

# Operations of the Federal Reserve Bank of St. Louis in 1961—An Annual Report

**T**HE FEDERAL RESERVE BANK OF ST. LOUIS is a part of the Federal Reserve System, the primary function of which is to regulate bank credit and the nation's money supply with a view to contributing to economic growth, full employment, and reasonably stable prices. A summary of monetary developments in 1961 was presented in the January 1962 issue of this *Review*.

In addition to the monetary management activities of the Federal Reserve System, each Federal Reserve Bank performs a variety of operations which contribute to efficient operation of the economic system. The principal operating functions of a Federal Reserve Bank are handling member bank reserve accounts, distributing currency and coin, clearing checks, collecting other negotiable instruments, transferring funds, making advances to member banks, fiscal agency operations for the United States Government (such as issuing and redeeming Treasury securities), safekeeping of securities, research operations, and examination and supervision of banks. Most of the employees of the Bank are engaged in these activities. This article describes the principal operations of the Federal Reserve Bank of St. Louis and its branches during 1961.

The area which is served by the Federal Reserve Bank of St. Louis, the Eighth Federal Reserve District, includes most of Missouri, all of Arkansas, and parts of Illinois, Indiana, Kentucky, Tennessee, and Mississippi. The Bank has three branches, located in Little Rock, Louisville, and Memphis. Boundaries of the Eighth Federal Reserve District and its three branch zones, along with the location of the district in relation to the eleven other Federal Reserve Districts, are shown in the accompanying map. As of February 1, 1962 there were 478 member banks in the Eighth Dis-

trict, of which 320 were national banks and 158 were state member banks. A year earlier there were 319 national banks and 161 state member banks, a total of 480 member banks in the district.

## Member Bank Reserve Accounts

The Federal Reserve Bank of St. Louis and its branches hold the reserve deposit accounts of all member banks in the Eighth District. Member banks were required in 1961 to keep as reserves the following percentages of their deposit liabilities:<sup>1</sup>

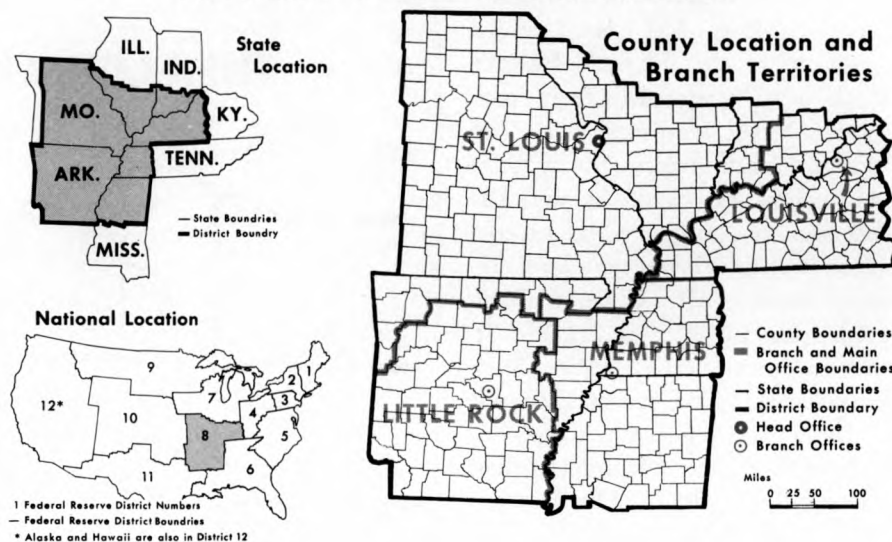
Net Demand deposits*	
Central reserve city banks .....	16½%
Reserve city banks .....	16½%
Other member banks .....	12%
Time deposits	
All banks .....	5%

\* Total demand deposits minus cash items in process of collection and demand balances due from domestic banks.

These reserves were required to be on deposit with the Federal Reserve Bank, except for amounts that the member bank chose to hold in actual cash. This vault cash was about one-eighth of the total.

<sup>1</sup> See footnote bottom of second column, page 10.

## THE EIGHTH FEDERAL RESERVE DISTRICT



Member banks may draw on and replenish their reserve deposit accounts much as individuals use their checking accounts in settling day-to-day transactions. Numerous entries are made in the reserve accounts of member banks. Entries are made for currency or coin withdrawn or deposited, for settlements of clearings and checks, for Treasury deposits transferred from member banks to the Reserve Bank, for transfers of funds, for redemptions of Government bonds and coupons, and for sums borrowed and repaid. The Reserve Bank or branch records all transactions and strikes a daily balance for the reserve account of each member bank. These transactions are described in subsequent paragraphs.

During 1961 the Federal Reserve Bank of St. Louis installed a 1401 IBM computer at the St. Louis office. The records relating directly both to actual member bank reserve balances and to required balances at that office have been placed on the machine, reducing substantially the volume of the manual labor. In addition, many of the other bookkeeping functions of the Bank have been transferred to the computer.

### *Collecting and Clearing Checks*

The use of demand deposits in commercial banks by individuals and businesses in making payments is facilitated by the Federal Reserve Banks in clearing checks and in providing a mechanism through which commercial banks settle for the checks collected.

By way of example, consider the case of a manufacturer in Pine Bluff, Arkansas, who sells goods to a firm in Madison, Wisconsin, and receives in payment a check drawn on a bank in Madison. The manufacturer deposits the check in his Pine Bluff bank, receiving a credit in his deposit balance. The Pine Bluff bank sends the check (with others) to the Little Rock Branch of the Federal Reserve Bank of St. Louis, which sends it to the Federal Reserve Bank of Chicago, which in turn sends it to the Madison bank. The Madison bank charges the account of the firm that wrote it, and has the amount charged to its reserve account at the Chicago Federal Reserve Bank. The Chicago Bank credits the Little Rock Branch. In the meantime, the Little Rock Branch credits the reserve account of the Pine Bluff bank in accordance with a time schedule worked out for the System. The Reserve Banks settle these accounts by wire

at the end of each day through the Interdistrict Settlement Fund located at the Board of Governors in Washington.

Since promptness is important in clearing checks, the Federal Reserve Banks permit member banks having a substantial volume of checks payable in other Federal Reserve districts to send such checks directly to the other Reserve offices for collection. St. Louis member banks, for example, frequently send checks to the Federal Reserve Bank of New York for collection, at the same time informing the Federal Reserve Bank of St. Louis. Reserve accounts of these member banks are credited just as if the items had been sent to the St. Louis Federal Reserve Bank.

Through these arrangements checks are collected throughout the nation quickly, with a minimum expense. Federal Reserve facilities for clearing checks are available to all member banks. However, many checks are cleared through local clearinghouses and correspondent banks, without using Federal Reserve facilities.

The number of checks handled by the Federal Reserve System has increased constantly since 1920 with the exception of the depression years, 1930 through 1933 (see Chart 1). Check clearings at the Federal Reserve Bank in St. Louis and its Louisville, Memphis, and Little Rock branches have generally increased at about the same rate as totals for the System. The number of checks cleared by the Federal Reserve Bank of St. Louis and its branches in 1961 totaled 216

<sup>1</sup> Reserve requirements apply to a member bank's "net demand" and "time" deposit liabilities. A member bank must be careful to see that the average amount of its reserves over a reserve period (one week for central reserve city and reserve city banks and two weeks for other member banks) equals or exceeds the average amount of reserves required during the period.

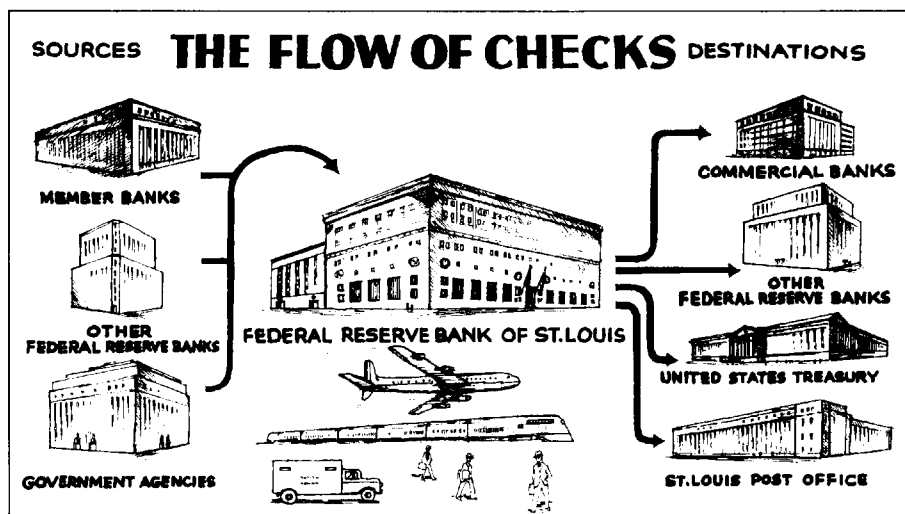
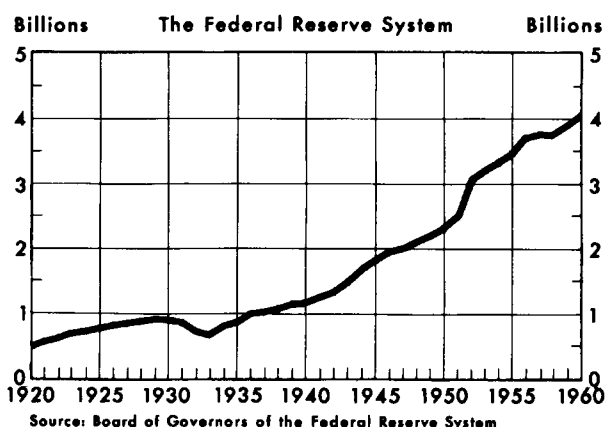


Chart 1

## Number of Checks Handled, 1920-60



million, up 6 per cent from the 1960 volume. The dollar value of these checks amounted to \$76 billion, or 4 per cent more than in 1960 (see Table I).

*Distributing Currency and Coin*

The money handling operations at the Federal Reserve Banks consist chiefly of the receipt of money from member banks and the delivery of money to member banks.

The public obtains virtually all its currency and coin from commercial banks or by receiving it from others who, directly or indirectly, obtained it from banks. Commercial banks, in turn, either directly or indirectly obtain currency and coin from the Federal Reserve Banks to meet this demand. When the public's demand for currency and coin increases, banks provide themselves with the amounts and kinds that the people in their community want. Most member banks depend upon the Federal Reserve Banks for replenishment of their supply, ordering what they require and having it charged to their reserve accounts.

**Free Reserves**

THE VOLUME OF FREE RESERVES has frequently been used as an indicator of monetary action. Free reserves are member bank excess reserves less borrowings from Reserve Banks. High levels of free reserves are said to indicate monetary ease; low levels (net borrowed reserves) are thought to indicate restraint.

In its November 1961 REVIEW, the Federal Reserve Bank of Kansas City examined the free reserve concept and concluded that this guide is not dependable. The article suggests that a better indication of monetary conditions is the rate of change of bank credit. A copy of this REVIEW can be obtained by writing the Research Department, Federal Reserve Bank of Kansas City, Federal Reserve Station, Kansas City 6, Missouri.

Table I

## COMBINED VOLUME OF OPERATIONS

AT THE ST. LOUIS BANK AND THE LOUISVILLE, MEMPHIS, AND LITTLE ROCK BRANCHES IN 1961 AND 1960

Number of Pieces Handled (in thousands)	1961	1960
Checks (Total) .....	215,590	203,864
City Checks .....	35,807	34,095
Country Checks .....	145,624	136,600
Government Checks .....	23,056	21,585
Postal Money Orders .....	11,103	11,584
Currency .....	190,515	201,375
Coin <sup>1</sup> .....	490,087	426,623
Transfer of Funds .....	159	152
Noncash Collections .....	593	560
U. S. Gov't Interest Coupons .....	857	872
Discounts and Advances <sup>2</sup> .....	283	945
Safekeeping of Securities:		
Securities Received and Released .....	164	165
Coupons Detached .....	363	361
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged and Redeemed .....	7,269	7,534
Other Government Issues <sup>3</sup> .....	444	457
Dollar Volume (in thousands of dollars)		
Checks Handled (Total) .....	\$75,969,147	\$73,183,258
City Checks .....	48,005,185	46,827,462
Country Checks .....	23,031,771	21,709,083
Government Checks .....	4,722,719	4,429,609
Postal Money Orders .....	209,472	217,104
Currency .....	1,143,163	1,185,970
Coin <sup>1</sup> .....	48,265	43,341
Transfer of Funds .....	69,379,098	61,433,926
Noncash Collections .....	373,627	391,087
U. S. Gov't Interest Coupons .....	129,886	123,070
Discounts and Advances .....	813,490	3,248,835
Safekeeping of Securities:		
Coupons Detached .....	48,263	44,993
Fiscal Agency Operations:		
U. S. Savings Bonds Issued, Exchanged and Redeemed .....	639,184	685,895
Other Government Issues <sup>3</sup> .....	12,033,395	10,933,294

<sup>1</sup> Does not include unverified coins proved in connection with wrapping.

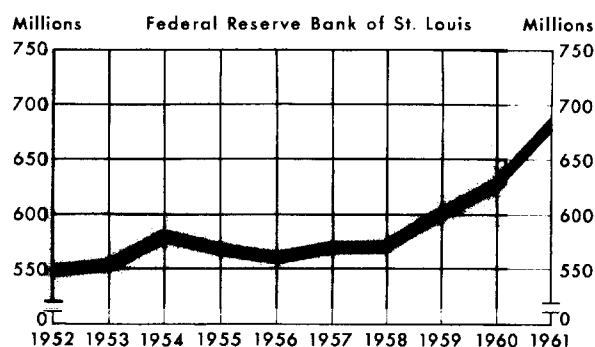
<sup>2</sup> Actual number, not rounded to nearest thousand.

<sup>3</sup> Includes securities of agencies.

Some member banks, however, get their supplies through larger, centrally located member banks. Non-member banks obtain part of their coin and currency from member banks; however, they may obtain their supply directly from the Federal Reserve Bank when such shipments are requested by a member bank.

When the public desires less cash, money is returned to the banking system, building up bank reserves. Member banks may return excess amounts to the Reserve Bank. No attempt is made by the Federal Reserve or other public authorities to control the amount of coin and currency in circulation, the objective being to satisfy the desires of the public, including commercial banks.

Chart 2

**Pieces of Currency and Coin Handled, 1952-61**

New coin is obtained by the Federal Reserve Banks directly from a United States mint. New silver certificates and United States notes are obtained directly from the Treasury Department. New Federal Reserve notes are obtained from the Comptroller of the Currency, by the Federal Reserve Agent through the Board of Governors. Unfit currency and mutilated coin received at Federal Reserve Banks in the course of day-to-day operations are removed from circulation.

There are large movements of currency and coin into and out of the Federal Reserve Bank each business day as some member banks find themselves with a surplus while others are replenishing supplies. Thus, money handling operations at the Reserve Banks are continuous, although the aggregate amount of coin and currency held by the public and commercial banks may be relatively stable except for the seasonal upswings near most of the major holidays, especially near Christmas.

Major activities in the Money Department of the Reserve Bank include paying out and receiving coin and currency, sorting, counting, and shipping currency and coin, and wrapping coin. The volume of currency handled by the Federal Reserve Bank of St. Louis and its branches in 1961 totaled 191 million pieces, down 5 per cent from the 1960 level. This decline was possibly due in part to a change in the regulations, effective primarily in late 1960, which permitted member banks to count vault cash as part of their reserves. Coin totaled 490 million pieces, about 15 per cent above that of 1960 (Table I).

### *Lending Operations*

Member banks may obtain credit on occasion by borrowing from the Reserve Bank. The discount rate charged on such loans throughout 1961 was 3 per cent per annum. A major objective of the provision for lending by the Federal Reserve Banks is to provide

member banks with a source of credit for short-term accommodation.

The principles under which Federal Reserve Banks lend to member banks are set forth in Regulation A of the Board of Governors of the Federal Reserve System as follows:

Access to the Federal Reserve discount facilities is granted as a privilege of membership in the Federal Reserve System in the light of the following general guiding principles.

Federal Reserve credit is generally extended on a short-term basis to a member bank in order to enable it to adjust its asset position when necessary because of developments such as a sudden withdrawal of deposits or seasonal requirements for credit beyond those which can reasonably be met by use of the bank's own resources. Federal Reserve credit is also available for longer periods when necessary in order to assist member banks in meeting unusual situations, such as may result from national, regional, or local difficulties or from exceptional circumstances involving only particular member banks. Under ordinary conditions, the continuous use of Federal Reserve credit by a member bank over a considerable period of time is not regarded as appropriate.

In considering a request for credit accommodation, each Federal Reserve Bank gives due regard to the purpose of the credit and to its probable effects upon the maintenance of sound credit conditions, both as to the individual institution and the economy generally. It keeps informed of and takes into account the general character and amount of the loans and investments of the member bank. It considers whether the bank is borrowing principally for the purpose of obtaining a tax advantage or profiting from rate differentials and whether the bank is extending an undue amount of credit for the speculative carrying of or trading in securities, real estate, or commodities, or otherwise.

Lending operations of the Reserve Banks were at a relatively low level during 1961. The cost of obtaining funds in other ways, such as security sales and inter-bank borrowing, was usually less expensive than borrowing from Reserve Banks. The average daily dollar volume of loans outstanding to members banks at the Federal Reserve Bank of St. Louis and its branches in 1961 was \$3,537,000, compared with \$17,445,000 in 1960. Advances by the Federal Reserve Bank of St. Louis and its branches, which numbered 283 in 1961, were down 70 per cent from the 1960 level. Such advances aggregated \$813 million during 1961, down 75 per cent from the 1960 amount.

## Fiscal Agency Operations

One of the major objectives of the Federal Reserve Act is to provide a financial agent for the United States Government. In this capacity, the Federal Reserve Banks act as the United States Government's principal banking agency. They hold the Government's demand deposit accounts, accept Government receipts, settle checks drawn on the Treasurer of the United States, and issue, redeem, and transfer title to Government securities. The securities operations have been a major activity since the early 1940's, when the debt grew substantially to finance World War II.

In connection with Government debt operations, the Reserve Banks engage in such activities as supervising the printing and mailing of circulars, handling applications and tenders for Treasury bills, receiving payments, issuing and redeeming other Government securities, and redeeming interest coupons.

Fiscal agency operations, by their very nature, are carried out in close cooperation with the United States Treasury Department. Regulations concerning the operations are issued by the Treasury Department so that uniform operating procedures are maintained throughout the Federal Reserve System. Reserve Banks are reimbursed by the Treasury for most expenses incurred in this work.

The total volume of fiscal agency operations at the Federal Reserve Bank of St. Louis and its branches did not change significantly in 1961 from the 1960 levels. The dollar volume of savings bonds issued, exchanged, and redeemed declined 7 per cent. The dollar volume of other Government issues handled rose 10 per cent. Total number of items handled was down about 3 per cent.

## Safekeeping

A Federal Reserve Bank holds securities in safekeeping, primarily for member banks. Some securities are placed with the Bank for the sole purpose of safekeeping; others are pledged to the Bank to secure loans to member banks; and still other securities are placed with the Federal Reserve Bank as security for deposits of state and local government funds and for the United States Government Treasury Tax and Loan Accounts.

Much of the time of employees engaged in safekeeping operations at the Federal Reserve Bank is directed to handling securities and maintaining records of securities and coupons. Records are maintained of all securities for reconciliation and balancing pur-

## STATEMENT OF CONDITION

### FEDERAL RESERVE BANK OF ST. LOUIS

	<u>Assets</u>	
(in thousands of dollars)	December 31, 1961	December 31, 1960
Gold Certificate Reserves .....	\$ 679,572	\$ 721,711
Federal Reserve Notes of Other Banks ..	21,784	21,871
Other Cash .....	17,821	23,197
Discounts and Advances .....	2,210	7,764
U. S. Government Securities .....	1,165,881	1,090,824
Uncollected Items .....	306,100	329,743
Other Assets .....	16,232	14,981
<b>Total Assets .....</b>	<b>\$2,209,400</b>	<b>\$2,209,691</b>

	<u>Liabilities and Capital Accounts</u>	
Federal Reserve Notes (Net) .....	\$1,269,413	\$1,232,140
Deposits:		
Member Banks—Reserve Accounts .....	628,096	650,878
U. S. Treasurer—General Account .....	17,587	26,542
Other .....	11,391	54,001
Deferred Availability Cash Items .....	234,940	203,701
Other Liabilities and Accrued Dividends ..	2,368	1,133
Total Capital Accounts .....	45,605	41,296
<b>Total Liabilities and Capital Accounts ..</b>	<b>\$2,209,400</b>	<b>\$2,209,691</b>

MEMORANDA: Contingent liabilities on acceptances purchased for foreign correspondents decreased from \$7,668,000 on December 31, 1960 to \$4,250,000 on December 31, 1961. The ratio of gold certificate reserves to deposits and F. R. note liabilities combined was 36.8% on December 31, 1960 and 35.3% on December 31, 1961.

## COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES

### FEDERAL RESERVE BANK OF ST. LOUIS

(in thousands of dollars)	1961	1960
Earnings from:		
Discounted Bills .....	\$ 111	\$ 686
U. S. Government Securities .....	37,728	43,769
Industrial Advances .....	—	—
All Other .....	13	19
<b>Total Current Earnings .....</b>	<b>37,852</b>	<b>44,474</b>
Expenses:		
Operating Expenses .....	7,981	8,143
Assessment for Expenses of Board of Governors .....	211	218
Federal Reserve Currency:		
Original Cost .....	277	235
Cost of Redemption .....	44	39
Net Expenses .....	8,513	8,635
<b>Current Net Earnings .....</b>	<b>29,339</b>	<b>35,839</b>
Additions to Current Net Earnings:		
Profit on Sales of U. S. Govt. Sec. (net) ..	140	99
Transferred from Reserves for Contingencies (net) .....	—	470
All Other .....	1	1
<b>Total Additions .....</b>	<b>141</b>	<b>570</b>
Deductions from Current Net Earnings:		
All Other .....	3	3
<b>Total Deductions .....</b>	<b>3</b>	<b>3</b>
<b>Net Additions to Current Net Earnings ..</b>	<b>138</b>	<b>567</b>
<b>Net Earnings before payment to   U. S. Treasury .....</b>	<b>\$29,477</b>	<b>\$36,406</b>
Distribution of Net Earnings:		
Paid to U. S. Treasury (Interest— F. R. Notes) .....	\$25,742	\$33,936
Dividends Paid .....	862	802
Transferred to Surplus .....	2,873	1,668
<b>Total .....</b>	<b>\$29,477</b>	<b>\$36,406</b>

# Directors of the Federal Reserve Bank of St. Louis

## February 1, 1962

### 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

<i>Elected by Member Banks</i>	Term Expires Dec. 31
KENTON R. CRAVENS, President, Mercantile Trust Company, St. Louis, Missouri	1962
H. LEE COOPER, President, Ohio Valley National Bank of Henderson, Henderson, Kentucky	1963
ARTHUR WERRE, JR., Executive Vice President, First National Bank of Steeleville, Steeleville, Illinois	1964

### Class B Directors

<i>Elected by Member Banks</i>	
HAROLD O. McCUTCHAN, Executive Vice President, Mead Johnson & Company, Evansville, Indiana	1962
EDGAR M. QUEENY, Chairman of the Finance Committee and member of Board of Directors, Monsanto Chemical Com- pany, St. Louis, Missouri	1963
RAYMOND REBSAMEN, Chairman of the Board, Rebsamen & East, Inc., Little Rock, Arkansas	1964

### Class C Directors

<i>Appointed by the Board of Governors</i>	
PIERRE B. McBRIDE, President, Porcelain Metals Corpora- tion, Louisville, Kentucky	1962
JESSE D. WOOTEN, Executive Vice President, Mid-South Chemical Corporation, Memphis, Tennessee	1963
J. H. LONGWELL, Director, Special Studies and Programs, College of Agriculture, University of Missouri, Columbia, Missouri	1964

### Member, Federal Advisory Council

SIDNEY MAESTRE, Chairman of the Board, Mercantile Trust Com-  
pany, St. Louis, Missouri

### Little Rock Branch Directors

<i>Appointed by the Board of Governors</i>	Term Expires Dec. 31
T. WINFRED BELL, President, Bush-Caldwell Company and Arkansas Electric Company, Little Rock, Arkansas	1962
FREDERICK P. BLANKS, Planter, Parkdale, Arkansas	1963
WALDO E. TILLER, President, Tiller Tie and Lumber Com- pany, Inc., Little Rock, Arkansas	1964
<i>Appointed by the Directors of the Federal Reserve Bank</i>	
H. C. ADAMS, Executive Vice President, The First National Bank of De Witt, De Witt, Arkansas	1962
J. W. BELLAMY, President, National Bank of Commerce of Pine Bluff, Pine Bluff, Arkansas	1963
R. M. LAGRONE, JR., President, The Citizens National Bank of Hope, Hope, Arkansas	1963
ROSS E. ANDERSON, President, The Commercial National Bank of Little Rock, Little Rock, Arkansas	1964

### Louisville Branch Directors

<i>Appointed by the Board of Governors</i>	
WILLIAM H. HARRISON, President, Taylor Drug Stores, Inc., Louisville, Kentucky	1962
PHILIP DAVIDSON, President, University of Louisville, Louis- ville, Kentucky	1963
RICHARD T. SMITH, Farmer, Madisonville, Kentucky	1964
<i>Appointed by the Directors of the Federal Reserve Bank</i>	
MERLE E. ROBERTSON, Chairman of the Board and President, Liberty National Bank and Trust Company of Louisville, Louisville, Kentucky	1962
RAY A. BARRETT, President, The State Bank of Salem, Salem, Indiana	1963
JOHN G. RUSSELL, President, The Peoples First National Bank & Trust Company of Paducah, Paducah, Kentucky	1963
JOHN R. STROUD, Executive Vice President, The First Na- tional Bank of Mitchell, Mitchell, Indiana	1964

### Memphis Branch Directors

<i>Appointed by the Board of Governors</i>	
WILLIAM KING SELF, President, Riverside Industries, Marks, Mississippi	1962
EDWARD B. LEMASTER, President, Edward LeMaster Co., Inc., Memphis, Tennessee	1963
FRANK LEE WESSON, President, Wesson Farms, Inc., Victoria, Arkansas	1964
<i>Appointed by the Directors of the Federal Reserve Bank</i>	
CHARLES R. CAVINESS, President, National Bank of Commerce of Corinth, Corinth, Mississippi	1962
JOHN E. BROWN, President, Union Planters National Bank of Memphis, Memphis, Tennessee	1963
SIMPSON RUSSELL, Chairman of the Board, The National Bank of Commerce of Jackson, Jackson, Tennessee	1963
LEON C. CASTLING, President, First National Bank at Mari- anna, Marianna, Arkansas	1964

# **Officers of the Federal Reserve Bank of St. Louis**

## **February 1, 1962**

DELOS C. JOHNS, *President*

DARRYL R. FRANCIS, *First Vice President*

HOWARD H. WEIGEL, *Vice President and Secretary*

GEORGE E. KRONER, *Vice President*

JOSEPH C. WOTAWA, *Vice President*

HOMER JONES, *Vice President*

DALE M. LEWIS, *Vice President*

MARVIN L. BENNETT, *Vice President*

GEORGE W. HIRSHMAN, *General Auditor*

WILLIAM J. ABBOTT, *Adviser*

EARL R. BILLEN, *Assistant Vice President*

PAUL SALZMAN, *Assistant Vice President*

WILLIS L. JOHNS, *Assistant Vice President*

GERALD T. DUNNE, *Counsel and Asst. Sec'y.*

STEPHEN KOPTIS, *Assistant Vice President*

J. M. GEIGER, *Assistant Vice President*

ORVILLE O. WYRICK, *Chief Examiner*

WILBUR H. ISBELL, *Assistant Chief Examiner*

CARL T. ARLT, *Assistant Vice President*

RICHARD O. KALEY, *Assistant Vice President*

NORMAN N. BOWSHER, *Assistant Vice President*

GEORGE W. DENNISON, *Assistant Vice President*

WOODROW W. GILMORE, *Planning Officer*

EARL H. CHAPIN, *Assistant Chief Examiner*

JOHN J. HOFER, *Assistant Vice President*

W. E. WALKER, *Assistant Vice President*

### **LITTLE ROCK BRANCH**

FRED BURTON, *Vice President and Manager*

\_\_\_\_\_, *Cashier*

JOHN K. WARD, *Assistant Cashier*

HOWARD J. JENSEN, *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**

E. FRANCIS DEVOS, *Vice President and Manager*

BENJAMIN B. MONAGHAN, *Cashier*

JOHN F. BREEN, JR., *Assistant Cashier*

PAUL I. BLACK, JR., *Assistant Cashier*

poses. In the case of Government securities, maturing coupons are clipped and maturing bonds withdrawn from safekeeping and redeemed. Other maturing coupons and bonds are collected for the owners. In 1961 securities received and released at the Federal Reserve Bank of St. Louis and its branches numbered 163,700 compared to 164,781 in 1960. The dollar volume of coupons detached in 1961 totaled \$48.3 million compared to \$45.0 million in 1960.

### **Research**

The Research staff of the Federal Reserve Bank of St. Louis is engaged in assembling and analyzing economic and financial information that serves as a guide to the Bank and to the System in the formulation and administration of monetary policy. By making much of this information available in their publications and public speeches, the department also helps to keep the public informed about the functioning of the economy with particular reference to monetary developments.

Within the general framework of providing "economic intelligence" necessary for central bank functions, the department has a number of outlets through which it reports the results of its research. They are as follows: (1) Briefing sessions with the president, who, with other presidents and the Board of Governors, participates in the Federal Open Market Committee meetings. (2) Reports submitted to the directors of the Federal Reserve Bank and to the Board of

Governors. (3) A monthly *Review* which is available to the public on request. (4) Public meetings of groups interested in economic policy.

Whatever the research emphasis may be at any given time, the work in the department is always geared to the objective of providing a more thorough understanding of the economic system and the role of central banking in the system.

### **Bank Examination**

Examiners of the Federal Reserve Bank of St. Louis have responsibility for examining all state banks in the Eighth District which are members of the Federal Reserve System. Each state member bank was examined during the year 1961. Major objectives of such examinations are to determine the quality of assets, the solvency of banks, and their compliance with federal and state laws and regulations; and to appraise the adequacy of managements, operations, safeguards, and policies. Examinations are not intended to be a substitute for audits.

TOTAL NUMBER EMPLOYED AT THE  
FEDERAL RESERVE BANK OF ST. LOUIS AND  
THE BRANCHES ON JANUARY 1 FOR SELECTED YEARS

11-16-1914 (beginning of bank) .....	23
1924 .....	586
1934 .....	717
1944 .....	1,551
1954 .....	1,292
1959 .....	1,139
1961 .....	1,114



### ***Business Expands and Bank Credit Rises—continued from page 3***

While the stock of money was rising rapidly in late 1961 the rate of increase in the turnover of money was less than in the comparable periods of the two previous business upturns. The transactions velocity of money (i.e., the rate of turnover of demand deposits at banks outside of the seven largest financial centers) rose at an annual rate of about 3.2 per cent from the third quarter of 1961 to the fourth quarter. The increases in velocity in the corresponding periods (second to third quarters following the trough) of the 1958-59 and 1954-55 recoveries were greater, 8.4 and 12.0 per cent, respectively. Income velocity, the production of goods and services divided by the average money supply, shows a somewhat similar pattern.

Time deposits at commercial banks grew at an estimated annual rate of 11.6 per cent from the second half of August to the first half of January. During this period the money supply defined broadly to in-

clude time deposits expanded at about 7.9 per cent per annum. During the comparable four-and-one-half months of the two previous business expansions, the supply of money plus time deposits rose at 4.2 per cent and 1.6 per cent annual rates.

### **Interest Rates**

Interest rates on most marketable securities have risen in recent months. Yields on three-month Treasury bills averaged over 2.70 per cent in January, higher than in any month in 1961. During September yields on these bills averaged 2.28 per cent. The rise in bill rates during the past year of economic recovery, however, was substantially less rapid than in the first year of the previous expansions. Rates on long-term Government bonds averaged 4.06 per cent in January, up only slightly from the September average of 4.02 per cent.