

Operations of the Federal Reserve Bank of St. Louis in 1958

IN 1958, as in each year since its founding in 1914, the Federal Reserve Bank of St. Louis played an active role in the economy of the middle Mississippi Valley and the United States as a whole. A review of the operations of the Federal Reserve Bank of St. Louis and its branches will, of course, reflect not only the particular nature of the functions performed by the bank, but also the particular characteristics of the financial community and of the economy of the area served. As background to this year's Annual Report there is included a brief glance at the nature of the economic activity which is included within the boundaries of the Eighth Federal Reserve District.

The Eighth District

In common with the people in the rest of the United States those in the Eighth Federal Reserve District share in the benefits of a vast free trade area. They are surrounded by no artificial barriers to trade, are served by transportation to all points of the nation, and they share a common money. Some idea of the magnitude of the tasks performed by this common money, which consists primarily of bank deposits, can be gained from a brief review of economic relationships between the district and the rest of the nation.

Since their early establishment, the cities of the district located in the Mississippi and Ohio Valleys have served as wholesalers and processors of goods moving from the manufacturing East to the agricultural West. Automobiles, airplanes, refrigerators, electric motors, appliances, farm machinery, and many other manufactured items are produced in the district by firms with nation-wide production and sales facilities. Within this area, which includes about 6 per cent of the U. S. population, there are produced nearly 9 per cent of the farm products sold nationally. Forested sections supply a substantial portion of the nation's requirements for lumber and paper. Many of this central region's mineral products, including coal, oil, lead, zinc, aluminum, limestone, barite, and iron, enter the stream of national commerce.

Using a particular district state as an example, it has been estimated that more than 80 per cent of the manufactured products of Missouri are shipped out of the state, flowing in substantial amounts to all but four states of the nation. About four-fifths of the farm income of the state is earned by the production of agricultural commodities which are exported to other states or nations.

In turn large quantities of food, clothing, and household goods from other parts of the country flow into the district, even though many of these things are also produced locally. Similarly, the industries of the district draw materials, equipment, and services from many parts of the country. In order to produce, district agriculture and industry import from the rest of the nation and the world.

Circulation of Checks

It is easy to imagine some of the difficulties that would arise if these flows of goods were to be paralleled by tremendous amounts of currency and coin crossing and recrossing the country. In fact, it is unlikely that such a large volume of interregional trade, with its resulting benefits in productivity and living standards, could have developed had such a cumbersome method for making payments been required.

In actual practice, deposits in some 14,000 commercial banks across the nation serve as a convenient means for making payments. While the average person is familiar with his bank as a place to keep an account and to borrow on occasion, he may not have thought of the bank as one link in a complex mechanism for transferring funds. A glance at the endorsements on the back of one of his cancelled checks, however, would show him that the check he had mailed to a firm in some distant city may have returned to him through the bank of the company to which he had sent the check, two Federal Reserve Bank offices, and finally his own bank. The payment, which the drawer may have considered to have been made when he mailed the check, was made by transfers of credit on the books of all the banks

through which the check passed. According to a study made in 1954 by the Federal Reserve System and others, the average check deposited or cashed at a bank passed through $2\frac{1}{2}$ banks in the process of collection and about $2\frac{1}{2}$ business days elapsed between the date it was deposited and the date it was presented for payment. In 1958, the Federal Reserve Bank of St. Louis, as one link in the payments mechanism of the country, processed more than 186 million checks and money orders with a face value of more than \$63 billion.

Pattern of Check Movement

The flows of funds manifested in the check clearing activities of the commercial banks and the Federal Reserve System fall into a rough pattern. Normally, funds move on balance, year in and year out, from rural areas to local financial centers. Funds move in turn from the local financial centers to the money market centers. Completing the circle, the money market banks have an "unfavorable" balance of transactions with certain rural area banks. The result is a circular geographic pattern of movement, with the inflows of funds and the outflows of funds roughly in balance at each stage.¹

A net movement of funds from banks in small Eighth District towns to banks in cities like Louisville, Memphis, Little Rock, and Evansville takes place almost continually. Most city banks in the district, outside the St. Louis area, lose funds to banks in St. Louis. For instance, during 1958 there was a net flow of \$285 million from banks in the Memphis area to banks in the St. Louis area.

Funds generally flow from the St. Louis banks to banks in the major money market centers. Last year about \$1.6 billion flowed from St. Louis area banks to banks in New York and about \$850 million moved to banks in Chicago. Completing the circle, the money market banks of New York and Chicago have an "unfavorable" balance of transactions with many rural area banks within the district.

The Eighth District as a whole tends to gain funds persistently from banks located in the southern and western parts of the country. For instance, the district received net about \$500 million from Dallas and nearly \$200 million from Kansas City in 1958. On the other hand, the district loses funds to banks located in the northern and eastern states.

Superimposed on the circular movements of bank money from place to place are other observable pat-

¹ For further treatment of this subject see, "The Money Market and District Banking," *Monthly Review*, November, 1953.

terns. Eighth District banks usually lose more funds than they gain during the spring of the year but tend to get more funds than they lose in the fall. During the first half of 1958, the district as a whole had an outflow of about \$150 million on balance, but in the last six months of the year a favorable balance of transactions offset most of this loss.

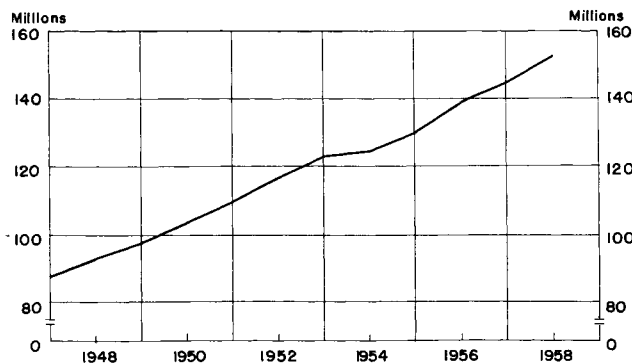
Check Collection Activities

Turning now specifically to the activities of the Federal Reserve Bank of St. Louis, it is appropriate to begin with check collection activities, the largest operation of the bank in employment. In 1958, check collections at the head office and branches of the Federal Reserve Bank of St. Louis continued the upward trend of recent years. Collections through local clearings, which receive immediate credit and are known as "city checks," numbering 31 million items were one million above the 1957 level. Checks on out-of-town banks, which receive deferred credit and are known as "country checks," amounting to 121 million items were up approximately 7 million from the previous year. The continued steady increase in check handling is emphasized graphically when the 1938 volume is compared with that of 1958. During 1938 the four offices collected 50 million checks on commercial banks. In 1958 this figure had mounted to 152 million checks.

The 1938 volume required the services of 100 employees at the head and branch offices. By 1958, while the number of items had tripled, slightly more than double the number of employees (217) were engaged in this activity.

This bank accepts for collection checks which are drawn on the 489 member banks in the Eighth District, on the 686 nonmember banks in the district that remit at par (face value without a charge), on all

Number of City and Country Checks Handled
Federal Reserve Bank of St. Louis
1948-1958



Federal Reserve Banks, on all par remitting banks in other Federal Reserve Districts, checks drawn on the United States Treasury, and Postal Money Orders. Checks are accepted for collection from member banks, other Federal Reserve offices sending checks accepted for collection from member banks in their collection zones, and United States Government Agencies.

Volume of payments flowing through the check collection department is related both to the total flow of funds through the economy and to the number of par remitting banks in the district from which the Federal Reserve Bank is able to effect collection. Par remitting banks in the Eighth District increased in number from 1,077 on December 31, 1940, to 1,175 on December 31, 1958.

Remittances for checks collected and other transfers of funds among Federal Reserve Banks are made daily. During 1958 this Bank transferred to other Federal Reserve Banks by telegraphic advices over \$46 billion. These transfers have grown steadily in postwar years. In 1947 the dollar volume amounted to \$11.2 billion; by 1951 dollar volume had practically doubled, and it doubled again by 1958.

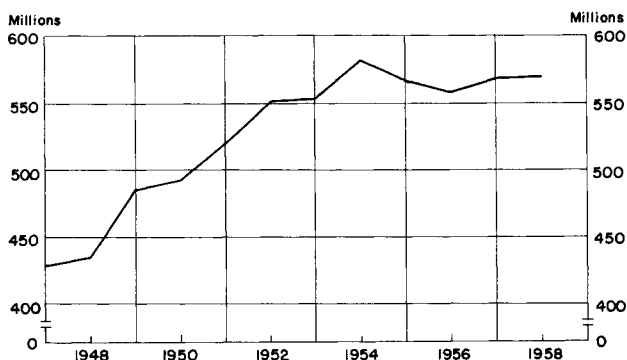
Operations in Currency and Coin

The volume of money handled in supplying the currency and coin requirements of the banks in the Eighth District did not change substantially from 1957 to 1958. A decline in currency received and counted was offset by an increase in coin handling operations.

In 1958, a total of 196 million pieces of currency amounting to \$1,169 million were received and counted at the four district offices. Approximately 206 million pieces were handled in 1957 and 205 million in 1956.

Pieces of Currency and Coin Handled

Federal Reserve Bank of St. Louis
1948-1958



Coin received and counted aggregated 373 million pieces, valued at \$35 million, compared to 363 million pieces in 1957 and 355 million pieces in 1956.

Money Department operations are concerned not only with precise counting, balancing, checking for counterfeits, and sorting of currency and coin by denominations, but also with the physical condition of the nation's currency and coin. Unfit currency totaling \$175 million was taken out of circulation in 1958 by the St. Louis office.

COMBINED VOLUME OF OPERATIONS

AT THE ST. LOUIS BANK AND THE LOUISVILLE, MEMPHIS,
AND LITTLE ROCK BRANCHES IN 1958 AND 1957

Number of Pieces Handled	1958	1957
Checks (Total)	186,360,000	185,984,000
City Checks	31,141,000	30,185,000
Country Checks	121,259,000	114,625,000
Government Checks	21,019,000	26,791,000
Postal Money Orders	12,940,000	14,383,000
Currency	196,441,000	205,884,000
Coin ¹	373,168,000	362,840,000
Transfer of Funds	139,000	136,000
Non-cash Collections	507,000	500,000
U.S. Gov't Interest Coupons	715,000	689,000
Discounts and Advances ²	769	1,181
Safekeeping of Securities:		
Securities Received and Released	179,000	170,000
Coupons Detached	343,000	318,000
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged and Redeemed ..	7,224,000	7,042,000
Other Government Issues	396,000	354,000
Withheld Tax Depository Receipts Processed ³	717,000	755,000
Treasury Tax and Loan Account Transactions	175,000	158,000
Dollar Volume		
Checks Handled (Total)	\$63,711,653,000	\$62,203,350,000
City Checks	40,967,866,000	39,504,868,000
Country Checks	18,472,164,000	17,947,521,000
Government Checks	4,042,023,000	4,496,416,000
Postal Money Orders	229,601,000	254,545,000
Currency	1,169,222,000	1,196,109,000
Coin ¹	35,364,000	33,751,000
Transfer of Funds	46,113,194,000	40,720,435,000
Non-cash Collections	369,297,000	346,683,000
U. S. Gov't Interest Coupons	91,859,000	79,281,000
Discounts and Advances	1,974,193,000	3,416,365,000
Safekeeping of Securities:		
Coupons Detached	39,464,000	33,609,000
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged and Redeemed ..	691,288,000	639,526,000
Other Government Issues	11,161,259,000	10,385,248,000

¹ Does not include 72 million unverified coins proved in connection with wrapping.

² Figures are rounded to nearest thousand except for number of discounts and advances.

³ Includes validated receipts received from Directors of Internal Revenue which were previously received as deposits of taxes.

Discount Activities

Reflecting the changed economic conditions, lending to member banks in 1958 was down from levels of recent years. During the year, 55 Eighth District member banks borrowed almost \$2 billion. Average daily outstanding amount of borrowings was \$10.6 million compared with \$17.5 million in 1957 and \$22.3 million in 1956.

Daily average borrowings on a quarterly basis in 1958 closely followed the nation's economic activity pattern. After declining sharply from \$10.7 million in the first quarter to \$4.8 million in the second quarter, average outstandings moved up with the upswing in business activity to \$10.5 million in the third quarter and \$16.2 million in the final quarter.

The Board of Directors of each Reserve Bank is required by law to establish the discount rate every two weeks, subject to review and determination by the Board of Governors of the Federal Reserve System. These rates fix the cost of funds borrowed by member banks from their respective Reserve Banks.

The discount rate at the Federal Reserve Bank of St. Louis was changed several times in response to changing economic conditions over the year. With economic activity declining the discount rate was reduced from 3 to 2½ per cent on January 24, to 2¼ on March 14, to 1¾ on April 18. Accompanying the rise in business activity during the last half of the year the rate was raised September 12 to 2 per cent and again on October 24 to 2½ per cent.

Fiscal Agency

As fiscal agents of the United States, the Federal Reserve Banks are engaged in issuing, redeeming, exchanging and reissuing Government securities, and otherwise servicing the public debt.

The volume of transactions involving obligations of the United States Government increased somewhat in 1958 over 1957 levels. United States Savings Bonds issued, exchanged, or redeemed increased from 7 million pieces with a dollar value of \$640 million in 1957 to 7.2 million pieces with a dollar value of \$691 million in 1958. Number of pieces of other Government issues handled rose from 354 thousand in 1957 to 396 thousand in 1958 with a dollar value of \$10.4 billion and \$11.2 billion, respectively.

Field Service

During 1958, representatives of the Federal Reserve Bank of St. Louis made official visits to 384 Eighth District banks, discussing and explaining Reserve Bank services, regulations, and policy, and Federal Reserve functions in general. They attended 215 bankers' meetings, participating in 125 of the programs. At 36 of these, they presented lectures on this nation's money supply, illustrated by charts. Also, officers attended 42 formal openings of new or remodeled bank offices during the year. And, in a reciprocal of this program, 5,730 visitors, a record number, were conducted through this bank's various offices. Over one-half of these toured the new Louisville Branch building.

New Louisville Branch

During May of this past year the Louisville Branch moved into a new building two blocks away from former quarters, remembered by many as the old German Bank Building, where operations had been carried on since June 16, 1919. The new building not only relieves the congested conditions that existed at the former location but also allows room for continuing expansion.

Employment

When the Bank opened for business in 1914 its total complement consisted of 23 officers and employees. Employment rose with an increasing volume of business throughout the 1920 and 1930 decades and reached a peak during the heavy World War II financing operations in the mid-1940's. Subsequently employment declined somewhat. In the seven-year period from December 1951 to December 1958 the number of employees was reduced by 10 per cent despite a generally increasing volume of work performed.

Operations in the Bank have made use of modern labor saving equipment wherever such equipment was feasible. Modern check handling and tabulating machinery have been installed. These technological improvements coupled with reduced employee turnover, which permits better training and increased operator experience, have contributed to the substantial reduction in personnel in recent years.

In 1958 employment at the Federal Reserve Bank of St. Louis and the Louisville, Memphis, and Little Rock Branches continued to reflect the net effect of increased volume of work in many of the operations, offset by the trend toward increased efficiency in bank

operations of recent years, some reduction in volume in certain operations, and the elimination of some functions. The monthly average number of employees at the four offices declined from 1,112 in 1957 to 1,107 in 1958.

Total number employed at the Federal Reserve Bank of St. Louis and the branches on January 1 for selected years is as follows:

11-16-1914 (beginning of bank)	23
1924	586
1934	717
1944	1,551
1954	1,292
1959	1,139

Directors and Officers

Each Federal Reserve Bank has a board of directors consisting of nine members, divided into three classes, designated as Classes A, B, and C. The six Class A and B directors are elected by the member banks, and the three Class C directors are appointed by the Board of Governors of the Federal Reserve System. The terms of two of the elected directors and one of the appointed directors expire at the end of each year. Each branch of the Federal Reserve Bank of St. Louis has a board of directors of seven members, four of whom are appointed by the directors of the bank and three by the Board of Governors. One of the three Class C directors is designated Chairman of the Board and Federal Reserve Agent by the Board of Governors, and another is named Deputy Chairman. The following designations, elections, and appointments were made, effective this January:

For the year 1959, the Board of Governors again designated Mr. Pierre B. McBride as Chairman and Federal Reserve Agent. Mr. McBride has served in these capacities since his appointment as a Class C director in January 1957. During the six years immediately preceding his appointment to the St. Louis Board, Mr. McBride served as a director of the Louisville Branch.

Mr. J. H. Longwell was reappointed by the Board of Governors as a Class C director for the three-year term beginning January 1, 1959, and as Deputy Chairman for the year 1959. He has been a Class C director since January 1957 and served as Deputy Chairman during 1958.

Mr. Arthur Werre, Jr. was elected by the member banks in Group 3 as a Class A director for the three-

year term beginning January 1, 1959, to succeed Mr. J. E. Etherton, whose term expired at the end of 1958.

Mr. William A. McDonnell was selected by the Board of Directors of the Federal Reserve Bank of St. Louis to serve during the year 1959 as a member of the Federal Advisory Council from the Eighth Federal Reserve District. Mr. McDonnell has been representing the District on the Council since January 1958.

Appointments to the Boards of Directors of the branches were as follows:

By the Board of Governors of the Federal Reserve System:

Mr. Waldo E. Tiller, reappointed as a member of the *Little Rock* Branch Board for a three-year term beginning January 1, 1959.

Mr. J. D. Monin, Jr., reappointed as a member of the *Louisville* Branch Board for a three-year term beginning January 1, 1959.

Mr. Frank Lee Wesson, reappointed as a member of the *Memphis* Branch Board for a three-year term beginning January 1, 1959.

By the Board of Directors of the Federal Reserve Bank of St. Louis:

Mr. J. V. Satterfield, Jr., reappointed as a member of the *Little Rock* Branch Board for a three-year term beginning January 1, 1959.

Mr. John R. Stroud, appointed as a member of the *Louisville* Branch Board for the three-year term beginning January 1, 1959, to succeed Mr. Magnus J. Kreisle, whose term expired at the end of the year.

Mr. J. H. Harris, reappointed as a member of the *Memphis* Branch Board for a three-year term beginning January 1, 1959.

During 1959 two new officers were appointed. Mr. Homer Jones, formerly chief of the Consumer Credit and Finance Section at the Board of Governors, on July 1 was appointed Vice President of the Bank, responsible for its Research Department. Mr. Louis A. Nelson, manager of the Money Department of the Louisville Branch was appointed an Assistant Cashier of that branch effective November 1, 1958. He succeeded Mr. Lawrence K. Arthur, who had reached retirement age. Mr. Arthur was the last active member of the group employed by the bank upon its opening in St. Louis in 1914.

DIRECTORS

January 31, 1959

BOARD OF DIRECTORS

Pierre B. McBride
Chairman of the Board and Federal Reserve Agent

J. H. Longwell
Deputy Chairman of the Board

CLASS A DIRECTORS

Elected by Member Banks
(May be bankers)

	Elected by Group*	Term Expires Dec. 31
Kenton R. Cravens, President, Mercantile Trust Company, (721 Locust St.) Drawer 524—Main P. O., St. Louis 66, Mo.	1	1959
H. Lee Cooper, President, Ohio Valley National Bank of Henderson, (140-42 No. Main St.), P. O. Drawer 5, Henderson, Kentucky	2	1960
Arthur Werre, Jr., Executive Vice President, First National Bank of Steeleville, Steeleville, Illinois	3	1961

CLASS B DIRECTORS

Elected by Member Banks

(Must be actively engaged in the district in business, agriculture, or some other commercial pursuit, and must not be officers, directors, or employees of any bank)

Harold O. McCutchan, Executive Vice President, Mead Johnson & Company, Evansville 21, Ind.	3	1959
Leo J. Wieck, Vice President and Treasurer, The May Department Stores Co., 6th and Olive Sts., St. Louis 1, Mo.	1	1960
S. J. Beauchamp, Jr., President, Terminal Warehouse Co., 500 Block East Markham, Little Rock, Ark.	2	1961

CLASS C DIRECTORS

Appointed by the Board of Governors

(Must not be officers, directors, employees, or stockholders of any bank)

Pierre B. McBride, President, Porcelain Metals Corporation, 1400 South Thirteenth St., Louisville 10, Ky.		1959
Jesse D. Wooten, Executive Vice President, Mid-South Chemical Corporation, (1222 Riverside Blvd.), P. O. Box 346, Memphis 1, Tenn.		1960
J. H. Longwell, Director, Division of Agricultural Sciences, University of Missouri, Columbia Mo.		1961

Member, Federal Advisory Council

William A. McDonnell, Chairman of the Board, First National Bank in St. Louis, (510 Locust) Lock Box 267—Main P. O., St. Louis 66, Mo.

- * Group 1—Consists of banks with combined capital and surplus of \$1,500,000 and over.
 Group 2—Consists of banks with combined capital and surplus of \$300,000 and over, but under \$1,500,000.
 Group 3—Consists of banks with combined capital and surplus under \$300,000.
 Group classifications are subject to change by the Board of Governors of the Federal Reserve System.

LITTLE ROCK BRANCH DIRECTORS

Appointed by the Board of Governors

	Term Expires Dec. 31
T. Winfred Bell, <i>Chairman</i> , President, Bush-Caldwell Company and Arkansas Electric Company, 123 Main St., Little Rock, Ark.	1959
Robert H. Alexander, Owner-Operator, Land's End Plantation, Route 1, Scott, Ark.	1960
Waldo E. Tiller, President, Tiller Tie and Lumber Company, Inc. (901 Union Life Bldg.), P. O. Box 586, Little Rock, Ark.	1961

Appointed by the Directors of Federal Reserve Bank

Donald Barger, President, Peoples Exchange Bank, (Main and Commerce Sts.), P. O. Box 231, Russellville, Ark.	1959
J. W. Bellamy, Jr., President, National Bank of Commerce of Pine Bluff, (424 Main St.), P. O. Box 2052, Pine Bluff, Ark.	1960
E. C. Benton, President, Fordyce Bank and Trust Company, P. O. Box 352, Fordyce, Ark.	1960
J. V. Satterfield, Jr., Chairman of the Board, The First National Bank in Little Rock, (3rd and Louisiana Sts.), P. O. Box 1471, Little Rock, Ark.	1961

LOUISVILLE BRANCH DIRECTORS

Appointed by the Board of Governors

David F. Cocks, <i>Chairman</i> , Vice President and Treasurer, Standard Oil Company (Kentucky), (1488 Starks Bldg., 4th and Walnut Sts.), P. O. Box 1446, Louisville 2, Ky.	1959
Philip Davidson, President, University of Louisville, 2301 South 3rd St., Louisville 8, Ky.	1960
J. D. Monin, Jr., Farmer, R.F.D. 1, Oakland, Ky.	1961

Appointed by the Directors of Federal Reserve Bank

Merle E. Robertson, Chairman of the Board and President, Liberty National Bank and Trust Company of Louisville, (201 W. Market St.), P. O. Box 1499, Louisville 1, Ky.	1959
W. Scott McIntosh, President, State Bank of Hardinsburg, Hardinsburg, Ind.	1960
John G. Russell, President, The Peoples First National Bank & Trust Company of Paducah, 300 Broadway, Paducah, Ky.	1960
John R. Stroud, Executive Vice President, The First National Bank of Mitchell, (628 Main St.), Box 37, Mitchell, Ind.	1961

MEMPHIS BRANCH DIRECTORS

Appointed by the Board of Governors

John D. Williams, <i>Chairman</i> , Chancellor, The University of Mississippi, University, Miss.	1959
S. L. Kopald, Jr., Executive Vice President, Humko Division, National Dairy Products Corporation, (1702 Thomas St.), P. O. Box 4607, North Station, Memphis 7, Tenn.	1960
Frank Lee Wesson, President, Wesson Farms, Inc., Victoria, Ark.	1961

Appointed by the Directors of Federal Reserve Bank

John K. Wilson, President, The First National Bank of West Point, 5 Commerce St., West Point, Miss.	1959
John E. Brown, President, Union Planters National Bank of Memphis (Madison Ave. at Front St.), P. O. Box 387, Memphis 1, Tenn.	1960
Simpson Russell, President, The National Bank of Commerce of Jackson, Jackson, Tenn.	1960
J. H. Harris, President, The First National Bank of Wynne, P. O. Box 111, Wynne, Ark.	1961

OFFICERS

January 31, 1959

Delos C. Johns, *President*

Guy S. Freutel, *First Vice President*

Howard H. Weigel, *Vice President and Secretary*

BUILDINGS AND PURCHASING

J. M. Geiger, *Assistant Vice President*

PERSONNEL DEPARTMENT, PROTECTION DEPARTMENT

Willis L. Johns, *Assistant Vice President*

Dale M. Lewis, *Vice President*

CREDIT-DISCOUNT DEPARTMENT

Stephen Koptis, *Assistant Vice President*

FIELD SERVICE DEPARTMENT

W. E. Walker, *Assistant Vice President*

MONEY DEPARTMENT, SAFEKEEPING DEPARTMENT

John J. Hofer, *Assistant Vice President*

Joseph C. Wotawa, *Vice President*

ACCOUNTING DEPARTMENT

Paul Salzman, *Assistant Vice President*

CENTRAL TABULATING DEPARTMENT

COLLECTION DEPARTMENT

Earl R. Billen, *Assistant Vice President*

FISCAL AGENCY DEPARTMENT

Marvin L. Bennett, *Assistant Vice President*

PLANNING DEPARTMENT

Woodrow W. Gilmore, *Assistant Vice President*

George E. Kroner, *Vice President*

EXAMINATION DEPARTMENT

Orville O. Wyrick, *Chief Examiner*

Wilbur H. Isbell, *Assistant Chief Examiner*

Homer Jones, *Vice President*

RESEARCH DEPARTMENT

William J. Abbott, *Adviser*

LEGAL DEPARTMENT

Gerald T. Dunne, *Counsel and Ass't Sec.*

AUDIT DEPARTMENT

George W. Hirshman, *General Auditor*

LITTLE ROCK BRANCH

Fred Burton, *Vice President and Manager*

S. C. Davis, *Cashier*

Clifford Wood, *Assistant Cashier*

W. J. Bryan, *Assistant Cashier*

LOUISVILLE BRANCH

Donald L. Henry, *Vice President and Manager*

John W. Menges, *Cashier*

Clarence J. Woertz, *Assistant Cashier*

Louis A. Nelson, *Assistant Cashier*

MEMPHIS BRANCH

Darryl R. Francis, *Vice President and Manager*

E. Francis De Vos, *Cashier*

H. C. Anderson, *Assistant Cashier*

Benjamin B. Monaghan, *Assistant Cashier*

Earnings and Expenses

In 1958, the Federal Reserve Bank of St. Louis realized \$30,016 thousand of earnings on Government securities and \$253,000 from other sources, including interest on discounts and advances. Total current earnings were \$665,000 less than in 1957. The smaller current earnings reflected a decline in the average rate of interest received on Government securities, fewer advances to member banks, and a lower average discount rate. While there was an increase in the Bank's participation in the System's holdings of U. S. Government securities, the amount of interest received declined because of lower yields on new issues held during the year.

FEDERAL RESERVE BANK OF ST. LOUIS		
COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES		
	1958	1957
Earnings from:		
Discounted Bills	\$ 243,498	\$ 570,185
U. S. Government Securities	30,016,564	30,352,291
Industrial Advances	-0-	-0-
All Other	9,131	11,151
Total Current Earnings	<u>30,269,193</u>	<u>30,933,627</u>
Expenses:		
Operating Expenses	7,296,141	6,817,090
Assessment for Expenses of Board of Governors	218,800	279,300
Federal Reserve Currency:		
Original Cost	267,254	187,988
Cost of Redemption	36,354	34,961
Net Expenses	<u>7,818,549</u>	<u>7,319,339</u>
Current Net Earnings	<u>22,450,644</u>	<u>23,614,288</u>
Additions to Current Net Earnings:		
Profit on Sales of U. S. Govt. Sec. (net)	6,933	7,489
All Other	139,600	84,454
Total Additions	<u>146,533</u>	<u>91,943</u>
Deductions from Current Net Earnings:		
Reserve for Contingencies	18,436	14,259
All Other	671	458,530
Total Deductions	<u>19,107</u>	<u>472,789</u>
Net Additions to Current Net Earnings	<u>127,426</u>	<u>-380,846</u>
Net Earnings before payments to U. S. Treasury	<u>22,578,070</u>	<u>23,233,442</u>
Distribution of Net Earnings:		
Paid to U. S. Treasury (Interest - F.R. Notes)	19,675,908	20,296,234
Dividends Paid	715,956	682,073
Transferred to Surplus (Section 7)	2,186,206	2,255,135
Total	<u>22,578,070</u>	<u>23,233,442</u>

On September 2, the surplus held in connection with provisions of Section 13b of the Federal Reserve Act, which gave Federal Reserve Banks certain business loan authority, was eliminated under provisions of the Small Business Investment Act of 1958. Since

the Treasurer of the United States, under provisions of this Act, was to be repaid the full amount of \$548,000 originally advanced to this bank, and some losses in the past had reduced the surplus in the account to \$521,000, this bank's general surplus was charged \$27,000 in order to make full repayment. No loans have been made at the Federal Reserve Bank of St. Louis under Section 13b in recent years.

Statement of Condition

A condensed Comparative Statement of Condition of the Federal Reserve Bank of St. Louis is shown on the following page. The ratio between gold certificate reserves to total deposit and Federal Reserve Note liabilities combined declined from 48.4 per cent on December 31, 1957, to 41.2 per cent on December 31, 1958, at the Federal Reserve Bank of St. Louis. However, nationally the decline was only 4.2 points from 46.3 per cent to 42.1 per cent in comparison to the 7.2 points in St. Louis, where the loss of gold reserves was proportionately heavier than nationally. The minimum legal requirement is 25 per cent. The decline in the ratio compared with a year earlier at St. Louis was the result of a \$153.9 million decline in the Gold Certificate Reserves and an \$11.7 million increase in Federal Reserve Notes outstanding which more than offset a \$40.4 million reduction in total deposits.

FEDERAL RESERVE BANK OF ST. LOUIS		
STATEMENT OF CONDITION		
	Assets	
(In thousands of dollars)	December 31, 1958	December 31, 1957
Gold Certificate Reserves	\$ 798,151	\$ 952,089
Federal Reserve Notes of Other Banks	23,286	17,588
Other Cash	26,514	25,649
Discounts and Advances	2,262	435
U. S. Government Securities	1,070,904	980,896
Uncollected items	232,400	188,650
Other Assets	12,779	15,180
Total Assets	<u>\$2,166,297</u>	<u>\$2,180,487</u>
Liabilities and Capital Accounts		
Federal Reserve Notes (Net)	\$1,238,270	\$1,226,564
Deposits:		
Member banks—reserve accounts	669,057	699,440
U. S. Treasurer—general account	19,283	25,982
Other	11,835	15,176
Deferred availability items	174,787	163,043
Other Liabilities	793	439
Total Capital Accounts	<u>52,272</u>	<u>49,843</u>
Total Liabilities and Capital Accounts	<u>\$2,166,297</u>	<u>\$2,180,487</u>