FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

August 22, 1950

To All Member Banks in District No. 8:

This bank has established, effective August 23, 1950, a rate of 1-3/4% per annum on discounts for and advances to member banks under Sections 13 and 13a of the Federal Reserve Act, and 2-1/4% on advances to member banks under Section 10 (b) of the Federal Reserve Act. The rate on industrial advances to member banks and other financing institutions under Section 13b on the portion for which the financing institution is obligated was also increased to 1-3/4% to 2-1/4%. The other rates, as indicated in the attached rate schedule, remain unchanged.

Please substitute the attached rate schedule for page 5 dated August 18, 1948 of the Manual of Facilities.

There is also enclosed a statement approved on August 18, 1950 by the Board of Governors and the Federal Open Market Committee.

Yours very truly,

Chester C. Davis

Chester C. Davis
President

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

On Friday, August 18, 1950, the Board of Governors of the Federal Reserve System and the Federal Open Market Committee issued the following statement:

"Within the past six weeks loans and holdings of corporate and municipal securities have expanded by $1-1/2 billion at banks in leading cities alone. Such an expansion under present conditions is clearly excessive. In view of this development and to support the Government's decision to rely in major degree for the immediate future upon fiscal and credit measures to curb inflation, the Board of Governors of the Federal Reserve System and the Federal Open Market Committee are 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 Board is also prepared to request the Congress for additional authority should that prove necessary.

"Effective restraint of inflation must depend ultimately on the willingness of the American people to tax themselves adequately to meet the Government's needs on a pay-as-you-go basis. Taxation alone, however, will not do the job. Parallel and prompt restraint in the area of monetary and credit policy is essential."

In keeping with the above statement, the Federal Reserve Bank of St. Louis with the approval of the Board of Governors is increasing its rates as outlined in the attached rate schedule.