385,186,000	\$ 219,807,000
TRANSFERS OF FUNDS FOR MEMBER BANKS :		
Number	129,482	116,403
Amount	\$53,538,581,000	\$47,002,429,000
INTERDISTRICT SETTLEMENT FUND DAILY TRANS- IT CLEARINGS :		
Total received from F. R. Banks and Branches	\$51,794,241,000	\$46,768,291,000
Total paid to F. R. Banks and Branches	\$51,844,814,000	\$46,727,150,000
CURRENCY AND COIN HANDLED :		
Currency received (including new notes) :		
Number of notes	399,344,743	415,894,215
Amount	\$ 2,335,318,650	\$ 2,545,480,530
Currency paid out (including notes returned for redemption) :		
Number of notes	400,672,595	416,795,922
Amount	\$ 2,338,676,820	\$ 2,566,072,196
Coin received (including new coin) :		
Number of coins	651,132,388	623,707,044
Amount	\$ 51,730,844	\$ 49,440,621
Coin paid out (including coin returned for redemption) :		
Number of coins	659,797,523	594,074,874
Amount	\$ 52,027,926	\$ 48,895,610
U. S. GOVERNMENT SECURITIES INCLUDING ARMED FORCES LEAVE BONDS (EXCLUSIVE OF SAVINGS BONDS) ISSUED, EXCHANGED AND RE- DEEMED :		
Number	121,000	156,000
Amount	\$ 3,772,847,000	\$ 4,900,377,000
U. S. SAVINGS BONDS—ISSUED :		
Number	5,767,000	5,607,000
Issue price	\$ 336,141,000	\$ 323,417,000
U. S. SAVINGS BONDS—REDEEMED :		
Number	7,338,000	7,790,000
Redemption value	\$ 471,520,000	\$ 480,997,000

The Balance Sheet

We generally appraise financial statements of business firms in terms of the profitability of the year's operation. Not so with a Federal Reserve Bank's statements. Profit making is not a determining consideration in the operations of a Federal Reserve Bank.

What, then, is the basis for judging the changes in the financial statements of a Federal Reserve Bank? The principal purpose of the Federal Reserve System is influencing the conditions of credit in the economy toward the end of promoting orderly economic growth while maintaining stability in the purchasing power of the dollar. Most of the actions taken to achieve this purpose are reflected directly or indirectly in the financial statements of the Reserve banks. Any appraisal of these statements should be in the light of credit policy over a period.

Monetary policy throughout 1955 was one of increasing restraint. The decline in the Federal Reserve Bank of Richmond's holdings of government securities over the year reflects the execution of this policy. The Richmond Reserve bank does not buy and sell government securities on its own account, but participates in the System's total holdings which are administered under directives of the Federal Open Market Committee. The change in the Richmond bank's holdings, therefore, reflects System operations designed to influence national credit conditions.

The second largest asset item in the balance sheet of the Richmond Reserve bank is the Gold Certificate Reserve. This account for the System as a whole represents

nearly the entire monetary gold stock of the nation. Any increases in it work to increase member bank reserve accounts by a similar amount. For the System as a whole, however, the Gold Certificate Reserve declined just slightly over 1955. The increase at the Richmond bank was caused by a net inflow of payments from other Federal Reserve districts, and this increase tended to increase member bank reserve accounts at this bank proportionately.

During 1955, increased member bank borrowing from the Federal Reserve Bank of Richmond, and from the other Reserve banks, was indicative of the growing monetary tightness which developed over the year. Although the balance sheet shows a smaller amount of discounts outstanding at the end of 1955 than at the end of 1954, average borrowing during the year was substantially greater than during the earlier year. This is reflected in the earnings statement. Total earnings from discounts in 1955 were over two and a half times the amount earned in 1954. Increases in the discount rate from $1\frac{1}{2}$ per cent to $2\frac{1}{2}$ per cent accounted for some portion of the increased earnings, but the higher level of borrowings was the principal source of the increase.

Another factor which affected member bank reserve accounts during 1955 was the increase in the liability item Federal Reserve Notes. This item represents Federal Reserve currency issued to member banks in response to the demands made upon them by their customers. Increasing business activity calls for more "pocketbook money" in the hands of the public, and this was the pattern in 1955.

COMPARATIVE STATEMENT OF CONDITION

ASSETS:

	DECEMBER 31, 1955	DECEMBER 31, 1954
Gold certificates.....	\$1,275,459,867.17	\$1,156,033,013.39
Redemption Fund for Federal Reserve notes.....	72,427,230.78	74,913,000.78
TOTAL GOLD CERTIFICATE RESERVES.....	1,347,887,097.95	1,230,946,014.17
Federal Reserve notes of other banks.....	38,249,760.00	22,851,810.00
Other cash.....	23,787,968.28	24,156,354.76
Discounts and advances.....	4,175,000.00	7,550,000.00
U. S. GOVERNMENT SECURITIES:		
Bills.....	88,530,000.00	127,632,000.00
Certificates.....	348,812,000.00	817,643,000.00
Notes.....	834,571,000.00	355,583,000.00
Bonds.....	165,062,000.00	165,017,000.00
TOTAL U. S. GOVERNMENT SECURITIES.....	1,436,975,000.00	1,465,875,000.00
TOTAL LOANS AND SECURITIES.....	1,441,150,000.00	1,473,425,000.00
Due from foreign banks.....	1,113.13	1,140.09
Uncollected cash items.....	437,744,631.04	333,589,980.75
Bank premises.....	5,218,406.37	4,495,308.58
Other assets.....	9,160,589.14	7,853,762.64
TOTAL ASSETS.....	\$3,303,199,565.91	\$3,097,319,370.99

LIABILITIES:

Federal Reserve notes.....	\$2,024,916,515.00	\$1,864,244,945.00
DEPOSITS:		
Member bank—reserve accounts.....	833,907,250.82	829,940,097.83
U. S. Treasurer—general account.....	17,776,533.41	44,619,021.03
Foreign.....	19,300,000.00	24,582,000.00
Other.....	21,225,299.95	5,626,323.09
TOTAL DEPOSITS.....	892,209,084.18	904,767,441.95
Deferred availability cash items.....	325,780,232.00	270,806,430.95
Other liabilities.....	611,860.02	555,780.20
TOTAL LIABILITIES.....	3,243,517,691.20	3,040,374,598.10

CAPITAL ACCOUNTS:

Capital paid in.....	13,771,500.00	12,618,200.00
Surplus (Section 7).....	35,011,852.68	33,480,005.72
Surplus (Section 13b).....	3,349,144.81	3,349,144.81
Other capital accounts.....	7,549,377.22	7,497,422.36
TOTAL LIABILITIES AND CAPITAL ACCOUNTS.....	\$3,303,199,565.91	\$3,097,319,370.99
Contingent liability on Acceptances Purchased for Foreign Correspondents.....	\$ 1,675,000.00	\$ 979,200.00
Commitments to make industrial loans.....	11,250.00	39,000.00

COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

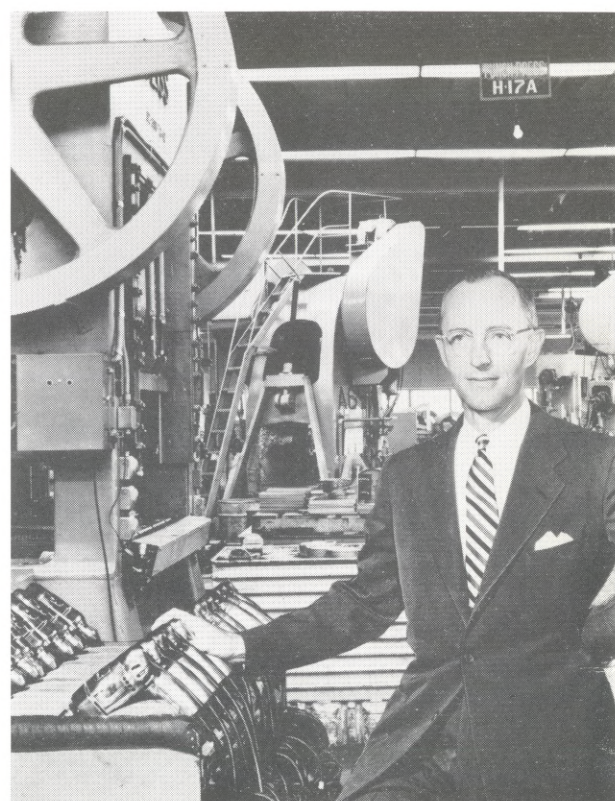
EARNINGS:	1955	1954
Discounts and advances.....	\$ 567,773.21	\$ 220,539.06
Interest earned on industrial loans under Section 13b.....		304.52
Fees received on commitments to make industrial loans.....	210.11	447.76
Interest on U. S. Government securities.....	23,436,368.44	25,627,427.68
Other earnings.....	8,490.13	6,532.64
Total Current Earnings.....	24,012,841.89	25,855,251.66
EXPENSES:		
Operating expenses (including depreciation on bank premises) after deducting reimbursements received for certain Fiscal Agency and other expenses.....	7,183,650.33	6,945,073.95
Assessments for expenses of Board of Governors.....	213,100.00	212,900.00
Cost of Federal Reserve currency.....	445,423.66	649,696.81
Net Expenses.....	7,842,173.99	7,807,670.76
Current Net Earnings.....	16,170,667.90	18,047,580.90
ADDITIONS TO CURRENT NET EARNINGS:		
Profits on sales of U. S. Government securities (net).....		31,734.87
All other.....	482.68	9,213.26
Total Additions.....	482.68	40,948.13
DEDUCTIONS FROM CURRENT NET EARNINGS:		
Losses on sales of U. S. Government securities (net).....	55.37	
Reserves for Contingencies.....	51,954.86	52,508.82
All other.....	995.23	637.20
Total Deductions.....	53,005.46	53,146.02
Net Additions (+) or Deductions (-).....	-52,522.78	-12,197.89
NET EARNINGS BEFORE PAYMENTS TO U. S. TREASURY.....	\$16,118,145.12	\$18,035,383.01
Paid U. S. Treasury (Interest on Federal Reserve notes).....	\$13,786,647.54	\$15,573,732.87
Dividends paid.....	799,650.62	731,160.00
Transferred to surplus (Section 7).....	1,531,846.96	1,730,490.14
Total.....	\$16,118,145.12	\$18,035,383.01
SURPLUS ACCOUNT (Section 7)		
Balance at close of previous year.....	\$33,480,005.72	\$31,749,515.58
Addition a/c profits for year.....	1,531,846.96	1,730,490.14
BALANCE AT CLOSE OF CURRENT YEAR.....	\$35,011,852.68	\$33,480,005.72
CAPITAL STOCK ACCOUNT		
(Representing amount paid in, which is 50% of amount subscribed)		
Balance at close of previous year.....	\$12,618,200.00	\$11,655,200.00
Issued during the year.....	1,160,800.00	1,014,600.00
	13,779,000.00	12,669,800.00
Cancelled during the year.....	7,500.00	51,600.00
BALANCE AT CLOSE OF CURRENT YEAR.....	\$13,771,500.00	\$12,618,200.00



JOHN B. WOODWARD, JR., Chairman of the Board and Federal Reserve Agent, is chairman of the board of the Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia. He has been a Class C member of the bank's board since 1949 and Chairman since January 1954.

FEDERAL RESERVE BANK OF RICHMOND

Directors for 1956



ALONZO G. DECKER, JR., is vice president of the Black and Decker Manufacturing Company, Towson, Maryland. He was appointed a Class C director in 1954 and Deputy Chairman in January 1955.

DEAN W. COLVARD is Dean of Agriculture at North Carolina State College of Agriculture and Engineering, Raleigh. He was appointed a Class C director of the bank in January 1955.



ROBERT O. HUFFMAN is president of the Drexel Furniture Company, Drexel, North Carolina and of two textile concerns in that state. He became a Class B director in January 1955.

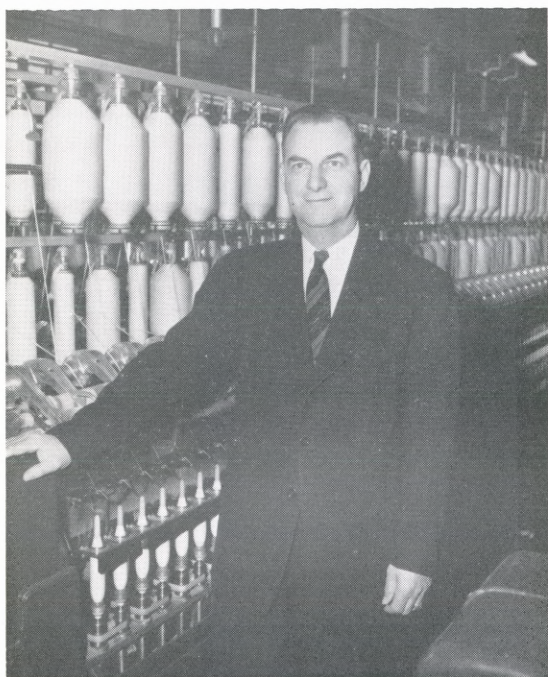


DANIEL W. BELL is president and board chairman of the American Security and Trust Company, Washington, D. C. He is a former Under Secretary of the Treasury. His term as a Class A director began in January 1955.



L. VINTON HERSHEY is president of the Hagerstown Shoe Company, Hagerstown, Maryland. Formerly a member and chairman of the Baltimore Branch board, he became a Class B director of the bank in January 1956.

WM. A. L. SIBLEY is vice president and treasurer of Monarch Mills, Union, South Carolina. His term of office as a Class B director began in January 1954.



JOSEPH E. HEALY is president of the Citizens National Bank of Hampton and the Farmers Bank of Mathews, both in Virginia. He took office as a Class A director in January 1956.

Federal Reserve Bank of Richmond



OFFICERS

Hugh Leach	President
Edward A. Wayne	First Vice President

N. L. Armistead	Vice President
Robert L. Cherry	Vice President
Donald F. Hagner	Vice President
Aubrey N. Heflin	Vice President and General Counsel
Upton S. Martin	Vice President
James M. Slay	Vice President
C. B. Strathy	Vice President and Secretary
Charles W. Williams	Vice President
Joseph M. Nowlan	Cashier
R. S. Brock, Jr.	General Auditor
J. Dewey Daane	Assistant Vice President
James W. Dodd, Jr.	Assistant Vice President

Robert G. Howard	Assistant Vice President
John L. Nosker	Assistant Vice President
Thomas I. Storrs	Assistant Vice President
G. Harold Snead	Chief Examiner
Victor E. Pregeant, III	Assistant General Counsel
Clifford B. Beavers	Assistant Cashier
E. B. Coleman	Assistant Cashier
John G. Deitrick	Assistant Cashier
J. Gordon Dickerson, Jr.	Assistant Cashier
H. Ernest Ford	Assistant Cashier
Wythe B. Wakeham	Assistant Cashier

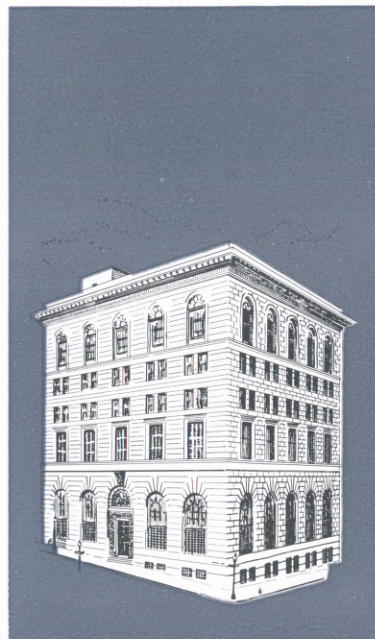
INDUSTRIAL ADVISORY COMMITTEE

Overton D. Dennis	Dominion Oil Company Richmond, Virginia	Walker D. Stuart	President, Richmond Hardware Company Richmond, Virginia
Ross Puette	President, Carolina Paper Board Corporation Charlotte, North Carolina	John L. Whitehurst	President and Treasurer, Burt Machine Company, Inc. Baltimore, Maryland

MEMBER FEDERAL ADVISORY COUNCIL

Robert V. Fleming	Chairman of the Board, Riggs National Bank Washington, D. C.
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Baltimore Branch



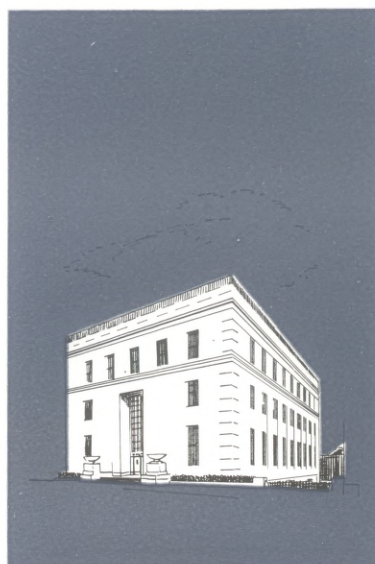
DIRECTORS

Theodore E. Fletcher	Agriculturist Easton, Maryland
Wm. Purnell Hall	Executive Vice President, Maryland Shipbuilding & Drydock Company, Inc. Baltimore, Maryland
Charles W. Hoff	President, Union Trust Company of Maryland Baltimore, Maryland
Charles A. Piper	President, The Liberty Trust Company Cumberland, Maryland
John W. Stout	President, The Parkersburg National Bank Parkersburg, West Virginia
Stanley B. Trott	President, Maryland Trust Company Baltimore, Maryland
Clarence R. Zarfoss	Vice President, Western Maryland Railway Company Baltimore, Maryland

OFFICERS

Donald F. Hagner	Vice President	A. C. Wienert	Assistant Cashier
A. A. Stewart, Jr.	Cashier	B. F. Armstrong	Assistant Cashier
E. Riggs Jones, Jr.	Assistant Cashier		

Charlotte Branch



DIRECTORS

Archie K. Davis	Chairman of the Board, Wachovia Bank & Trust Company Winston-Salem, North Carolina
William H. Grier	Executive Vice President, Rock Hill Printing and Finishing Company Rock Hill, South Carolina
Ernest Patton	Chairman of the Board, Peoples National Bank Greenville, South Carolina
Ivey W. Stewart	President, The Commercial National Bank Charlotte, North Carolina
Paul T. Taylor	President, Taylor Warehouse Company Winston-Salem, North Carolina
G. G. Watts	President, Merchants and Planters National Bank Gaffney, South Carolina
T. Henry Wilson	President and Treasurer, Henredon Furniture Industries, Inc. Morganton, North Carolina

OFFICERS

Robert L. Cherry	Vice President	R. L. Honeycutt	Assistant Cashier
S. A. Ligon	Cashier	E. C. Mondy	Assistant Cashier



