

FRASER  
LIBRARY

# 1950

*ANNUAL REPORT*



FEDERAL RESERVE BANK OF ST. LOUIS

FEDERAL RESERVE BANK  
OF ST. LOUIS

February 21, 1951

To the Member Banks of the Eighth  
Federal Reserve District:

It is a pleasure to transmit herewith the  
annual report of the Federal Reserve Bank of  
St. Louis for the year 1950.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Alex. Johnson".

President.

## TABLE OF CONTENTS

The Economy in 1950 .....	5
Production .....	7
Employment .....	9
Income .....	10
Expenditures .....	10
Construction .....	12
 Banking Developments in 1950 .....	 14
Loan Expansion .....	14
Growth in Money Supply .....	15
Money and Liquid Assets .....	17
Member Bank Reserves .....	18
Federal Reserve Action .....	19
 Activities of the Federal Reserve Bank of St. Louis .....	 21
People and Plant .....	21
Information and Analysis .....	23
Credit Operations .....	24
Regulation V .....	24
Regulation W .....	24
Regulation X .....	24
Examination .....	25
Operating Functions—Member Banks .....	25
Accounting .....	26
Coin and Currency .....	27
Safekeeping .....	28
Wire Transfers .....	28
Noncash Collections .....	29
Services for United States Government .....	29
Fiscal Agency .....	29
Audit .....	30
Directors and Officers .....	31
Statement of Condition .....	34
Earnings and Expenses .....	35

## THE ECONOMY IN 1950

The economic record of 1950 indicates rising activity throughout the year. In most lines new highs were reached for a so-called peace-time economy; in some new all-time peaks. In terms of value more goods and services were turned out in the United States than ever before. In physical terms, output was larger during some years of World War II. But the quantity of goods available to the civilian economy in 1950 was at a record level.

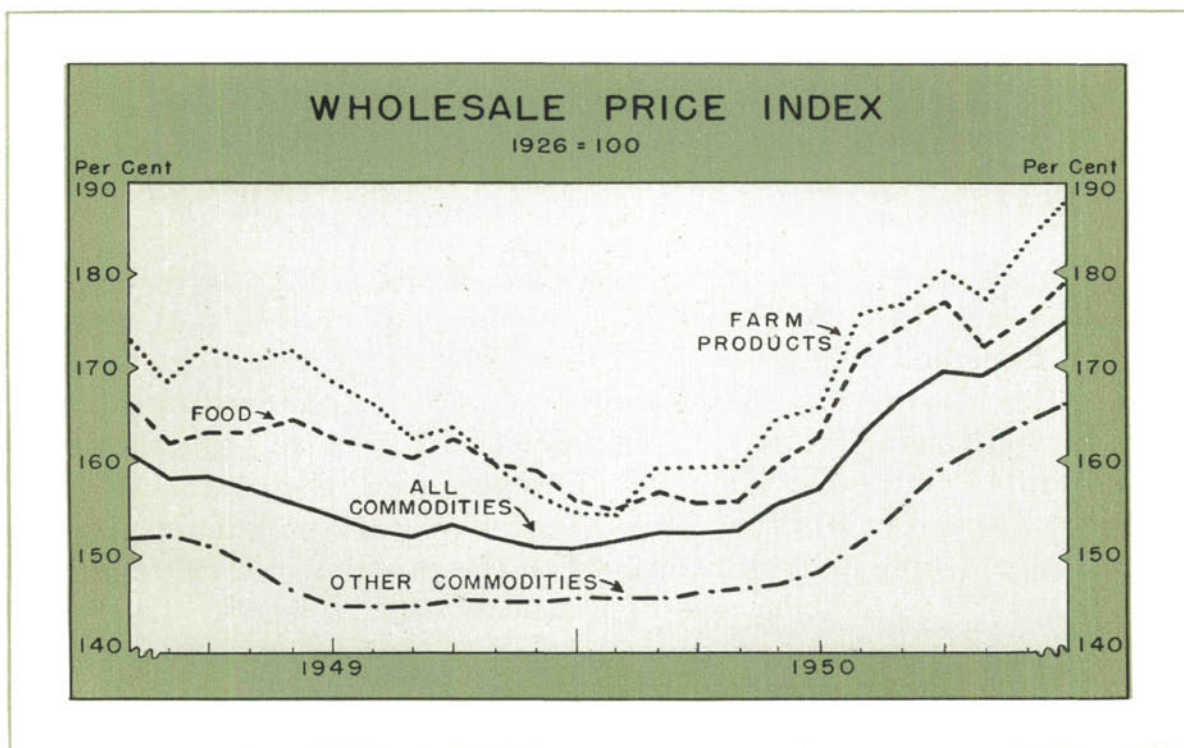
As in 1949, the midyear point in 1950 was an economic milepost. The two points marked two very different developments, however. Mid-1950 brought Korea, and with it a stronger beat to the boom already sounding loudly. A year earlier the midyear date marked a reversal in the mild downtrend and a beginning of the economic expansion that prevailed throughout 1950.

In the first half of 1950, the large and growing demands of individuals and businesses pushed production, employment and income higher than in the last half of 1949. Korea added to this demand an increased defense program and, for a time at least, an intensified drive for civilian goods. Thus the second half of 1950 saw sharp advances from the already high levels of the first half-year. Employment and income rose to new highs, industrial output to a level surpassed only at the height of World War II effort. Most of the strength in the second half of 1950 still was accounted for by civilian demand.

The immediate effect on the economy of the Far Eastern developments in mid-1950 was largely psychological. When the shooting started it touched off a wave of emotional buying. Consumers and businessmen recalled vividly the shortages and price increases during World War II and hastened to protect themselves. In order to obtain the goods they wanted, consumers and businessmen used their already high incomes, mortgaged future income and dipped into accumulated savings. The money supply grew at a time when the productive facilities of the nation already were being operated at near-capacity levels. The result was to intensify inflationary pressures and to push prices to new peaks.

The direct impact of the war, in terms of increased production and employment, was not great in 1950. Additional billions of dollars were

appropriated for the purchase of military goods, but there is a considerable time lag between the appropriation of funds and the production of goods. A sizable number of defense contract commitments were made during the last half of 1950 but a large proportion of the new contract commitments were for "long lead" items and they were translated into a relatively small proportion of the total volume of goods produced during that period. To the end of the year, the nation's productive machinery was engaged primarily in turning out goods for civilian consumption. At record peacetime levels, the flow of goods did not keep pace with the expansion in the money supply. Through the application of selective credit controls over private credit used to finance the purchase of consumers' durable goods and new residential construction and through the use of general credit controls affecting the supply of credit, efforts were made to cope with the growth in the money supply. But as the year ended, the question of curbing inflationary pressures remained a major domestic problem.

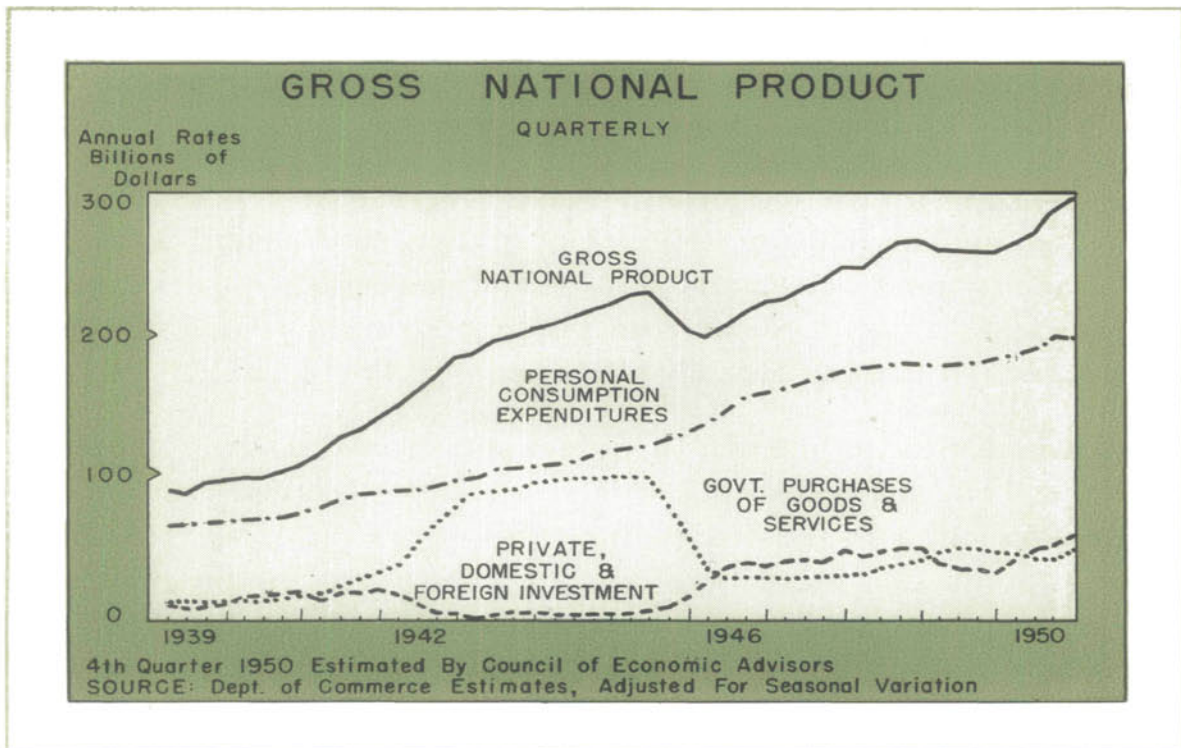


## Production

The value of goods and services produced in the United States climbed to a new peak of about \$279 billion in 1950. This was \$23 billion or 9 per cent larger than the 1949 figure. The gain reflected higher prices, but also increased physical output.

Most of the increase, on a value basis, occurred in the last six months of 1950, and consequently an average for the year gives an inadequate picture of trends during the full twelve months. In the third quarter alone the national product was flowing at an annual rate \$14 billion higher than in the second quarter. This was followed by an additional \$13 billion increase (annual rate) in the last three months of the year.

Physical volume of industrial production in the nation last year averaged nearly 200 per cent of 1935-39, according to the Federal Reserve index, as compared with 176 per cent in 1949. The trend was



up throughout the first nine months of 1950. In the last three months of the year, despite pressure for further increases, output tended to level off at about 215 per cent of 1935-39 as the automobile industry moved into its model changeover period and as adverse weather hampered output in some centers of heavy industry.

The expansion in production of durable goods was especially strong. From the low point reached late in 1949 to the closing months of 1950, physical production in these industries increased 52 per cent. In the nondurables field, production increases were less striking but by the end of the year output was at an all-time peak.

Expansion in the Eighth District in 1950 apparently was a little less, percentagewise, than that for the nation as a whole. In large measure this reflected the fact that the decline between 1948 and 1949 was smaller here, and consequently recovery to capacity operations would necessarily be less pronounced than in the nation as a whole. Manufacturing activity moved up rather strongly during the first six months. In the last half year, further increases occurred and by the end of 1950 activity was at a level about 20 per cent above that at the close of 1949—just slightly below the national gain. Here, too, the largest increases were in the heavy goods industries with production of nondurables climbing at a somewhat slower rate.

In contrast to nonagricultural output, agricultural production in 1950 was smaller than in 1949. The decline, of course, was in line with national farm policy, and acreage and marketing restrictions were in force. Even so, national crop production in 1950 was the third largest on record, exceeded only by the crops of 1948 and 1949.

In this district production of most major crops also was less than in 1949. The major exceptions were a 17 per cent increase in oats production and a 20 per cent increase in soybean production. District tobacco production was 15 per cent less, and cotton output was down 28 per cent compared with a year earlier. Production of corn, rice and wheat was 1, 18, and 33 per cent less, respectively, in the district than a year earlier. These declines can be attributed mainly to acreage restrictions, but unfavorable weather also was a factor here.

## Employment

The tremendous demand for goods during 1950 was reflected not only in a high level of production but also in a rise in employment to an all-time high of 62.4 million in August. At the previous peak, in mid-1948, employment totaled 61.6 million—and for the year 1949 it averaged 58.7 million. Much of the expansion reflected a sharp rise in manufacturing employment, which averaged 5 per cent above that in 1949.

Because of the large demand for labor, the increase in the civilian labor force—from 62.1 million in 1949 to 63.1 million in 1950—was largely absorbed. Also, fewer persons were unemployed in 1950 than in 1949, averaging 3.1 million as against 3.4 million in 1949. Unemployment in October reached a low of less than 2 million as compared with 4.5 million at the beginning of the year—part of this reduction was seasonal.

In the district's major industrial areas, employment averaged about 3 per cent larger than in 1949. As in the nation, most of the increase reflected the expansion in manufacturing industries. Other industries also added to their work forces and, as a result, total non-agricultural employment late in the year was larger than ever before. Manufacturing employment climbed to the highest level since World War II.

The largest increases over 1949 in nonfarm employment in the five major district areas occurred in Evansville and Louisville. Here, employment was up 6 per cent and 4 per cent, respectively. In Little Rock, St. Louis and Memphis, the increases ranged from 1 per cent to 3 per cent.

As more workers were employed, unemployment in the district declined. There were sizable reductions in most parts of the district and by the end of 1950 the number of workers seeking jobs was smaller than at any time since 1948.

In the district and the nation, the year was marked, too, by a rise in wage rates and a gradual lengthening of the workweek. In St. Louis, average weekly earnings of manufacturing workers late in the year was about 8 per cent larger than a year earlier. The growth in weekly pay checks was smaller, percentagewise, than in the nation as a whole, however, and the amount of the average worker's weekly earnings was smaller here than nationally.



## Income

Income increased sharply during 1950. On an annual basis, personal income was running at about \$205 billion in the last half of 1949. That rate rose by \$10 billion in the first half of 1950 and by more than that amount in the second half. The gain was concentrated in non-agricultural income, particularly in wages and salaries. After Korea, however, farm income began to pick up and was growing appreciably by year end. Most of the farm income gain was attributed to higher prices.

Since farm income represents a relatively larger proportion of total income here than in the nation, the fact that farm income showed an appreciably smaller increase than nonfarm income tended to hold the district income gain below the national average. Nevertheless the Eighth District did register a substantial increase in income over 1949, and at year end district income was running some 10 per cent ahead of that at the close of 1949.

## Expenditures

In the first half of the year consumers' outlays in the nation were at an annual rate of about \$184 billion. This was about 3 per cent above the level of the first half of 1949. Demand was concentrated in the consumer durable goods field—for automobiles, homefurnishings, and appliances.

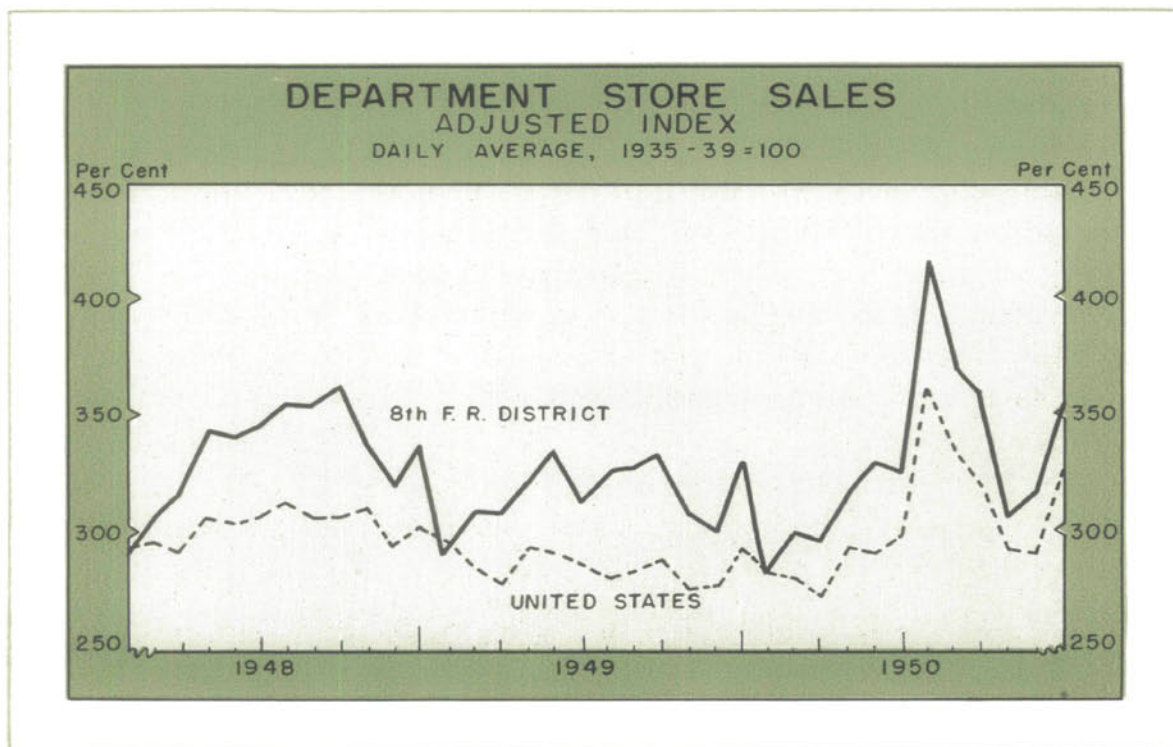
With the outbreak of hostilities in Korea, consumer buying increased sharply—in the nation and in this district. Almost all goods were in demand—particularly those which consumers feared would become scarce under wartime conditions. Again, as earlier in the year, there was heavy buying of automobiles, appliances and other major durables. As a result, the annual rate of consumers' outlays in the third quarter increased \$13 billion over the level of the preceding three months.

Late in August the initial rush for goods subsided and consumers' spending dropped back from the peaks reached early in that month and late in July. But even at this lower level, expenditures were larger than they were during the first half of 1950. Consumer credit continued to expand and in mid-September the Board of Governors reimposed Regulation W in an attempt to curb the growth of instalment credit. The initial terms of the Regulation tended to reduce spending for appliances

and homefurnishings, but they had little effect on the demand for automobiles, especially new cars. A subsequent tightening of the Regulation had more impact.

Business spending also contributed to inflationary pressures. The sustained demand for consumers' goods gave business firms a strong incentive to increase expenditures. The need to add to inventories was especially great since stocks had been reduced materially during 1949. During the first half of 1950, retailers, wholesalers and manufacturers stepped up their buying and contributed significantly thereby to the expansion in total production.

After the Korean crisis developed, business reacted in much the same way as did consumers, by greatly increasing commitments. As a result, the value of new orders received by manufacturers in July was up \$1.4 billion from the previous month, and in August was up an additional \$5 billion—climbing to a total of \$27 billion in that month. During the first six months of the year the value of new orders averaged \$18 billion a month. Although production continued to rise, shipments did not keep up with the new business received each month, and by the end of



1950 manufacturers' backlogs had risen to \$37 billion as compared with \$20 billion a year earlier and \$23 billion at the end of June.

Business expenditures for new plant and equipment in the nation during 1950 were about the same—\$18.1 billion—as in 1949. While the annual totals were similar the experience in the two years was very different—in 1949 the level of business capital expenditures was declining while in 1950 it was gaining throughout the year. Manufacturing and mining industries and electric and gas utilities spent more in 1950 than in 1949—and the increases offset declines in outlays by railroads and other transportation industries and in commercial and miscellaneous industries.

In this district there were substantial additions to the existing industrial facilities. Manufacturing construction, as measured by the value of contracts awarded, was 23 per cent larger than in 1949. There was an increase of 69 per cent in commercial construction. Expenditures in the heavy engineering field, however, were 10 per cent smaller than in 1949.

## Construction

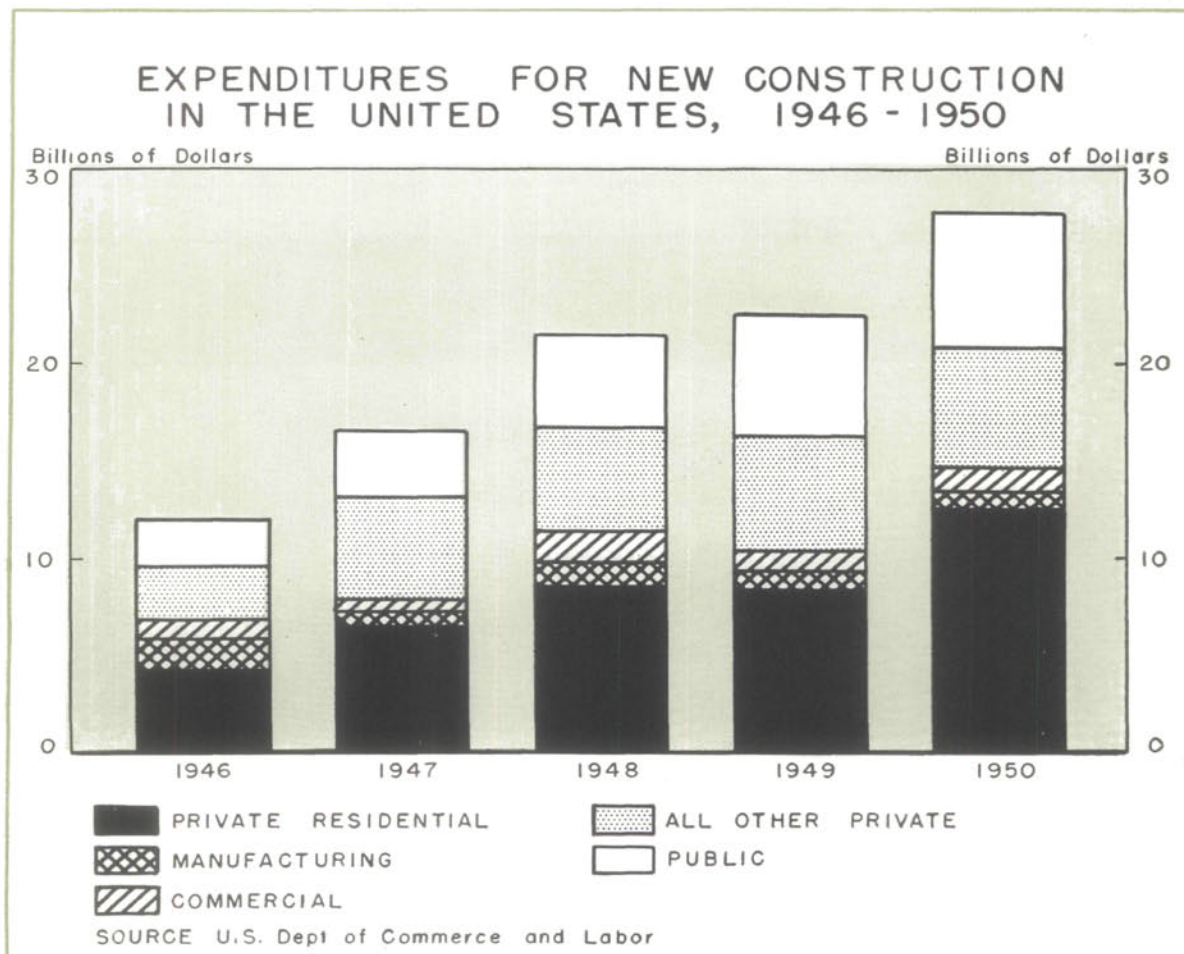
The 1950 boom received much of its impetus from the large increase in expenditures for new construction. The value of new construction nationally was \$27.7 billion—an alltime high and an increase of 23 per cent over 1949. Increased prices accounted for some of the gain but physical volume is estimated at least 10 per cent larger than in the previous peak year, 1927, and 15 per cent larger than in 1942, the wartime record year. In this district the floor area of nonresidential construction, based on F. W. Dodge Corporation reports covering a major portion of the district, was 53 per cent larger than in 1949. In the residential field, the number of new one- and two-family units put under contract was 30 per cent larger than in the previous year and there was a considerably larger percentage increase in multi-family units.

Much of the increase was in the residential field. Private expenditures for housing were half again as large as in 1949. Totaling \$12.5 billion as against \$8.3 billion in the preceding year, private housing accounted for 45 per cent of all construction outlays as compared with 37 per cent in 1949. In terms of physical volume, housing construction also was larger than in any previous year. A total of 1.4 million nonfarm dwelling units were started during the year.

The sharp expansion in construction also lifted the value of contracts

awarded in the Eighth District to a new high—\$868 million. This was 17 per cent more than in 1942, the previous peak year, and 29 per cent larger than in 1949. As in the nation as a whole, residential building accounted for much of the rise in total construction expenditures. Housing contracts, valued at \$228 million in 1949, rose to \$350 million in 1950 and for the first time since the building boom in the late 1920's represented more than 40 per cent of the value of all work put under contract in the district.

The high level of residential construction was a major factor in the rise in private credit during the year. In October, the Board of Governors issued Regulation X which established controls over real estate construction credit not insured or guaranteed by the Federal Government. Companion regulations were issued by the Housing and Home Finance Administration in connection with credit extended for both old and new homes insured or guaranteed by F.H.A. or V.A.

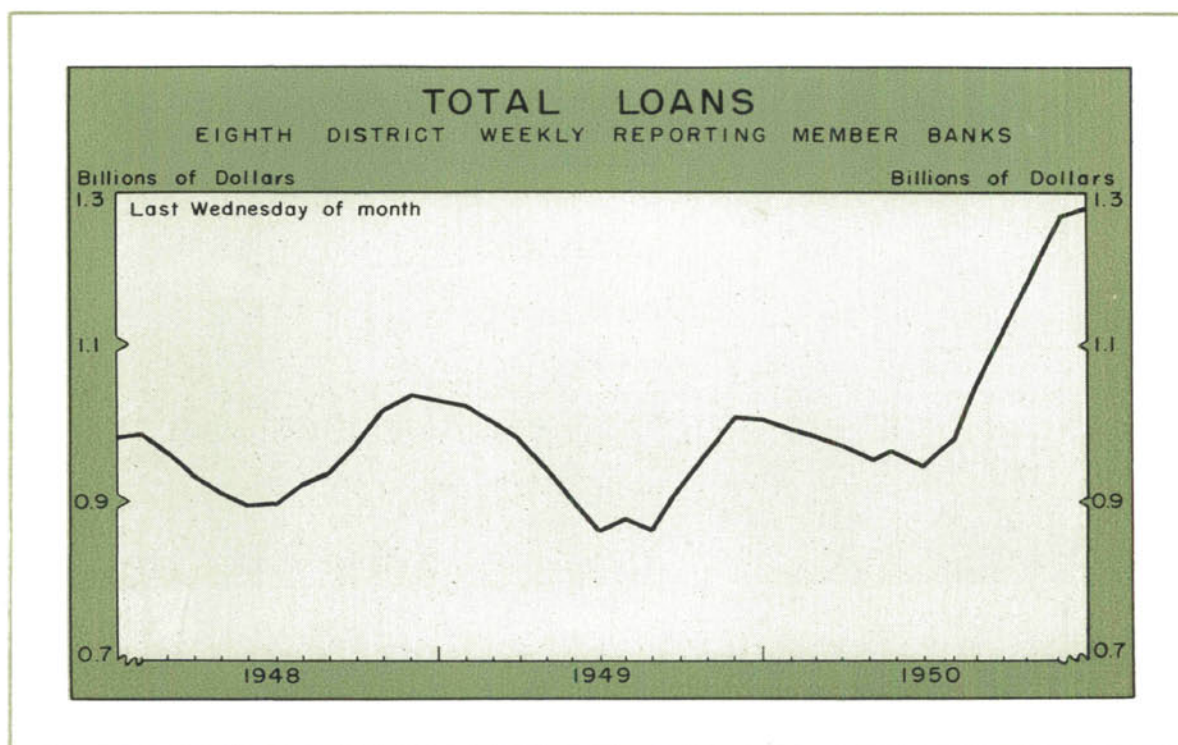


## BANKING DEVELOPMENTS IN 1950

The most significant banking developments in 1950 were the expansion of bank loans, particularly in the second half of the year, the resultant growth in the money supply plus its increased rate of use, and the steps taken by the Federal Reserve System to counteract inflationary pressures.

### Loan Expansion

Eighth District member banks increased their loans approximately 25 per cent to a record total of \$1.9 billion at the close of 1950. Relative to a year earlier loans were up \$340 million. A large share of the loan growth occurred in the second half of the year, as it normally does in this district in connection with crop movements. This year, however, the rise from the June low to the December high—\$375 million—was much larger than usual.



The need to finance the 1950 cotton crop and substantial purchases of stored cotton from the CCC pool, both at high prices, contributed particularly to the 1950 loan increase in district banks. Business demand for inventory and other working capital requirements added to the upswing. A survey of a few banks at mid-November indicated that the gain in business loans from June to November, 1950, although centered around the activity of cotton merchants and related processors, was spread throughout most types of businesses.

While the greatest surge in demand for bank credit apparently came from business, the expansion in real estate and consumer loans also was an important factor. At Eighth District weekly reporting member banks, for example, business loans increased \$158 million from December, 1949 to December, 1950, accounting for three-fifths of the total gain in those banks. Expansion in real estate and consumer credit amounted to \$48 million and \$49 million, respectively. Within the year both real estate and consumer loans increased most in the third quarter, reflecting the scare buying and the rush to obtain real estate financing immediately following the outbreak of Korean hostilities.

The loan increase in 1950 was widespread throughout the member banks in the district but was centered heavily in large urban banks. They reported a 27 per cent increase in volume (about the same as growth nationally in large city banks), while the smaller banks reported a 13 per cent increase.

Nationally the loan expansion at all banks amounted to \$11 billion in the year 1950 with the bulk of the growth coming after June 30. In addition the banks added \$2 billion net to their holdings of investments other than Government securities.

## **Growth in Money Supply**

Some of the funds to expand loans were obtained by the banks from the sale of United States Government securities. From December 1949 through December, 1950 commercial bank holdings of U.S. Government securities declined \$5 billion. Nonbank investor purchases, mostly by corporations and individual investors, offset a large part of these sales but not all. The Federal Reserve System also purchased a substantial volume of Government securities during the year, thereby creating bank reserves.

To the extent that loan and "other" investment expansion was not offset by the sale of Governments, bank deposits were created by a net increase in earning assets of the banking system. On balance, then, bank credit expansion was a major source of funds supporting the enlarged civilian demand for goods.

**TABLE I**  
**CHANGES IN THE CONSOLIDATED CONDITION**  
**STATEMENT OF BANKS AND THE**  
**MONETARY SYSTEM**

(In billions of dollars)

	December, 1949 to June, 1950	June, 1950 to December, 1950
<b>Assets</b>		
<b>Bank Credit:</b>		
Loans .....	+ 2.4	+ 8.5
<b>Investments</b>		
Non-U.S. Government .....	+ 1.0	+ 1.0
U.S. Government .....	— 1.7	— 2.2
Gold .....	— 0.2	— 1.4
	+ 1.5	+ 5.9
	+ 1.5	+ 5.9
<b>Liabilities</b>		
Private Money Supply.....	+ 0.2	+ 7.2
U.S. Government Deposits.....	+ 0.7	— 1.1
Foreign Deposits .....	+ 0.4	— 0.2
Bank Capital Accounts.....	+ 0.2	— 0 —
	+ 1.5	+ 5.9
	+ 1.5	+ 5.9

The net rise in bank credit in the first six-month period, which occurred despite a small loss of gold from the banking system, increased the money supply by \$1.3 billion. During the second half of 1950, bank credit expansion, offset in part by a much larger loss of gold than in the first half, added \$6 billion to the money supply.

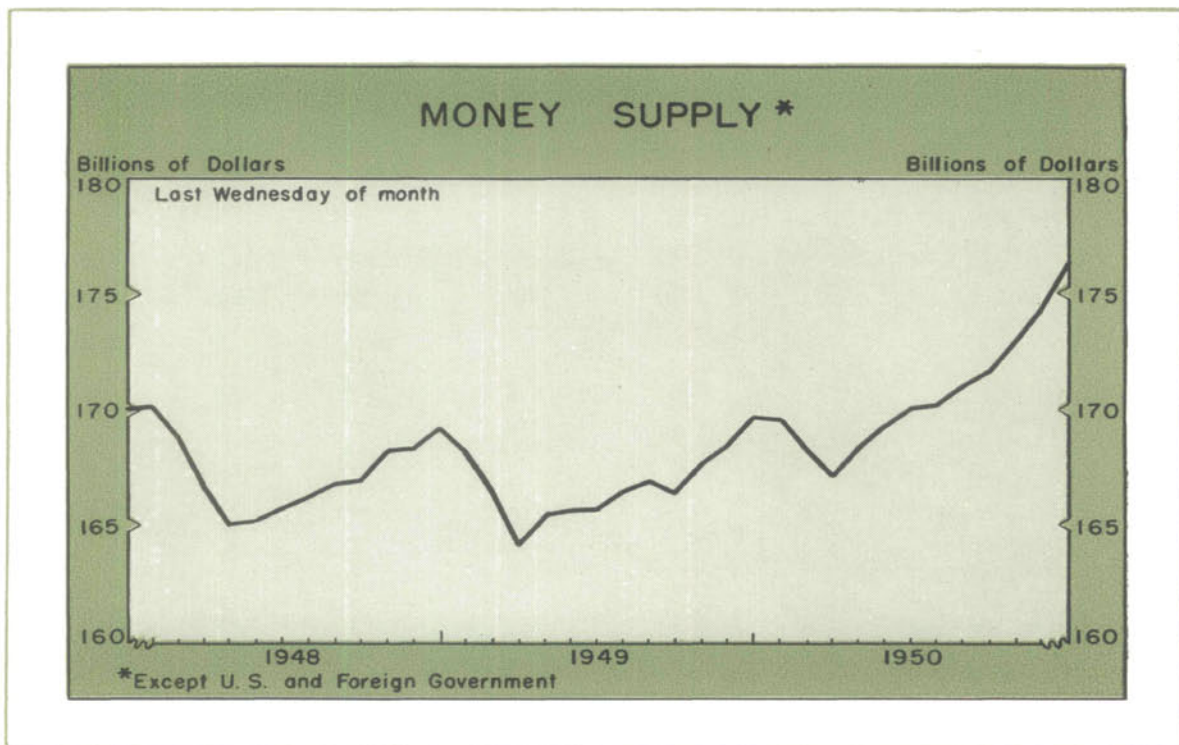
## More Rapid Use of Money and Liquid Assets

In addition to growth in the supply of money, there was an increase in its rate of use. At banks in reporting centers outside New York, the annual rate of turnover of demand deposits increased from 18 to 20 in the first six-month period. By the end of 1950, the annual rate had risen to about 22.

Series E Bonds were cashed at an increasing rate in 1950. Beginning in May, 1950, redemptions exceeded sales by an amount averaging roughly \$100 million per month over the last eight months of the year.

Time deposits were drawn down in the last half of the year. Eighth District member banks reported \$18 million loss in time deposits from June through December. In contrast these deposits had increased \$25 million in the first half year.

Growth of the spending stream outran the ability of the country to produce more goods and services on short notice. Inflationary pressure on prices resulted.





## Member Bank Reserves

Expansion of bank deposits resulting in the main from the \$8 billion net rise in bank credit (an increase in loans and "other" investments offset in part by a decline in Government security holdings) required about \$900 million in additional reserves to be held with the Federal Reserve Banks. Also the banks needed \$800 million more reserves to offset net losses from the money market factors (movements of gold, currency, Treasury balances, float and miscellaneous items). These factors at times added to and at times subtracted from member bank reserve balances, but for the year as a whole there was a net drain from them. The gold outflow accounted for a loss of \$1.8 billion and a rise in currency circulation for a loss of \$150 million. The other factors were net suppliers of funds for the year, as shown in the table.

**TABLE II**  
**FACTORS AFFECTING MEMBER BANK RESERVES**

(In millions of dollars)

(+) indicates addition  
(-) indicates reduction

		1st*	2nd*	3rd*	4th*	Aggregate 4 Quarters (Entire Year 1950)				
		Quarter	Quarter	Quarter	Quarter					
<b>Money Market</b>										
Currency .....	+	796	—	57	—	34	—	856	—	151
Treasury Operations .....	—	16	+	155	—	273	+	387	+	253
Gold and Foreign.....	—	295	—	279	—	526	—	690	—	1,790
Float .....	—	186	+	16	+	321	+	480	+	631
Miscellaneous .....	+	235	—	35	+	36	—	9	+	227
Total .....	+	534	—	200	—	476	—	688	—	830
Deposit Changes .....	+	194	—	194	—	381	—	541	—	922
<b>System Open Market</b>										
Operations .....	—	1,273	+	701	+	1,137	+	983	+	1,548
Borrowings .....	+	222	—	295	+	50	+	180	+	157
Total Change.....	—	323	+	12	+	330	—	66	—	47
<b>Excess Reserves at</b>										
End of Period**.....		514	526	856	790	790				

\*Based on closing Wednesday figures of each quarter.

\*\*Excess Reserves were estimated at \$837 million at the close of 1949.

The lion's share of the additional reserve funds was supplied by System Open Market operations. Banks gained \$1.5 billion in reserve funds from System net purchases of Government securities over the year as a whole. Net sales in the first quarter were only partly balanced by net purchases in the second quarter. After the Korean conflict began, net System purchases added over \$2 billion. Particularly important in adding to banks' reserves were purchases made in connection with the September 15-October 1 and the December 15, 1950-January 1, 1951 refunding operations.

During the year, commercial banks sold several times the net amount added to System account. From December, 1949 through June, 1950 commercial bank holdings of U. S. Government securities dropped \$1.1 billion; from June through December bank holdings declined \$3.5 billion. Nonbank investor purchases, mostly by corporations and individual investors, offset most of the sales but not all. The balance was purchased by the System to maintain order in the Government securities market.

Irregularly, the banks obtained reserve funds and used them by borrowing from the Federal Reserve Banks and subsequently repaying those loans. Over the year as a whole there was little change in member bank borrowings at Federal Reserve Banks.

## Federal Reserve Action

While the System was required to supply net reserves to the banking system during 1950, despite the growing strength of inflationary forces, over-all Federal Reserve credit policy evolved from one of neutrality at the beginning of the year to one of positive restraint at the end of the year. Virtually all the tools of control available to the Federal Reserve System were brought into play during the year:

- (1) Open market operations were conducted, insofar as they could be in the light of the Treasury's refunding programs, to increase the cost of additional member bank reserves. Short-term interest rates rose. The average rate on accepted bids on Treasury bills rose from 1.081 per cent on bills dated January 5, 1950 to 1.172 per cent on bills dated June 29, 1950. By the end of the year, the bill rate had risen to 1.382 per cent. Prices of taxable Treasury bonds fell (yields increased) over the year. Effective August 18 to 25, the rediscount rate at all Federal Reserve Banks was

raised from  $\frac{1}{2}$  per cent to  $1\frac{3}{4}$  per cent. Thus, whether the banks obtained additional reserves by borrowing from their Federal Reserve Banks or by disposing of Government securities in the open market, the cost of these reserves was increased.

- (2) Acting under the new powers granted by the Defense Production Act of 1950, consumer instalment credit was again brought under regulation September 18 and minimum down payment, maximum maturity terms were stiffened on October 16. Effective October 12 the Board of Governors placed credit for new construction of 1- and 2-family residences (not extended, insured, or guaranteed by the Federal Government) under Regulation X. The remaining instrument of selective credit control, that over stock market margins, was not tightened during 1950.\*
- (3) Throughout the year the System continued to urge the banks to restrain credit growth. On August 4, 1950, the Board of Governors and other regulatory agencies urged all lending institutions to exercise special care in their operations and to screen out loans to business or consumers that might be used for speculative purposes or interfere with defense requirements. On August 18, the Board and the Federal Open Market Committee announced that they would be "prepared to use all the means at their command to restrain further expansion of bank credit consistent with the policy of maintaining orderly conditions in the Government securities market." The statement continued that "The Board is also prepared to request the Congress for additional authority should that prove necessary." On November 17, the Chairman of the Board of Governors sent a letter to all member banks again stressing the need for restraint in lending.
- (4) On December 28, the Board of Governors announced increases in member bank reserve requirements (to existing legal maximums for reserve city and country members and to within 2 percentage points of the legal maximum on demand deposits for central reserve city banks). The action absorbed \$2 billion in member banks' free funds when effective, January 11-February 1, 1951. It should be noted that a fairly widespread expectation of an increase in requirements imposed some restraint on bank lending several months before the effective dates.

---

\* In January, new construction credit control was extended to cover multi-unit residential construction. Also in January, margin requirements were increased from 50 per cent to 75 per cent.

## ACTIVITIES OF THE FEDERAL RESERVE BANK OF ST. LOUIS

During 1950, the Federal Reserve Bank of St. Louis had a general increase in work volume. In part this was due to increased activity in the regular operating functions, in part it was due to additional duties assigned to the Federal Reserve System under the national defense program.

Most of the St. Louis Bank's activities arise from the Federal Reserve System's statutory responsibilities as the nation's central bank and fiscal agent and from operations incident to exercising those responsibilities. Thus this Bank, as part of the Federal Reserve System, shares in formulating or advising on general System credit policy and is charged with implementing those policies in the Eighth Federal Reserve District. It supervises Eighth District member banks, particularly state member banks. It carries out a variety of typical central bank operating functions, such as check collection, money shipments and receipts, holding of member bank reserves, fiscal activities for the United States Government, and many others. In most of these fields, activity and work volume was greater in 1950 than in 1949.

### People and Plant

Much of the work of a Federal Reserve Bank may seem to the non-financial community complex and difficult to understand. Actually the functions and operations are not as intricate as they may seem at first glance. And the primary requirements for carrying them out are the same as those essential to any successful endeavor—trained people and adequate physical plant and equipment.

In doing its work, a Federal Reserve Bank needs the services of a wide variety of people—men and women who have a number of aptitudes and a range of training. Some work requirements have to do with credit policy formulation and administration, others with volume operations in sorting checks or counting money, still others with building maintenance or employee health.

The 1,117 officers and employees at the St. Louis and three branch offices at the close of 1950 thus engaged in a number of widely differing activities—but almost all of them called for some special training and

aptitude. The Bank is constantly trying to further that training and develop new talents. Much of this work is done at the departmental level where department managers and supervisors as a regular part of their jobs are engaged in training people they supervise. Merit reviews of all employees are conducted regularly.

On a bankwide basis an executive development program is carried on. This program is designed to offer opportunities for training and advancement, and to develop an alert and trained group of potential officers, department managers, supervisors and specialized personnel. As part of this program, the Bank expects to recruit and train a few selected college graduates each year.

Under the training program in 1950 six employees completed advanced training assignments and three finished basic training assignments. One college graduate brought into the Bank last summer completed his orientation assignment.

Also it is believed that as part of the general training program officers and top-level employees profit from regular discussions of current economic and credit policy problems. In 1950 a seminar course of twelve lecture and discussion periods was conducted. In addition to lectures delivered by our own officers and staff, speakers from the Board of Governors and the Federal Reserve Banks of New York, Cleveland and Philadelphia led discussion periods. The Bank also encourages attendance at the various schools of banking: Central States School of Banking, Southern States School of Banking, and the Graduate School of Banking. In 1950, nine men from the head office and branches were enrolled in these schools, with two completing their work at them.

Adequate plant and equipment also are essential to smooth operations. A good many of the Bank's employees have duties in connection with the maintenance and necessary alterations in the buildings at St. Louis, Louisville, Little Rock and Memphis. Last year, as examples of work in this field, some locker and washroom facilities were added at St. Louis and the main banking room mezzanine was extended and fluorescent lighting installed at Little Rock.

Rehabilitation work in the Nugent\* building was completed in 1950 and it was leased to a division of the Army Engineers (occupancy began February 1, 1951). In that building it was necessary to replace or recondition all metal equipment and plumbing, install air conditioning, acous-

---

\*By action of the Board of Directors on February 8, 1951, this building was renamed the Chester C. Davis Building in honor of Mr. Davis who served as President of the Federal Reserve Bank of St. Louis from March 1, 1941 to January 31, 1951.

tical ceilings, fluorescent lighting and asphalt tile flooring. On the exterior, the garden was enclosed and walks installed through it.

The garage adjacent to the bank building was also completed in 1950. It accommodates automobiles of officers, employees, visiting member bankers and guests. Five hundred fifty parking permits were sent to directors of the Reserve Bank and to member banks. About 55 guests use the garage each month.

The people and plant of the Federal Reserve Bank thus are the two main factors in the Bank's operations. The remainder of this report discusses the specific functions carried on by the Bank in 1950.

## Information and Analysis

The service of providing information on and analysis of economic conditions for banks, businesses and the public grows out of several functions of the Federal Reserve Bank of St. Louis. The directors and officers need to be kept informed on economic developments in the nation and the district in order to fulfill their responsibilities as a part of the Federal Reserve System. The Board of Governors in Washington for similar reasons wishes factual and interpretive reports on district developments. The collection of regular statistical material, partly as a by-product of other activities, partly as a definite program, is a typical central banking function.

During 1950, the Bank collected, tabulated and analyzed a vast quantity of statistical data pertaining to agriculture, banking, employment, industry and trade. Special studies were also conducted in various fields. In addition to using the information internally, the Bank made a large part of it available to bankers, businessmen, students and the public generally through the Monthly Review, periodic reports and special publications.

For a number of years the Bank has followed the practice of having officers and field men visit both member and nonmember banks to establish closer working relationships on problems of mutual interest. These visits also are useful to obtain opinions and economic information at the "grass roots" level. During the year, 497 visits were made by officers of the Bank and 997 visits by field representatives.

To make its economic findings readily available to bankers and others, 23 public discussion meetings were sponsored by the Bank jointly with the various bankers associations and universities in the seven states partly

or wholly contained within the Eighth District. Over 2,000 bankers, bank directors and others attended these meetings. Speakers also were furnished for numerous civic and professional organizations.

In addition, the Bank made films on banking subjects available to member banks for showing to schools, civic clubs, bankers meetings and similar groups. Two of the films were shown over the local television station—KSD-TV.

The Bank encouraged visits to the head office and branches to view operations. Over 3,600 people took advantage of this opportunity, most of them students from high schools and universities.

## Credit Operations

Member banks borrowed more than twice as much money from the Federal Reserve Bank in 1950 as in 1949. During the year, aggregate advances, including renewals, totaled \$1.4 billion as compared with \$692 million in 1949. The number of notes handled increased from 525 to 647.

**Regulation V**—Effective September 27, the Board of Governors reactivated Regulation V covering the guarantee of loans for defense production. By the close of 1950 ten applications had been received for a total of \$1.6 million.

**Regulation W**—Regulation W, which had lapsed on June 30, 1949, was reactivated under the Defense Production Act of 1950 by the Board of Governors on September 18. The present Regulation imposes controls over instalment sales and instalment loans up to \$5,000 on automobiles; up to \$2,500 on other listed articles, and up to \$2,500 on instalment loans for any other purpose.

By the end of the year, 10,807 Eighth District businesses had registered under Regulation W. Field representatives had examined 574 registrants. No serious violations had been found.

**Regulation X**—Also under the Defense Production Act, effective October 12 the Board of Governors imposed Regulation X, under which conventional real estate construction credit is regulated. Since this was a brand new field for the Federal Reserve System, considerable work was necessary to build up mailing lists of real estate brokers, savings and loan associations, insurance companies, and others in the real estate financing field. Inquiries as to interpretation of the various provisions of the Regulation were numerous. By the end of the year the new activity was proceeding smoothly and an investigating staff had been set up.

## Examination

During the year, each of the 171 state member banks in the district was examined at least once. Following established practice, examinations were made jointly with examiners for the seven State Banking Departments, except in a few instances where practicable schedules could not be arranged. In addition, a number of investigations, both joint and independent, were made. A table showing the number of examinations and investigations undertaken during the year follows.

### EXAMINATIONS OF STATE MEMBER BANKS

	Joint	Independent
Commercial Departments .....	149	22
Trust Departments .....	40	8
Holding Company Affiliates .....	0	1
Affiliates other than Holding Companies.....	14	2

### INVESTIGATIONS

Holding Company Affiliates.....	2	1
Affiliates other than Holding Companies.....	37	8
Affiliated Companies .....	2	0
Applications for Fiduciary Powers.....	0	1
Applications for New National Bank Charters	1	0

## Operating Functions—Member Banks

In 1950, 43 per cent of all employees of the Bank were engaged in duties that fell in this category.

**Check Collection**—In 1950, for the seventeenth consecutive year, the volume of checks collected increased over the preceding year. Almost 134 million items were handled in 1950 compared with 129 million in 1949. In terms of dollars, checks collected in 1950 aggregated almost \$47 billion, about \$4 billion more than in 1949.

During 1950, several all-time records were established in the handling of checks drawn on country banks. The St. Louis office handled

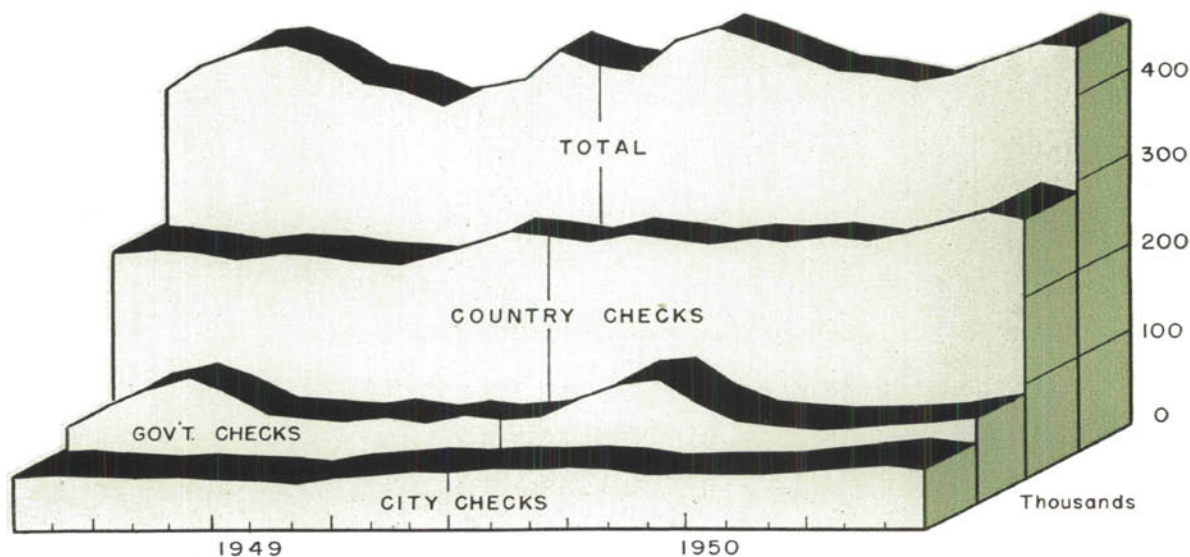


4,714,000 country bank checks during the month of October, which represents the largest volume of such items ever handled in a single month. On August 2, a record day's volume of 289,000 country checks were handled at St. Louis.

Further progress was made in 1950 with the check routing symbol program. A survey conducted near the close of the past year indicated that nearly 73 per cent of all checks on par banks in this district now bear the symbol. A similar survey made a year earlier indicated 67 per cent use.

### NUMBER OF CHECKS HANDLED AT ST. LOUIS AND BRANCHES

DAILY AVERAGE



**Accounting**—The 496 member banks in the district maintain reserve balances with the Bank, and 35 nonmember banks maintain clearing accounts. Daily transactions affecting these accounts, and changes in the capital stock of this Bank necessitate a large volume of bookkeeping entries. Banks are furnished with daily transcripts reflecting details of charges and credits that arise from check collection and clearings, non-cash collection transactions, transfers of funds, money shipments and receipts, and other deposits and withdrawals of funds.

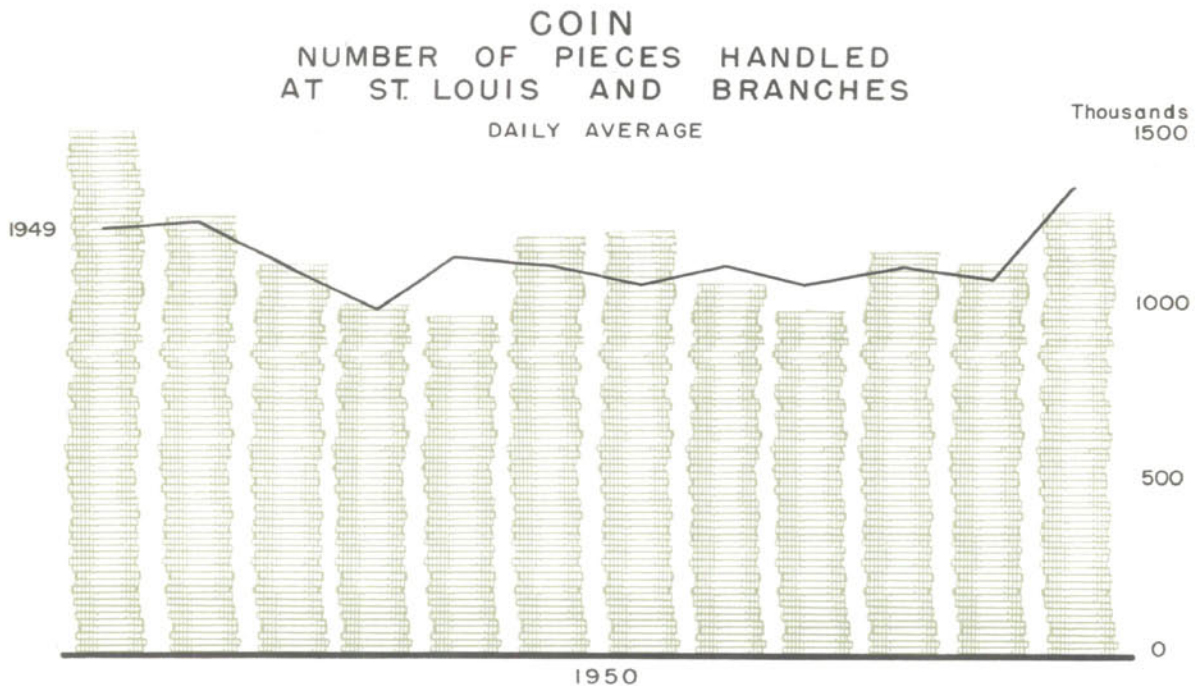
In addition to these operations performed for banks, accounting operations are concerned with internal affairs of the Bank itself. Transactions

through the Federal Reserve Interdistrict Settlement Fund, this Bank's share of transactions of the System Open Market Account, and internal operating expense items were major sources of activity.

**Coin and Currency**—The number of pieces of currency sorted and counted in 1950 was larger than in 1949 and the dollar volume was also larger. During the year, 199 million pieces of currency were handled, an increase of 437,000 over 1949. Dollar volume amounted to \$1.1 billion, an increase of \$10.7 million over the previous year.

More coins were counted during the year also. The total of 293 million represented a 7 million-piece increase over 1949. This increase was mainly in the smaller denominations and amounted to only \$14,000 raising the dollar amount in 1950 to a little over \$25 million.

A substantial increase occurred in shipments of money during 1950. There were 7,000 more shipments of coin than in 1949. This increase was due mainly to (1) an increased countrywide demand, and (2) increased use of the Bank's coin wrapping service. Wrapped coin payments amounted to just under \$7 million in 1950 as against \$3.5 million in 1949.

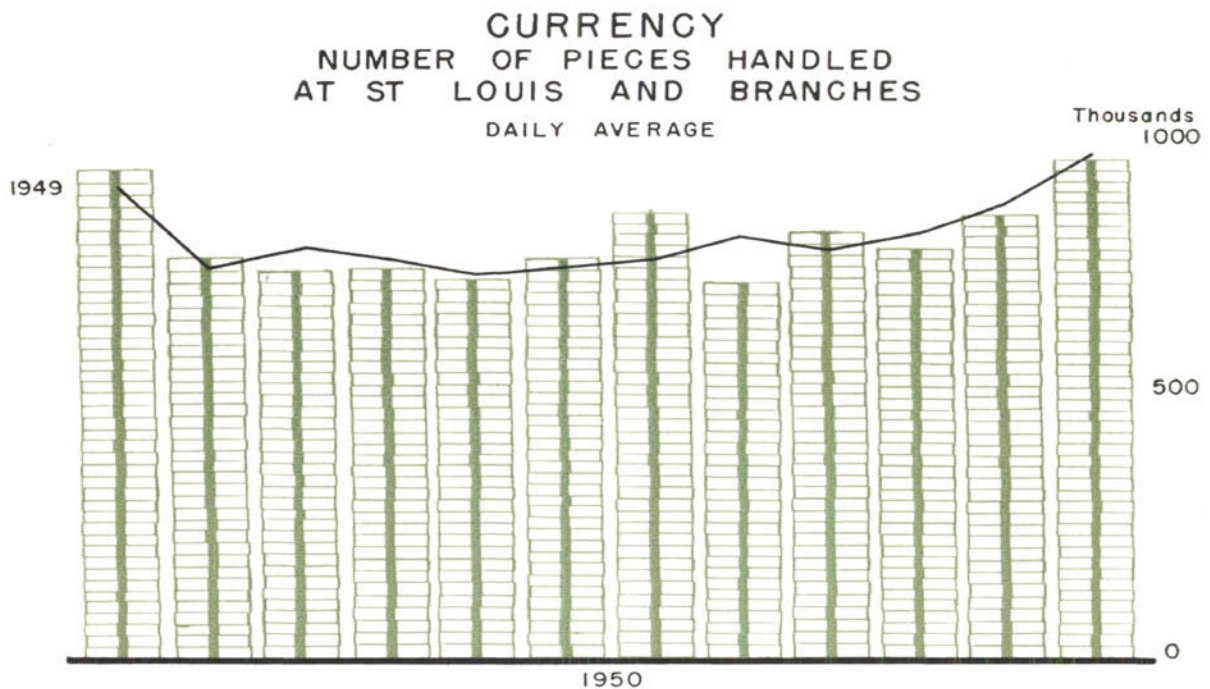


**Safekeeping**—The Bank furnished safekeeping facilities for 486 of the 496 member banks in 1950, and to 550 nonmember banks. The latter have such facilities available only for collateral for Treasury Tax and Loan Account, or to secure United States Government deposits of public funds.

Traffic in and out of the Safekeeping Department increased over 1949. Number of securities received was 78,000, an increase of almost 7,000. The number released also increased and fewer securities remained in safekeeping than at the end of 1949.

As a service to banks, coupons were clipped as they matured and the banks' accounts credited. During the year the number of coupons clipped was slightly smaller than in 1949.

**Wire Transfers**—As one of its services, the Bank transfers funds for member and nonmember clearing banks by wire. Both the number of transfers and the total dollar amount were larger in 1950 than in 1949. Number of transactions rose from 88,000 to 95,000 and dollar volume from \$16 billion to \$19 billion. In 1949, dollar volume exceeded the billion-dollar mark in only one month, but in 1950 that mark was topped in every month but two.



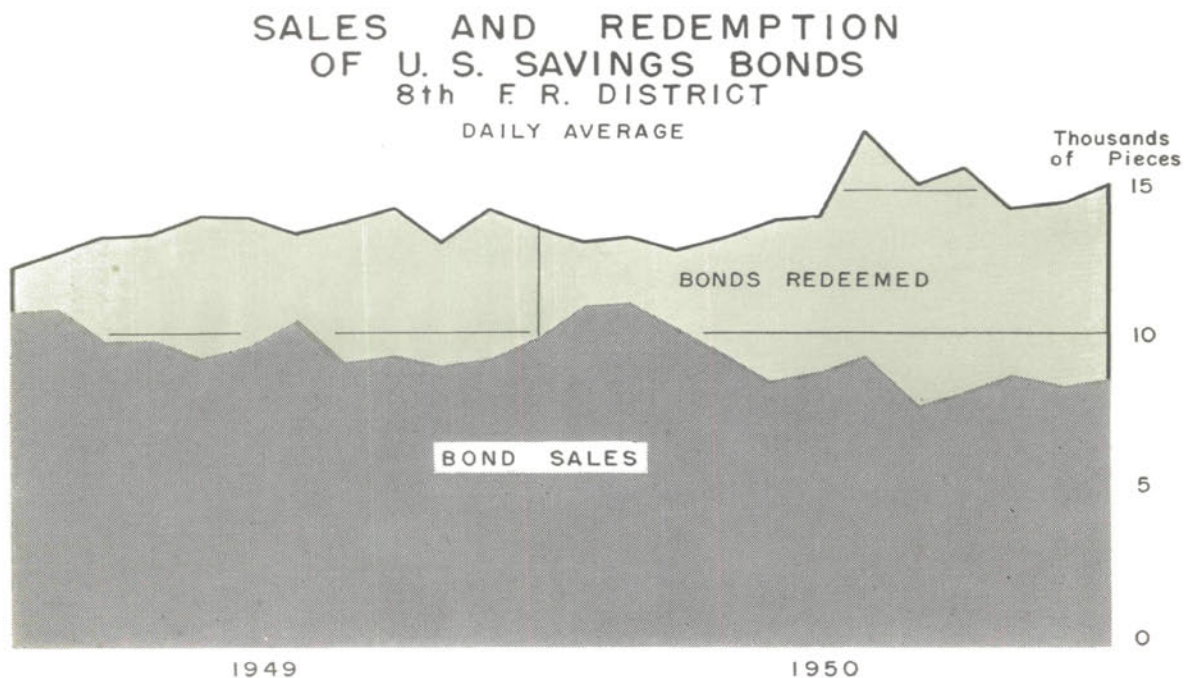
**Noncash Collections**—The Bank handled 368,000 noncash collection items totaling \$329 million in 1950. About 838,000 United States Government interest coupons (including those clipped from securities in our safekeeping and those received from banks and others) were paid.

## Services for United States Government

About 16 per cent of the employees performed duties that fell within this category.

**Fiscal Agency**—A large portion of the work performed in connection with the fiscal agency operation resulted from the sale, redemption and reissue of Series E savings bonds. Most sales were made through the 1,600 issuing agents that the Bank was servicing at the end of the year. Registration stubs representing bonds sold by issuing agents numbered 2.4 million, an increase of 209,000 from the previous year. The number of savings bonds issued directly by the Bank was slightly less than in 1949.

The Bank also processed all redemptions of savings bonds, although about 95 per cent were redeemed through 1,558 paying agents. A total of 3.5 million bonds, or 250,000 more than in 1949, was redeemed



through these paying agents. The number redeemed directly by the Bank was practically unchanged from 1949.

To service these issuing and paying agents, the Bank made over 13,000 shipments of bonds on consignment.

As fiscal agent for the United States Government the Bank also handled sales, exchanges and transfers of marketable Government securities. The number of applications for new offerings and the number of pieces allotted were substantially larger than in 1949. Applications numbered over 13,000 or 76 per cent above 1949, while more than 75,000 pieces were allotted—more than double the 1949 total.

Transactions involving purchase and sale of securities for member banks numbered 6,500, and totaled more than \$1.4 billion. Telegraphic transfers of securities numbered 7,500 for \$2.6 billion. The Bank handled over 201,000 exchange and redemption transactions for more than \$5.1 billion. Activity in the Treasury Tax and Loan Account (formerly War Loan Deposit Account) greatly increased during the year. Transactions numbered 108,000, an increase of 63 per cent over 1949. At the end of the year there were 1001 qualified depositories of which 156 had executed Letters of Agreement with their correspondent banks for the custody of Treasury Tax and Loan collateral. Twenty-one commercial banks held collateral security amounting to \$14.6 million for the account of their correspondent banks subject to the Bank's order.

Effective January 1, 1950 a new procedure for handling deposits of Withheld Income and Employment Taxes went into effect. The Bank received almost 48,000 depository receipts direct from employees, over 152,000 receipts from qualified depositories, and more than 155,000 receipts from Collectors of Internal Revenue.

## Audit

To insure that all functions and accounts affecting assets and liabilities of the Bank are properly handled, the Audit Department conducts periodic checks throughout the Bank and its branches. All operating departments and all functions and accounts affecting assets and liabilities were audited during 1950 in accordance with an approved frequency schedule. Annual balance sheet audits were conducted at each of the branches. Reports of major audits were submitted directly to the Chairman of the Board of Directors and to the Audit Committee of Directors.

## DIRECTORS AND OFFICERS

February 15, 1951



### DIRECTORS

#### *Chairman*

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

#### *Deputy Chairman*

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

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

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

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

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

JOSEPH H. MOORE, *Farmer*  
Charleston  
Missouri

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

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

### OFFICERS

DELOS C. JOHNS, *President*

O. M. ATTEBERY, *First Vice-President*

WM. H. STEAD, *Vice-President*

WM. E. PETERSON, *Vice-President*

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

S. F. GILMORE, *Assistant Vice-President*

D. M. LEWIS, *Assistant Vice-President*

J. H. GALES, *Assistant Vice-President*

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

F. L. DEMING, *Assistant Vice-President*

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

J. C. WOTAWA, *Assistant Vice-President*

E. R. BILLEN, *Assistant Vice-President*

JOHN J. CHRIST, *Assistant Vice-President*

G. W. HIRSHMAN, *General Auditor*

H. B. KLINE, *Counsel*

MEMBER OF FEDERAL ADVISORY COUNCIL

W. L. HEMINGWAY, *Chairman of the Board*  
Mercantile-Commerce Bank & Trust Company  
St. Louis, Missouri

MEMBERS OF INDUSTRIAL ADVISORY COMMITTEE

JACOB VANDYKE, *President*  
Western Textile Products Company  
St. Louis, Missouri

CLARENCE S. FRANKE, *President*  
American Furnace Company  
St. Louis, Missouri

G. A. HEUSER, *President*  
Henry Vogt Machine Company  
Louisville, Kentucky

JAMES LOUIS CRAWFORD, *President*  
Walsh Refractories Corporation  
St. Louis, Missouri

MARVIN W. SWAIM, *First Vice-President and General Manager*  
Alton Box Board Company  
Alton, Illinois



LITTLE ROCK BRANCH

DIRECTORS

*Chairman*

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

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

LLOYD SPENCER, *President*  
First National Bank  
Hope, Arkansas

CECIL C. COX, *Farmer*  
Stuttgart  
Arkansas

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

GAITHER C. JOHNSTON, *President*  
First National Bank  
Newport, Arkansas

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

OFFICERS

C. M. STEWART, *Vice-President and Manager*  
CLIFFORD WOOD, *Assistant Manager*      CLAY CHILDERS, *Assistant Manager*  
W. J. BRYAN, *Assistant Manager*

## LOUISVILLE BRANCH

### DIRECTORS

#### *Chairman*

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

SMITH BROADBENT, JR., *Farmer*  
Cadiz  
Kentucky

NOEL RUSH, *President*  
Lincoln Bank and Trust Company  
Louisville, Kentucky

H. LEE COOPER, *President*  
Ohio Valley National Bank  
Henderson, Kentucky

A. C. VORIS, *President*  
Citizens National Bank  
Bedford, Indiana

PIERRE B. McBRIDE, *President*  
Porcelain Metals Corporation  
Louisville, Kentucky

IRA F. WILCOX, *Cashier and Director*  
The Union National Bank  
New Albany, Indiana

### OFFICERS

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

FRED BURTON, *Assistant Manager*

L. K. ARTHUR, *Assistant Manager*

L. S. MOORE, *Assistant Manager*



## MEMPHIS BRANCH

### DIRECTORS

#### *Chairman*

LESLIE M. STRATTON, JR., *President*  
Stratton-Warren Hardware Company  
Memphis, Tennessee

HUGH M. BRINKLEY, *Farmer*  
Hughes  
Arkansas

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

H. W. HICKS, *President*  
First National Bank  
Jackson, Tennessee

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

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

NORFLEET TURNER, *President*  
First National Bank  
Memphis, Tennessee

### OFFICERS

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

S. K. BELCHER, *Assistant Manager*

C. E. MARTIN, *Assistant Manager*

H. C. ANDERSON, *Assistant Manager*



# COMPARATIVE STATEMENT OF CONDITION

ASSETS	Dec. 31, 1950	Dec. 31, 1949
GOLD CERTIFICATES .....	\$ 590,355,112	\$ 686,839,736
REDEMPTION FUND .....	40,724,909	42,929,214
OTHER CASH .....	15,013,766	18,957,850
Total Cash .....	646,093,787	748,726,800
DISCOUNTS AND ADVANCES.....	500,000	2,502,000
U. S. GOVERNMENT SECURITIES.....	1,137,613,000	1,020,561,000
Total Loans and Securities.....	1,138,113,000	1,023,063,000
F. R. NOTES OF OTHER BANKS.....	9,788,730	8,780,550
UNCOLLECTED ITEMS .....	212,191,132	171,468,707
BANK PREMISES (NET) .....	3,509,443	1,926,133
OTHER ASSETS .....	6,469,198	6,805,515
Total Assets .....	2,016,165,290	1,960,770,705
<b>LIABILITIES</b>		
FEDERAL RESERVE NOTES.....	1,097,440,250	1,090,460,145
DEPOSITS:		
Member Bank—Reserve Account.....	651,163,354	611,854,729
U. S. Treasurer—General Account.....	24,658,746	31,880,808
Other Deposits .....	64,253,191	57,262,821
Total Deposits .....	740,075,291	700,998,358
DEFERRED AVAILABILITY ITEMS.....	144,200,366	136,305,898
OTHER LIABILITIES .....	227,309	475,311
Total Liabilities .....	1,981,943,216	1,928,239,712
<b>CAPITAL ACCOUNTS</b>		
CAPITAL PAID IN.....	7,398,000	6,894,200
SURPLUS (Section 7) .....	20,295,334	19,117,860
SURPLUS (Section 13b).....	521,317	521,317
OTHER CAPITAL ACCOUNTS.....	6,007,423	5,997,616
Total Liabilities and Capital Accounts.....	\$2,016,165,290	\$1,960,770,705

# COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

	1950	1949
EARNINGS .....	\$15,197,121	\$17,022,134
 EXPENSES:		
Operating Expenses .....	4,358,331	4,050,803
Assessment for Expenses of Board of Governors .....	125,300	117,300
Federal Reserve Currency.....	380,545	384,052
 Total Current Expenses.....	 4,864,176	 4,552,155
 Current Net Earnings.....	 10,332,945	 12,469,979
 Additions to Current Net Earnings:		
Profit on Sales of U. S. Government Securities..	1,973,676	1,646,280
Other Additions .....	174	126
 Total Additions .....	 1,973,850	 1,646,406
 Deductions from Current Net Earnings.....	 83,918	 154,618
Transferred to Reserves for Contingencies.....	17,999	2,116,055
Paid United States Treasury (Interest on Out- standing Federal Reserve Notes).....	10,595,592	10,294,486
 Net Earnings After Reserves and Payments to United States Treasury.....	 1,609,286	 1,551,226
Dividends Paid .....	431,812	407,193
 Transferred to Surplus (Section 7).....	 1,177,474	 1,144,033
 SURPLUS ACCOUNT (SECTION 7)		
Surplus January 1.....	19,117,860	17,973,827
Transferred to Surplus—as above.....	1,177,474	1,144,033
 Surplus December 31.....	 \$20,295,334	 \$19,117,860