

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 4105]
May 6, 1954

Offering of \$1,500,000,000 of 91-Day Treasury Bills

Dated May 13, 1954

Maturing August 12, 1954

To all Incorporated Banks and Trust Companies, and Others
Concerned, in the Second Federal Reserve District:

Following is the text of a notice published today:

FOR RELEASE, MORNING NEWSPAPERS,
Thursday, May 6, 1954.

TREASURY DEPARTMENT
Washington

The Treasury Department, by this public notice, invites tenders for \$1,500,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing May 13, 1954, in the amount of \$1,501,294,000, to be issued on a discount basis under competitive and noncompetitive bidding as hereinafter provided. The bills of this series will be dated May 13, 1954, and will mature August 12, 1954, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern Daylight Saving time, Monday, May 10, 1954. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Others than banking institutions will not be permitted to submit tenders except for their own account. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Treasury Department of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, noncompetitive tenders for \$200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on May 13, 1954, in cash or other immediately available funds or in a like face amount of Treasury bills maturing May 13, 1954. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117(a)(1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, Revised, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

This Bank will receive tenders up to 2 p.m., Eastern Daylight Saving time, Monday, May 10, 1954, at the Securities Department of its Head Office and at its Buffalo Branch. Please use the form on the reverse side of this circular to submit a tender, and return it in an envelope marked "Tender for Treasury Bills." Tenders may be submitted by telegraph, subject to written confirmation; they may not be submitted by telephone. *Payment for the Treasury bills cannot be made by credit through the Treasury Tax and Loan Account. Settlement must be made in cash or other immediately available funds or in maturing Treasury bills.*

ALLAN SPROUL, *President.*

Results of last offering of Treasury bills (91-day bills dated May 6, 1954, maturing August 5, 1954)

Total applied for	\$2,290,218,000		
Total accepted	\$1,502,433,000 (includes \$199,591,000 entered on a noncompetitive basis and accepted in full at the average price shown below)		
Average price	99.805	Equivalent rate of discount approx. 0.773% per annum	
Range of accepted competitive bids:			
High	99.808	Equivalent rate of discount approx. 0.760% per annum	
Low	99.803	Equivalent rate of discount approx. 0.779% per annum	
(10 percent of the amount bid for at the low price was accepted)			
		<i>Federal Reserve District</i>	<i>Total Applied for</i>
		Boston	\$ 14,632,000
		New York	1,687,770,000
		Philadelphia	35,189,000
		Cleveland	36,567,000
		Richmond	9,394,000
		Atlanta	21,559,000
		Chicago	265,291,000
		St. Louis	17,874,000
		Minneapolis	19,312,000
		Kansas City	67,239,000
		Dallas	40,775,000
		San Francisco	74,616,000
		Total	\$2,290,218,000
			\$1,502,433,000

IMPORTANT—If you desire to bid on a *competitive* basis, fill in rate per 100 and maturity value in paragraph headed "Competitive Bid." If you desire to bid on a *noncompetitive* basis, fill in only the maturity value in paragraph headed "Noncompetitive Bid." **DO NOT fill in both paragraphs on one form.** A separate tender must be used for each bid, except that banks submitting bids on a competitive basis for their own and their customers' accounts may submit one tender for the total amount bid at each price, provided a list is attached showing the name of each bidder, the amount bid for his account, and method of payment. Forms for this purpose will be furnished upon request.

No.

TENDER FOR 91-DAY TREASURY BILLS

Dated May 13, 1954

Maturing August 12, 1954

To FEDERAL RESERVE BANK OF NEW YORK,
Fiscal Agent of the United States.

Dated at
..... 1954

COMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, Revised, and to the provisions of the public notice on May 6, 1954, as issued by the Treasury Department, the undersigned offers * for a
(Rate per 100)

total amount of \$..... (maturity value) of the Treasury bills therein described, or for any less amount that may be awarded, settlement therefor to be made at your Bank, on the date stated in the public notice, as indicated below:

- By surrender of maturing Treasury bills amounting to\$.....
- By cash or other immediately available funds

* Price must be expressed on the basis of 100, with not more than three decimal places, for example, 99.925.

NONCOMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, Revised, and to the provisions of the public notice on May 6, 1954, as issued by the Treasury Department, the undersigned offers a noncompetitive tender for a total amount of \$.....
(Not to exceed \$200,000)

(maturity value) of the Treasury bills therein described, at the average price (in three decimals) of accepted competitive bids, settlement therefor to be made at your Bank, on the date stated in the public notice, as indicated below:

- By surrender of maturing Treasury bills amounting to\$.....
- By cash or other immediately available funds

The Treasury bills for which tender is hereby made are to be dated May 13, 1954, and are to mature on August 12, 1954.

This tender will be inserted in special envelope marked "Tender for Treasury Bills."

Name of Bidder
(Please print)

By
(Official signature required) (Title)

Street Address
.....
(City, Town or Village, P. O. No., and State)

If this tender is submitted by a bank for the account of a customer, indicate the customer's name on line below:

.....
(Name of Customer) (City, Town or Village, P. O. No., and State)

IMPORTANT INSTRUCTIONS:

1. No tender for less than \$1,000 will be considered, and each tender must be for an even multiple of \$1,000 (maturity value).
2. If the person making the tender is a corporation, the tender should be signed by an officer of the corporation authorized to make the tender, and the signing of the tender by an officer of the corporation will be construed as a representation by him that he has been so authorized. If the tender is made by a partnership, it should be signed by a member of the firm, who should sign in the form "....., a member of the firm."
3. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.
4. If the language of this tender is changed in any respect, which, in the opinion of the Secretary of the Treasury, is material, the tender may be disregarded.

Payment by credit through Treasury Tax and Loan Account will not be permitted.

at 4105

FEDERAL RESERVE BANK
OF NEW YORK

*President's
Report
to
Directors
for 1953*



FEDERAL RESERVE BANK OF NEW YORK

President's Report
to
Directors
for 1953



CONFIDENTIAL

FEDERAL RESERVE BANK
OF NEW YORK

April 19, 1954

*To the Directors of the
Federal Reserve Bank of New York:*

This is a report on the operations and policies of the Federal Reserve Bank of New York during 1953, prepared for the directors but used also by the officers of the Bank and made a part of the permanent records of the Bank.

It is already clear that 1953 was an important year in the field of credit policy. A year in which the economy moves past the peak of a business cycle and begins the difficult task of adjusting to temporarily lower levels of demand, production, employment and income must be a significant one for the central bank. Its ability to contribute to the stability of the economy is then put to the test, and it exposes itself most directly to the criticisms of those who disagree with its actions or the timing of those actions. It seems to me fair to say that the Federal Reserve System met the test in such a period of transition in 1953. The precarious balance of sustained prosperity was not made more precarious by a "bubble" of speculation in securities, real estate, inventories or whatever during the final stages of the "boom." The Federal Reserve System contributed largely to this success by restraining the excessive use of bank credit in 1952 and the early months of 1953.

This Bank played an important role in the development of credit policy during the year, a policy which was carried out primarily through open market operations. There were some actions taken by the Federal Open Market Committee, however, with which I was not in accord. They related to the scope and method of our intervention in the Government security market. While the adoption of these policies made little actual difference in open market operations during 1953, I view them as limiting our effectiveness in situations we may face in the future. So long as they recommend themselves to the majority of the Federal Open Market Committee, however, they will be carried out in spirit and in letter by this Bank, which has been chosen to execute transactions for the System Open Market Account.

In addition to its part in formulating and executing System credit policy during 1953, the Federal Reserve Bank of New York also met the challenge of handling record volumes of checks and other transfers of funds expeditiously and without an increase in staff, was the prime mover in a study of the check collection system of the country carried on jointly by the American Bankers Association, the Reserve City Bankers Association and the Federal Reserve System, promoted a program of research in "electronic equipment" looking toward the development of machines which might increase the efficiency of operations of Federal Reserve Banks, helped to set up and develop a new suburban clearing arrangement, and, incidentally, established a new record in its own earnings and the amounts paid in to the public purse.

As usual, this report covers many matters that are not appropriate to the published annual or stockholders report. For that reason it is considered to be a confidential document.

Yours faithfully,



President.

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PRESIDENT'S REPORT TO DIRECTORS FOR 1953

As the year began, the economy was active at record high levels of output; the volumes of money, deposits and bank credit were also at new peaks. In response to these conditions, the Federal Reserve System was attempting to restrain further increases in the volume of credit and money in use. In the immediate offing was a new Administration pledged to remove remaining economic controls as soon as feasible. By the time the year ended, much had changed, and the economy was experiencing a gradual but perceptible decline. Credit policy had therefore been shifted from restraint to ease, at least enough ease to make sure that credit restriction did not make the transition phase more difficult. The severest tests of judgment were involved in determining the timing, speed, and extent of this shift in credit policy.

By the end of 1952, as last year's *Report* noted, the total of temporarily advanced bank reserves—comprising the System's discounts to members and repurchase agreements to dealers—had reached \$3 billion. The policy at that time contemplated that reserves provided in this way, to meet the seasonal needs of the banking system, could be extinguished with relative ease in the first months of the new year as banks gained reserves from a return flow of currency and a seasonal decline in loans. Actually, there was a contraseasonal increase in commercial banks' loans during the first six months of 1953, but a reduction in Federal Reserve credit was hastened, at least in part, by an increase in the discount rate from 1¾ to 2 per cent, effective January 16, 1953. In the two months following the Christmas 1952 peak, more than \$1.5 billion of reserves was extinguished by dealers' repurchases and by member banks' repayment of advances. This development more than offset reserves gained by a return flow of currency and declines in Treasury and "other" deposits.

Meanwhile, the failure of a seasonal decline in the demand for bank credit to develop was attended by heavy demands upon the capital markets for funds for real estate mortgages, and corporation and "municipal" bonds, as well as by a continuation of a sharp rise in consumer credit used to purchase durable goods. With the economy moving to new highs of production, employment,

income and spending, there was a possibility of having a bubble develop on top of the boom. Little additional Federal Reserve credit was made available in March and April, therefore; as a result, the demands for credit and capital had to be met out of the aggregate current savings in the economy. Considerable pressure accumulated against the level of interest rates and there was a rise in rates on securities of all types and maturities, resuming a trend that had been evident in the latter half of 1952. This trend reflected, in part, sales of "Governments" by banks attempting to adjust to the continued demand for credit and the need to repay reserves obtained from the Federal Reserve Banks. In the first six months of 1953, when the capital markets set new records in security flotations, commercial banks reduced their investments by \$4.5 billion.

After the payment of personal income taxes and corporate income and profits taxes in March, it became evident that the Treasury's revenues for the year would fall significantly short of expectations. Meanwhile, there were reports from Washington that the new Administration did not itself think expenditures could be reduced nearly as much as some optimistic forecasts had indicated earlier. Federal Reserve estimates of the Treasury's financing requirements were revised upward as early as April, but most of the important participants in the money market did not apparently make similar revisions in their expectations until the next month. As market analysts began to add the sums to be required by the Treasury to the record-breaking amounts being obtained from security flotations and real estate mortgages, they foresaw and forecast an ever increasing strain upon the available supply of funds, particularly since they assumed, in the light of their experience in the summer of 1952, that the Federal Reserve would not act to increase the supply of reserves for the banking system. They therefore confidently predicted a sharply higher level of interest rates.

About this time the Chairman of the Board of Governors made two public addresses that were carefully scrutinized for indications of policy, and were widely discussed and (unfortunately) "explained" by market professionals seeking to

enlighten their customers. (The speeches were made in Detroit on April 13 and in Boston on May 6.) Although the talks were chiefly designed to explain in general what the central bank had been doing to restrain a further expansion of credit, and to give in general terms the basic philosophy about the appropriate use of the discount "window," and the System's relationship to the Government securities market, the market took them much more as precise statements of future policy. Thus, an attempt to explain that the Federal Reserve Banks now considered that their members should so arrange their short term investments as to be able to take care of normal seasonal demands for credit, or declines in deposits, was interpreted to mean that the Federal Reserve was determined to extend no advances to member banks in the fall months of 1953 (since, presumably, any rise in the demand for credit would be seasonal and the banks should be prepared to meet it from their own resources).

During the same period, Treasury spokesmen were publicly declaring their determination to compete aggressively with other borrowers in the market in order to place more of the national debt in long maturities. These declarations also referred to the Treasury's unshakeable policy of conducting its financing operations without any aid from the Federal Reserve, and, in fact, of encouraging the central bank to pursue a restrictive credit policy no matter how great the Treasury's needs might be.

As these speeches reverberated in the money market, and there was a growing realization of the magnitude of the Treasury's needs for funds during the latter half of the year (when tax receipts would be quite small), apprehension mounted about the future of interest rates and of bond prices. It is possible that some borrowings were hastily made in anticipation of actual later needs, in order to obtain funds before they became scarcer and dearer. In the capital markets during April and May, underwriters found their new issues proving to be more and more "sticky," and syndicates were broken up before all bonds had been marketed. The investment bankers became reluctant bidders as corporations put up securities for sale. In the "Government" market, dealers were loath to carry large inventories and reduced their bids when offerings came into the market; although the actual volume of trading was light, price declines were often considerable.

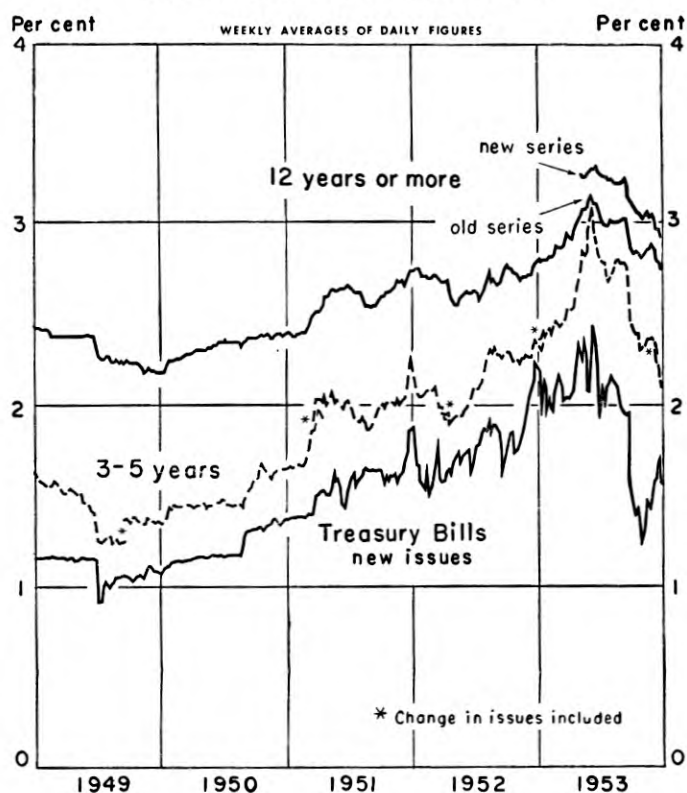
OPEN MARKET OPERATIONS

As early as the first week in May, the System sought to offset some of the stringency and to counteract some of the "expert" market opinion about the course of rates by taking \$54 million of Treasury bills under repurchase agreements with dealers, thus providing banks with reserves. The next week, for the first time since the year-end, Treasury bills were bought outright for the System Open Market Account. These purchases were continued during the rest of the month and by May 27 more than \$280 million had been bought, most of them outright. Despite the fact that these purchases were published each week for four weeks in the regular weekly statements of the System, and thus provided formal evidence of the intention of the Federal Reserve to supply needed bank reserves, the decline in prices of Government securities seemed to accelerate, and the market's fears to swell, culminating in incipient disorder in the market on June 1 and 2. At this time, the long term 2½'s (1972-67) sold as low as 90 and the new 30-year 3¼'s at 98½, to yield 3.21 and 3.32 per cent, respectively. Nor were short term rates exempt from these influences: the Treasury had to pay an average rate equivalent to 2.42 per cent (a 20-year high) for 91-day money at the weekly auction held on June 1.

Faced with these conditions, the System account early on June 2 purchased a total of \$81.5 million of bills in an aggressive manner designed to dispel doubts about Federal Reserve intentions to provide funds necessary to the market and the economy. These purchases, coupled with inaccurate reports that the System had also entered the long term market as a buyer, had the desired influence on market sentiment. By June 10, prices of Treasury bonds had rebounded as much as 1½ points from their lows. (The subsequent recovery in prices proceeded with only occasional setbacks to the end of the year.)

After the market closed on June 24, the Board of Governors announced that reserve requirements for all three classes of banks would be reduced in July. This further evidence of Federal Reserve intention to enable the banking system to meet the requirements of the Treasury, as well as of private enterprise, further heartened the market and the upward tendency of prices in the Government securities market was strengthened. The day following the announcement, in fact, some bonds gained as much as three quarters of a point.

Yields on U. S. Government Securities



By July 16, the new $3\frac{1}{4}$'s had regained par for the first time since the issue date.

This drama of accelerating price decline and mounting fears among participants in the money markets, followed by a quick and complete reversal, taking place in the second quarter of the year, demonstrated again and with considerable force that there may be an important lag between central bank action and market reaction. Action to ease the market began early in May; in addition, I put the policy into some off-the-record words for the press about the same time (on May 12); nevertheless, market sentiment—feeding in great measure on itself—temporarily determined the course of rates and the attitudes of lenders and investors, and eventually forced the use of stronger measures than had at first seemed necessary.

Shortly after the reduction in reserve requirements became effective, the Treasury announced an offering of tax anticipation certificates to be dated July 15 and to mature March 22, 1954; \$5.9 billion were sold, about two thirds being taken initially by commercial banks. On July 26, an armistice was signed in Korea, and economic forecasting was centered on the nature and extent of the decline in business activity that might be ex-

pected. In these circumstances, and with a non-restrictive credit policy, rates in the capital markets and for bank investments and loans were progressively easier. Yields on three-month bills, which remained in the neighborhood of 2 per cent or more during the summer months, dropped sharply lower after mid-September and at no time during the rest of 1953 did they reach 2 per cent again.

Anticipating seasonal drains on bank reserves, and attempting to provide the necessary funds before the actual need arose (in order to forestall any recurrence of fears that they would not be forthcoming), the System account made substantial purchases of Treasury bills in the open market during September and the first week of October, injecting about \$350 million of reserves into the banking system in this period. The needs proved to be smaller than anticipated, because the usual seasonal demand for bank credit and for currency did not develop, and banks were in a generally easy reserve position. The System account remained out of the market for a time; by November the "slack" had been taken up and purchases were resumed.

In retrospect, it would seem that the fact that bank credit did not expand seasonally to the extent anticipated was only partly a result of the decline in business activity. It may also have reflected the existence of anticipatory borrowing in the spring months, when there was no seasonal decline, under the influence of rising rates, a fear of later shortage of credit, the "cheapness" of borrowing for corporations subject to excess profits taxes, and the necessity to pay relatively little in corporate income taxes during the fall months (because of the operation of the Mills plan).

Additional reserves were supplied by the Federal Reserve System during the last two months of the year through repurchase agreements with dealers and outright purchases from time to time for the System Open Market Account. There were pressures on the New York money market during the latter half of November and the first three weeks of December, despite the fact that aggregate statistics for the banking system generally indicated that reserves were in ample supply. Repurchase agreements were employed actively toward the year-end, as they had been in the previous year, in order to encourage dealers to make broad markets for short term Government securities over the period of greater market activity

during December and in order to facilitate the supplying of Federal Reserve credit to the market in a manner that would provide for automatic withdrawal of these funds after the need for them had passed. Further, to encourage dealers to use repurchase facilities and to supply Federal Reserve credit at the point it was needed, the rate on repurchase agreements at the Federal Reserve Banks was reduced temporarily from 2 per cent to $1\frac{3}{4}$ per cent, effective December 8, 1953 through January 6, 1954. The drop in this rate to below the discount rate appeared to be accepted by the commercial banks in this District as a helpful gesture although here and there were heard adverse comments derived primarily from a lack of understanding of the purpose.

Once again last year, but in more disturbing form than usual because the period was one of economic change, we were confronted with the inadequacies of the statistics upon which we must rely in formulating and executing credit policy. First, and more basically, statistics are of necessity measures of events and developments of the previous week or month or quarter, while policy must deal with present or future conditions. Secondly, where they can be of aid in forecasting, for example, float or currency changes that will affect member bank reserves, they are not infrequently wide of the mark. As I noted earlier, our forecasts of banks' need for reserves during the fall months were markedly beyond the actual requirements that developed, and the System account stayed out of the market for a month to allow needs to catch up with supplies. Forecasting is made especially difficult because of the nature of our commercial banking system (with thousands of independent units), the considerable changes in float resulting from weather interference with airline schedules, and at times the unforeseen changes in the volume of Treasury transactions (especially the timing of tax receipts and the presentment for payment of checks issued by the Treasury).

Experience in the first half of 1953, like that in 1952, emphasized the fact that in the existing circumstances a restrictive credit policy is likely to have a direct and swift impact on banks in the money market centers of New York and Chicago. Only later may the policy impinge on the operations of the banks in lesser money centers and still later on banks in the smaller cities and towns; this delay may reflect the practice of many banks out-

side the money market centers to maintain at least some balances with money market banks beyond the amounts absolutely required, so that they constitute a layer of "fat" that can be used before restraint becomes effective. But this condition can also lead to a compensating development: dealers in Government securities, finding it difficult to obtain the funds they needed within the money market centers, began to go more and more frequently to banks in smaller cities to obtain temporary financing on more favorable terms than those available from their normal banking connections. This development had the effect of using up the "fat" more quickly and also tended to bring many more out-of-town banks into the money market, which became more truly national than it has been at times in the past. It may be that a "call money" market for such lending should now be developed in New York.

In the two statement weeks ended December 9, 1953, the System account bought \$220 million of Treasury bills and sold \$70 million of short term certificates, notes, and bonds. These sales were made as part of a program that provided an opportunity to acquire a similar volume of bills maturing in January, when it was probable that the System would wish to extinguish reserves in some as yet indeterminable amount. Holdings of January maturities would obviate the need for security sales, since the bills could be allowed to mature for cash redemption if a withdrawal of funds from the market seemed advisable.

These transactions were, of course, reflected in the statements of condition for those weeks and immediately caused some comment within the market, and, to a minor degree, outside it. It was noted that the transactions involved a swapping arrangement to the extent of the \$70 million of securities sold. A small minority argued that there were grave dangers in such an operation and denounced the transactions. They pointed out that the effect of such swapping was to influence the course and relationships of prices and yields of the securities involved; they were severely critical of any operations that might affect selected prices and yields, arguing that the System's sole job was to create or extinguish reserves, and in doing so should restrict its operations to bills in order to minimize the effect of the transactions on security prices. They recalled the System's long struggle to divest itself of responsibility for maintaining a pattern of rates and prices, and warned

that these December transactions were the first steps back to that undesirable position.

There was also a less vigorous line of criticism that deplored the stir the transactions and the subsequent argument caused in the market, and went on to develop the thought that if the System were to engage in dealings in securities other than bills, it should do so with more frequency. This view was accompanied by an explanation that it was the market's surprise at finding changes in System's holdings of securities other than bills that caused some apprehension about a possible new policy. The market might well accept such changes as normal operations if they were executed more frequently, it was said.

These market reactions reflected in some degree the debate which has been going on within the Federal Open Market Committee concerning the purpose and method of System open market operations. The bare bones of this debate, and the positions which I have taken are set forth in the record of policy actions of the Committee which is appended to the Annual Report of the Board of Governors for the year 1953.

On April 15, 1953 the Federal Open Market Committee announced in a public statement that it had discontinued "its requirement that transactions with the Open Market Account be confined to dealers in Government securities who meet certain specified qualifications. The requirement, adopted by the Committee in 1944 to meet wartime conditions, is no longer deemed necessary or desirable now that open market operations of the Federal Reserve Banks are divorced from support of any pattern of prices or yields in the Government securities market. Discontinuance of the requirement was recommended by the Open Market Subcommittee appointed in 1952 to make a technical study of the operations of the System Account." (The "certain specified qualifications" for dealers, referred to in the announcement, were published in the Annual Report of the Board of Governors for 1944 on pages 48-51.)

This elimination of the requirement for dealers to be qualified was more a technical change than one of substance, although it also had public relations aspects. The Bank's officers charged with conducting operations for the System Account hope to continue to maintain the cooperative and confidential relations with dealers that they have enjoyed in the past, and they have seen no evidence

of deterioration of those relations since last April. Our aim continues to be one of doing nothing to interfere with a market that ordinarily will match off buyers and sellers to the greatest possible extent, with the least amount of looking to the Account for aid in handling any excess of either demand or supply.

Direct security transactions with the Treasury by the Federal Reserve System

On two occasions during 1953, purchases of special certificates of indebtedness were made by the Federal Reserve Bank of New York directly from the Treasury in order to avoid Treasury overdrafts at the Federal Reserve Banks. These transactions were entered into under statutory permission for the Federal Reserve Banks to purchase directly from the Treasury up to \$5 billion of direct or guaranteed obligations of the United States. Purchases were made in amounts of \$339 million in March and \$1,933 million in June. In both instances the sale of the certificates by the Treasury was in anticipation of tax receipts, and the special certificates were retired by the Treasury as rapidly as the anticipated tax revenues became available. Also in each instance the temporary purchase of special certificates was considered consistent with credit policy at the time the purchase was made.

On November 9, the System Open Market Account sold \$500 million of 2½ per cent Treasury notes of December 1, 1953 directly to the Treasury for gold certificates arising out of the use of about half of the Treasury's "free" gold. This transaction was made at the request of the Treasury to give it more leeway for cash borrowing within the debt limit. The negotiated price was approximately the median of market bid and offer prices for the issue. The transaction, of course, had no effect on bank reserves.

Repurchase agreements

The Federal Reserve Bank of New York made extensive use during 1953 of the authority granted by the Federal Open Market Committee to all Federal Reserve Banks to enter into repurchase agreements with nonbank dealers in short term Government securities. The use of these instruments enables the Federal Reserve System to deal with temporary stringencies in the central money market in a manner that provides for the automatic recapture of the reserves released after the

need for these reserves has passed. Customarily during the past few years the rate on repurchase agreements has been identical with the discount rate at the Federal Reserve Banks, but for a brief period in the closing weeks of 1953, in order to relieve the seasonal year-end pressure on the money market, the rate on repurchase agreements was temporarily lowered to $1\frac{3}{4}$ per cent while the discount rate remained at 2 per cent. The following table shows the steady increase in the use of repurchase agreements since they were reauthorized in 1948.

**Transactions in Short Term Securities
Under Repurchase Agreements**
(In millions of dollars)

	Purchases	Sales	Peak balance	Year-end balance
1948	-0-	-0-	-0-	-0-
1949	279.7	279.7	102.8	-0-
1950	598.0	544.9	120.0	53.1
1951	2,341.8	2,198.2	306.0	196.7
1952	5,491.2	5,024.2	873.5	663.7
1953	6,119.9	6,185.7	671.0	597.9

In previous years, the Bank could enter into repurchase agreements only with qualified non-bank dealers; however, with the abandonment of qualification criteria in April 1953, the repurchase facilities were made available to a somewhat broader group of nonbank dealers in Government securities. The rise in transactions during 1953 reflected the increased usefulness of the device to this Bank, however, and not the fact that it was available to a few more dealers.

Statistical summary

The Federal Reserve Bank of New York, under the direction and authorization of the Federal Open Market Committee, made open market purchases of Government securities for the System Open Market Account during 1953 having a total face value of \$2.2 billion and sold, or presented for redemption, securities having a face value of \$0.9 billion. Included in the total sales, however, is a sale of \$0.5 billion of Treasury notes directly to the Treasury in exchange for gold certificates. Therefore, the net increase of \$1.3 billion in the System Account holdings of Governments during 1953 understates by \$0.5 billion the actual effect of open market operations on member bank reserves. A net decline of less than

\$0.1 billion from December 31, 1952 to December 31, 1953 in the securities held under repurchase agreements at the Federal Reserve Bank of New York offset part of the Reserve funds supplied to the banks by transactions for the System Open Market Account. The following table shows the effect that System security purchases and other relevant factors had upon the availability of bank reserves in 1953.

Factors Affecting Member Bank Reserves—1953

(In billions of dollars)

Factors of Decrease

Decline in the gold stock	1.2
Increase in money in circulation	0.3
Decrease in member banks' discounts and advances	0.1
Decrease in Federal Reserve float	—*
Total	1.6

Factors of Increase

Increase in Federal Reserve holdings of Government securities	1.2
Decrease in Treasury cash and deposits	0.5
Increase in Treasury currency	0.1
Decrease in other Federal Reserve deposits and accounts	—*
Total	1.8
Increase in member banks' reserves	0.2
Decrease in required reserves	1.1
Increase in member banks' excess reserves	1.3

* Less than \$50,000,000.

Total holdings of Government securities by the Federal Reserve System at the end of 1953 amounted to \$25.9 billion, of which \$25.3 billion was in the System Open Market Account and \$598 million was held by this Bank under repurchase agreements. Changes in the various categories of marketable securities in the System Open Market Account growing out of the purchases, sales, redemptions, and exchanges of these instruments during 1953 include an increase of \$1.9 billion in Treasury bills, an increase of \$800 million in certificates of indebtedness, a decrease of slightly more than \$500 million in Treasury notes (including those sold directly to the Treasury), and a decrease of \$900 million in Treasury bonds. This Bank's share in the Government securities held by the System Open Market Account at the year-

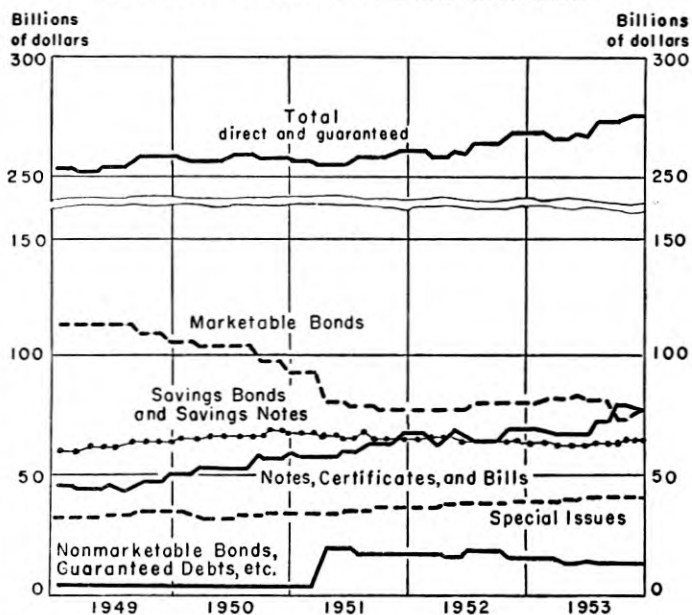
end amounted to \$6.5 billion, compared with \$5.6 billion at the end of 1952. The net increase of \$900 million reflected the over-all increase in System Account holdings and, in addition, a revision in the method of allocating the System Open Market Account, adopted on September 1, 1953.

FISCAL AGENCY OPERATIONS

Public debt

The Treasury conducted a total of nine refunding and new financing operations during 1953, three more than in the preceding year; the total outstanding debt rose by \$7.8 billion during the year. In addition, the terms of Treasury Savings Notes were changed twice in 1953, and then in October the notes were withdrawn from sale. This Bank handled 63 per cent of the dollar volume of the exchanges, issues, and redemptions required by the Treasury's financing operations in marketable securities during 1953, compared with 60 per cent of the total in 1952. In the handling of issue, exchange and redemption of nonmarketable securities, however, the Bank's share of the total dropped from 39 per cent in 1952 to 31 per cent

Gross Debt of the United States Government



in 1953. The table below summarizes the financing operations of the Treasury Department, and our part in them, during 1953, together with comparable figures for 1952.

Summary of Treasury Financing Operations
(In millions of dollars)

	Entire country		Handled by this Bank			
	1953	1952	1953		1952	
<i>Marketable Issues</i>						
Certificates, notes and bonds:						
Exchanged	\$ 34,952	\$ 29,498	\$ 22,083	63.2%	\$ 19,337	65.6%
Issued for cash	9,330	4,245	3,324	35.6	2,586	60.9
Redeemed	1,954	2,048	634	32.4	872	42.6
Treasury bills:						
Issued (and redeemed)						
on exchange	7,544	3,113	5,359	71.0	753	24.2
Issued for cash	69,891	68,639	44,065	63.0	41,150	60.0
Redeemed for cash	72,079	65,019	47,996	66.6	39,697	61.0
Total	\$195,750	\$172,562	\$123,461	63.1%	\$104,395	60.5%
<i>Nonmarketable Issues</i>						
Issued on exchange	\$ 927	\$ 1,309	\$ 289	31.2%	\$ 471	36.0%
Issued for cash	10,771	10,584	3,544	32.9	3,860	36.5
Redeemed	11,283	11,685	3,204	28.4	4,982	42.6
Total	\$ 22,981	\$ 23,578	\$ 7,037	30.6%	\$ 9,313	39.5%

Volume of work

There was a sizable increase in 1953 over 1952 in the volume and par value of outstanding marketable issues that were handled at this Bank, as shown in the following table, which includes work in connection with Treasury financing operations (shown in the preceding table):

	Pieces Handled		Amount (In millions)	
	1953	1952	1953	1952
Marketable issues:				
Issued	671,699	474,172	\$ 83,879	\$ 73,125
Exchanged	1,896,580	1,712,909	135,116	126,032
Redeemed	751,605	664,207	77,002	70,835
Total.....	3,319,884	2,851,288	\$295,997	\$269,992

The number of nonmarketable issues handled in 1953, as compared with 1952, showed an increase in volume of pieces handled and a decrease in dollar volume, as shown in the following table:

	Pieces Handled		Amount (In millions)	
	1953	1952	1953	1952
U. S. Savings Bonds:				
Issued	11,546,040	11,052,463	\$ 796	\$ 757
Redeemed	13,596,238	12,092,961	1,187	839
Reissued	908,529	936,684	215	237
Armed Forces Leave Bonds:				
Redeemed	17,366	36,654	4	8
Savings Notes:				
Issued, redeemed and reissued ...	61,839	59,052	4,297	3,563
Special Notes, Inter- national Monetary Fund Series:				
Issued, redeemed and reissued ...	64	121	294	2,410
Investment Series B Bonds:				
Issued, redeemed and reissued ...	3,968	7,446	436	2,150
Total.....	26,134,044	24,185,381	\$7,229	\$9,964

Issue and redemption of Savings bonds

In the latter half of 1953, the Treasury revised certain procedures for redeeming Savings bonds, including a shift of some machine accounting operations from this Bank to the Office of the Register of the Treasury. This change, together with simplifications introduced in reissue and redemption operations continuing to be carried out here, made it possible to reduce the number of personnel assigned to the Savings Bond Department by 45, or almost 25 per cent, with an accompanying decline of about \$160,000 annually in payroll liability. These simplifications, developed

by the staff, made possible the substitution of machine operations for manual ones and significantly increased productivity per man hour.

Telegraphic transfers of marketable securities

The number of telegraphic transfers of securities in 1953 increased by more than 25 per cent over 1952. Fees for the service, which are collected by the sending Federal Reserve Bank, amounted at this Bank to \$123,080, as compared with \$113,685 in 1952, and were credited to the account of the Treasurer of the United States.

The volume of transfers in 1953 and the comparable figures for 1952 follow:

	1953	1952
Transfers (outgoing)	57,070	46,985
Transfers (incoming)	45,385	34,050
Pieces handled (outgoing)	396,259	350,658
Pieces handled (incoming)	291,510	257,658
Par amount, in millions (outgoing)	\$23,349	\$23,225
Par amount, in millions (incoming)	\$22,510	\$23,882

Treasury Tax and Loan Account

In 1953, the number of entries in Treasury Tax and Loan Accounts increased over the previous year but the dollar volume decreased, as shown below:

	1953		1952	
	Trans- actions	Amount (In millions)	Trans- actions	Amount (In millions)
Deposits	203,855	\$11,161	199,963	\$14,879
Withdrawals	57,305	13,642	52,371	14,437
Total.....	261,160	\$24,803	252,334	\$29,316
Collateral Security:				
Deposits	5,783	\$ 4,370	6,040	\$ 6,826
Withdrawals	5,423	5,365	4,198	6,119
Total.....	11,206	\$ 9,735	10,238	\$12,945
Statements rendered	16,171		18,875	

The privilege of qualified depositaries of depositing in Treasury Tax and Loan Accounts the proceeds of checks drawn on them by taxpayers in payment of individual or corporate income taxes was withdrawn for the last two quarterly tax payment dates of 1953 because of the relatively small amounts involved.

Deposit of Federal taxes

In July 1953, the Treasury Department revised its method of collecting certain Federal excise taxes to provide for the filing of excise tax returns quarterly instead of monthly, and for the payment

of those taxes in accordance with the regulations governing the deposit of income taxes withheld from wages, Social Security taxes, and Railroad Retirement taxes on wages.

Under the new method, it became mandatory for taxpayers liable for payment of excise taxes to make monthly deposits with qualified local banks or Federal Reserve Banks for each of the first two months of a quarter if their total excise tax liability for each of the months was more than \$100; for the third month of the quarter, taxpayers having a liability of more than \$100 would, at their option, make deposits with a commercial bank depository, or Federal Reserve Bank, or remit directly to the appropriate Director of Internal Revenue. The Treasury estimated that 85,000 taxpayers have monthly excise tax liabilities of more than \$100. The number of such taxpayers whose monthly payments have been processed by this Bank has been in excess of 9,000.

International Bank for Reconstruction and Development

On October 1, the Bank as fiscal agent for the International Bank for Reconstruction and Development issued \$75 million of 3 per cent Three-Year Bonds due in 1956; on February 15, the Bank redeemed \$10 million in 2 per cent Serial Bonds of 1950, due in 1953; and on February 18, exchanged \$100 million temporary 3¼ per cent Thirty-Year Bonds of 1981 for definitive bonds. On September 23, the 3⅜ per cent Twenty-Three Year Bonds of 1975, issued in temporary form in the amount of \$50 million, were exchanged for bonds in definitive form. A comparison of the volume of transactions handled during 1953 and 1952 follows:

	Pieces handled		Amount (In millions)	
	1953	1952	1953	1952
Issued	40,521	62,969	\$ 75	\$110
Redeemed and exchanged	192,751	54,427	\$340	\$130

Commodity Credit Corporation

To relieve the United States Treasury, which otherwise would have had to obtain funds in the market, and thus press against the present limit on the Federal debt fixed by Congress, the Commodity Credit Corporation, on October 14, invited commercial banks to participate in the financing of price support loans on commodities other than cotton and offered, through the Federal Reserve

Banks, \$360 million in 2½ per cent transferable Certificates of Interest, dated October 28, 1953, maturing August 2, 1954, with the provision that the CCC would repurchase the certificates prior to maturity upon demand. The facilities of the Federal Reserve Banks were used in receiving payment, and the certificates of interest were allotted, prepared and mailed to the subscribers by the Federal Reserve Bank of Chicago, as Fiscal Agent and Custodian of CCC. On December 7, 1953, the CCC similarly offered, through the Reserve Banks, \$450 million of 2¼ per cent Certificates of Interest, dated December 17, 1953, due August 2, 1954, to finance and service price support cotton loans of the 1952-53 crop.

Following is a summary of these financing operations and our part in them:

	Entire country		Handled by this Bank	
	No. of subscriptions	Amount allotted (In millions)	No. of subscriptions	Amount allotted (In millions)
Certificates of interest:				
2½'s (October)	2,912	\$357	147	\$41.7
2¼'s (December) ...	2,342	\$449	111	\$70.5

Foreign Assets Control

This Bank has continued to function as agent for the Treasury Department in administering the regulations blocking transactions with, and assets of, Communist China and North Korea and their nationals. There has been no change in policy since the cessation of active warfare in Korea.

Our Foreign Assets Control Department answers inquiries from the public, furnishes necessary forms and instructions, and acts under authorization from the Treasury Department in granting or denying applications for licenses. During the year, 6,100 applications for licenses were filed with Foreign Assets Control Department bringing the total to 20,700 filed since December 17, 1950, the effective date of the regulations.

LOANS AND CREDITS

Changes during the year in the volume of member bank borrowings reflected the Federal Reserve policy of credit restraint in the early months of 1953, the relaxation that began in May by means of open market purchases of Treasury bills, and the reduction in reserve requirements that took

place in July. The following tabulation by half-year intervals shows the turn in the level of member borrowings during 1952 and 1953:

	1952		1953	
	Jan.-June	July-Dec.	Jan.-June	July-Dec.
Applications	1,691	2,234	2,699	1,563
Amount (in millions)	\$6,400	\$17,100	\$15,643	\$6,080

An analysis of the volume of borrowings by class of bank is shown below, with comparative figures for 1952:

	1953	1952	% Change
Central Reserve City Banks:			
Applications	536	658	-19%
Amount (in millions)	\$17,715	\$19,800	-11%
Other Banks:			
Applications	3,726	3,267	+14%
Amount (in millions)	\$ 4,008	\$ 3,700	+ 8%

With the exception of six advances totaling \$325,000, granted to two member banks under Section 10b of the Federal Reserve Act, and secured by miscellaneous securities, all advances during the year were secured by U. S. Government obligations.

The following table shows the total dollar amount and the total number of accommodations to member banks during 1953 and 1952:

	1953	1952
Accommodations (in millions) ...	\$21,723	\$23,500
Daily average (in millions).....	\$ 163.5	\$ 181.8
Range of outstandings:		
High (in millions).....	\$ 747.4*	\$ 1,025.5
Low (in millions).....	\$ 2.6†	\$ 2.6
Number of accommodations.....	4,262	3,925
Number of banks	383	350

* Maintained during January 2-4, 1953.
† Reached on December 31, 1953.

As in the previous two years, no applications for working capital loans under Section 13b were received although we continued to receive inquiries about this type of financing during the year. (No loan of this type has been on our books since March 14, 1952.)

Loan Guarantees for Defense Production (Regulation V)

By an amendment, enacted June 30, 1953, to the Defense Production Act of 1950, the authority to guarantee defense production contracts was extended further until June 30, 1955. Activity under this authority continued to decline during the year and was less than in the previous year, although considerable effort was spent servicing requests for extensions of maturities of some outstanding loans and for amending their terms and conditions. These requests usually came from a borrower who had obtained additional defense production contracts requiring continued V-loan financing. Considerable time also was devoted to loans in distress, or in potential distress. Adverse changes in the financial conditions of certain borrowers (principally in the textile, television, and appliance industries) were attributable to unfavorable operating results in the civilian end of their businesses rather than to any inadequacy of their production of military items or in the amount of funds available to them under the V-loan. One loan in the authorized amount of \$2,300,000 to a textile manufacturer, however, was fully repaid; this borrower was in an extremely involved financial condition resulting primarily from depressed conditions in the civilian part of its business. The tabulation below gives some indication of the lessening activity under the V-loan program.

On October 30, 1953, a directive was issued by the Department of Defense setting forth a new policy that V-loan financing was to be used in preference to progress payments. The various procurement branches of the Armed Services, in complying with the directive, are endeavoring to have defense contractors obtain either unguaranteed or V-loan financing. There may be some increase in the demand for V-loan financing as a result of this directive.

By executive order of the President on August 14, 1953, the Defense Materials Procurement

	1953		1952	
	Number	Amount (In millions)	Number	Amount (In millions)
New V-loans granted	23	\$ 50.3	58	\$331.5
V-loan increases granted	14	\$ 25.3	36	\$ 50.8
V-loan Guarantee Agreements:				
New agreements	19	\$ 33.8	58	\$370.9
Amendments	18	\$ 18.0†	36	\$ 54.6†
Terminations	47	\$122.9	35	\$ 13.0
In effect at year-end	102	\$422.9 (82.6%)‡	130	\$657.4 (79.9%)‡
Balance outstanding at year-end	—	\$328.8 (84.1%)‡	—	\$397.3 (83%)‡

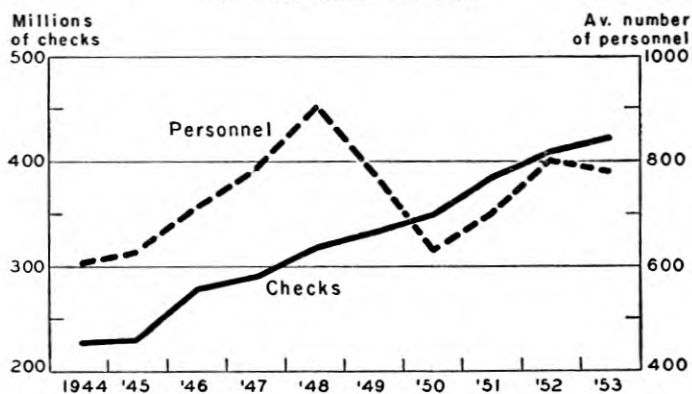
† A resulting increase.
‡ Percentage figure represents the average guaranteed portion of the loans.

Agency was abolished and its operations were taken over by the General Services Administration. This action reduced the number of guaranteeing agencies under the V-loan program from 9 to 8.

CHECK COLLECTION

For the twentieth consecutive year the number of commercial checks collected by the Head Office has increased. In 1953 we handled an all-time record of 422 million items, 3 per cent more than the 409 million in 1952, and almost double the volume of 1943. (The increase is the more significant when it is recognized that the development of the Nassau County Clearing Bureau, discussed below, probably diverted several million checks that would otherwise have been processed here.) Despite the increased volume of work, we were able to reduce the work force by more than 2½ per cent and also to reduce the holdover of checks beyond the day of receipt. Our ability to achieve these improvements stemmed chiefly from a decline in personnel turnover and a consequent increase in the proportion of fully trained operators.

Checks Handled and Operating Personnel
at Head Office—1944-53



As a step toward further improvement in performance by Check Department personnel, we plan during 1954 to give to all persons operating proof machines a training course designed to improve visual perception. This will extend a program that we started in 1952 on an experimental basis under the leadership of an instructor from the Reading Institute of New York University. The course is designed to improve accuracy, increase speed, and reduce fatigue.

Nassau County clearing arrangement

During the year we took an active part in the organization and development of the Nassau County Clearing Bureau, located at Freeport,

L. I., where 43 banks in Nassau, Queens, and Suffolk Counties of Long Island, with 73 banking offices, exchange checks drawn on one another.

My *Report* for 1952 described the plan for this clearing arrangement, which we had developed in cooperation with the Nassau County Clearing House Association. That plan was put into operation on July 1, 1953, and during the remainder of the year we participated actively by furnishing equipment, supplies, supervisory personnel, and a substantial portion of the clerical personnel, drawn from experienced members of our own staff. On January 1, 1954, the Association assumed the full responsibility for operating the Clearing Bureau.

Under the clearing arrangement, each participating bank forwards to the Clearing Bureau at the end of the day by motor carrier all of its checks on the other participating banks. Sorting to the respective drawee banks is done at the Bureau during the evening, and the checks are transported by motor carrier to drawees prior to the opening of business on the following morning. The final balances arising from the exchange are settled on our books on the same day the checks are received by the drawee banks. The number of checks cleared daily through the Bureau during the last six months of 1953 averaged 46,000, and it is anticipated that the volume will increase as participants make fuller use of the Bureau's facilities and as other Long Island banks join in the arrangement. Prior to the organization of the Clearing Bureau, most of these items passed through our Check Department.

Both the banks and businessmen of the area benefit from the Nassau County Clearing Bureau. The arrangement expedites the collection of checks within the area and thus makes for earlier availability of the proceeds and more prompt return of unpaid items. It also minimizes opportunities for check "kiting" or other improper practices. Bankers in many sections of the country have indicated a considerable interest in this development in the check collection system.

Because the new arrangement also relieves this Bank of the burden of handling the collection of the checks now processed within the County, it was apparent from the earliest consideration of the proposed clearing house that it would be appropriate for this Bank to defray a part of the cost of operation. It was impossible, as a prac-

tical matter, to determine the exact amount of the cost reduction by which this Bank would benefit from no longer having to collect the checks to be handled in the new Bureau. In order to encourage the Nassau County banks to embark upon this unprecedented arrangement, which we believe holds a promise of extension to other somewhat similar areas around the country, we gave the Bureau every possible aid in its six months of trial. (In last year's *Report*, I noted our promise of support during an organization period of three months; we later agreed to extend this period for another three months to the end of 1953.)

From the beginning there had been suggestions from Nassau County bankers that this Bank should operate the proposed Clearing Bureau as a "facility" of the Federal Reserve Bank and absorb all the costs of operating it. These suggestions were carefully considered by the officers of this Bank, who concluded they were not acceptable for a number of reasons. (The directors concurred in these reasons.) First, we considered that the success of the venture would depend on the interest and cooperation of the participating banks, which could better be assured through an organization that they sponsored and felt a responsibility for than through a Federal Reserve Bank facility. Secondly, the participating banks and their depositors would derive tangible benefits from a local clearing bureau, and it was therefore appropriate that the banks take an active part in its operation and have a stake in its cost. Finally, we were cognizant that establishment of a facility in Nassau County would make it difficult to refuse requests from many other localities in the District for similar facilities where they are not practicable.

In establishing the amount of our financial contribution toward the cost of operating the Clearing Bureau, we concluded that consideration should be given to aggregate cost of operation, the proportion that the Nassau County banks should bear for the advantages accruing to them and their depositors, and the proportion this Bank might reasonably pay for advantages accruing to it. It was on this basis that we concluded to defray two thirds of the cost of the clearing operation, up to a maximum cost to this Bank of \$9 per thousand items cleared. It was also agreed that at any time after July 1, 1954, the manager of the Clearing Bureau, the participating banks, or this Bank may move, if this Bank's contribution seems inappro-

priate, to reopen the matter for discussion and reconsideration, and that an adjustment of terms will be made if appropriate.

Consolidated check shipments

Our program, inaugurated in 1946, for the consolidated shipment by air to other Federal Reserve Banks and Branches of checks handled by us and by 31 participating banks located in the metropolitan area, has grown to the point where in 1953 the daily shipment averaged approximately 780,000 checks. An all-time peak of 1,420,000 checks (a total weight of nearly 3 tons) was shipped on October 14, 1953. The number of checks collected in this manner increased about 7 per cent over 1952, reflecting not only greater volume but also greater recognition by our member banks of the value of the service.

Check Routing Symbol program

The Check Routing Symbol program, sponsored by the American Bankers Association and the Federal Reserve Banks, continued to progress during the past year. In December 1953, a nationwide survey of checks in circulation drawn on par remitting banks showed that 92 per cent bore the symbol in the approved location, an increase of 2 percentage points for the year. Improvement was shown in all Federal Reserve Districts, and this District again led the country with an average of 97 per cent compliance with the program.

Government checks

Under a program designed by the Treasury Department to promote economy and efficiency, some Government disbursing officers who issue a substantial number of Treasury checks changed from the use of paper checks to card checks. This change, and an increase in the number of Social Security payments, were the principal causes of an increase of 5.4 million in the number of card checks we handled, and a decline of 2.5 million in the number of paper checks processed. In all, we handled 55 million Government checks, aggregating \$33 billion, during the year, an increase of 5.5 per cent over the number handled in 1952.

Postal money orders

During 1953 we processed 52.5 million postal money orders, aggregating \$810 million, a decrease of 2.6 per cent in number from 1952. The drop in volume, combined with a machine improvement that had the effect of speeding up production, was instrumental in reducing costs by 10 per cent from the 1952 level.

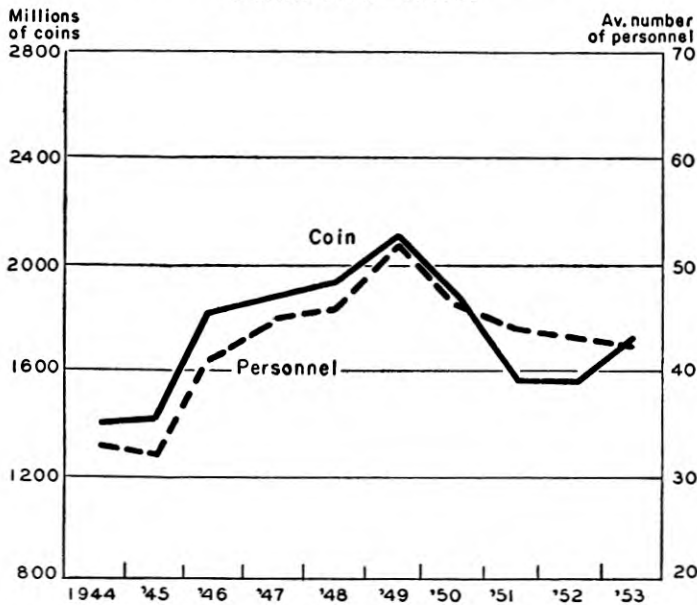
CASH OPERATIONS

The extent and increase of our cash operations during the year, as compared with 1952, are illustrated below; all figures are in millions:

	1953		1952	
	Currency	Coin	Currency	Coin
Amount paid out.....	\$7,166	\$210	\$6,189	\$183
Amount received.....	\$7,044	\$213	\$6,442	\$183
Pieces counted.....	1,090	1,431	1,013	1,357
Pieces wrapped.....	—	278	—	265

We were able throughout the year to fill all orders for coin from banks in the District without resort to rationing, which we had to impose for a brief period in December 1952, and during much of 1951.

Coin Handled and Operating Personnel at Head Office—1944-53



The number and amount of counterfeits detected by our currency counters showed a slight increase over the previous year but were again sharply down from the peak year of 1950, as shown in the following table:

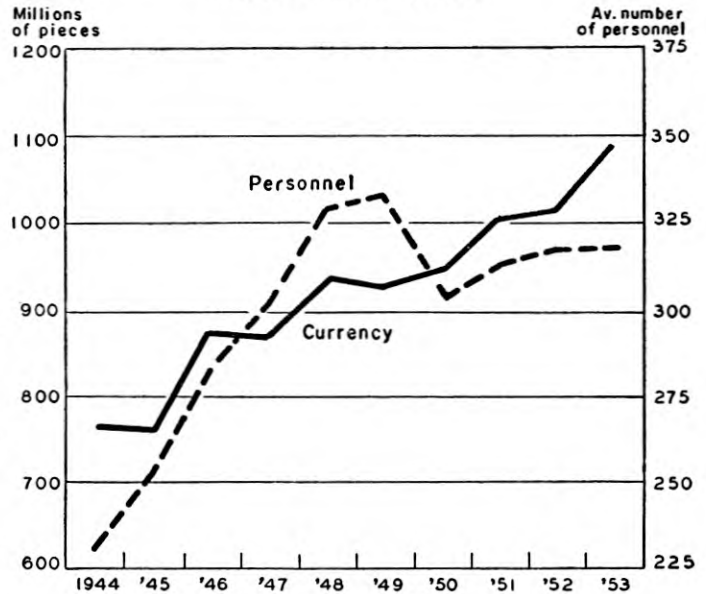
	1953	1952	1951	1950
Counterfeit currency:				
Pieces.....	1,136	920	2,263	3,157
Amount.....	\$17,722	\$15,057	\$34,311	\$41,174

Ninety per cent of the counterfeits detected during 1953 were of the \$10 and \$20 denominations, and most purported to be issues of the Federal Reserve Bank of Chicago.

As a participant with the other Federal Reserve Banks in the program to build up a two-year reserve stock of currency for use in case of wartime

disaster, we received during the year from the Comptroller of the Currency in Washington and stored in our vaults approximately \$1,565,000,000 of this Bank's unissued Federal Reserve notes of the \$5 to \$50 denominations. As the Bureau of Engraving and Printing completes the emergency printing order called for under the program, we expect this stock to grow during 1954 to \$1.9 billion, the limit of our storage capacity for that purpose.

Currency Handled and Operating Personnel at Head Office—1944-53



Destruction of unfit currency

On July 1, 1953, the Federal Reserve Banks took over from the Treasury Department the verification and destruction of soiled, worn, or otherwise unfit United States currency in the \$1, \$2, \$5 and \$10 denominations. The operation in this Bank was assigned to a new department known as the Currency Destruction Department, established in the Cash and Collections Function.

After deposits of used currency have been counted and sorted, the soiled, worn or otherwise unfit United States currency is cancelled in the Cash Department by means of four diamond-shaped perforations and delivered to the Currency Destruction Department for verification and destruction by burning. The fire box of a boiler in our power plant is being used as an incinerator, pending the construction of a special incinerator, which should be ready for use in 1954.

The currency is verified and destroyed under rigid controls by a staff of 18 employees. Approxi-

mately 118 million pieces of unfit currency aggregating \$178 million were verified and destroyed during the first six months of operation. Because the Buffalo Branch has no facilities for destroying currency, its accumulation is cancelled and shipped to the Head Office for verification and destruction. Unfit Federal Reserve notes are not included in the destruction program but continue to be cancelled and cut here, and then sent to the Treasury Department in Washington for destruction.

WIRE TRANSFERS OF FUNDS

Both the volume and dollar amount of wire transfers of funds handled during 1953 continued the upward trend of recent years. We made 323,518 transfers aggregating \$319 billion during the year, an increase of 9 per cent and 15 per cent, respectively, over the figures for 1952. The facsimile transmission system described in my *Report* for 1952 facilitated the handling of this increased volume.

Leased wire system

A new leased wire system, installed by the American Telephone & Telegraph Company and placed in operation in July, has improved communication between all Reserve Banks and Branches, the Board of Governors, and the Treasury Department. The new system has a transmission speed of 75 words per minute compared with the former speed of 60, and provides automatic transmission to all points through a switching center located in the Federal Reserve Bank of Richmond. Delays and possible errors resulting from mechanical, or in some cases manual, retransmissions have been eliminated by the automatic operation. A further improvement, now being studied, contemplates transmission of certain messages in such a form that the receiving mechanism will prepare all of the necessary advices and entry tickets. At present such messages, which are received in code, have to be decoded and the advices and tickets must then be typed.

FOREIGN OPERATIONS

Assets held for foreign and international account

The amount of earmarked gold and dollar assets held at this Bank for foreign account continued to rise in 1953 at the pace set in 1952. Early in 1953 these assets passed the previous all-time high, established in 1951, and, with subse-

quent monthly gains, achieved a new all-time peak of \$8.6 billion shortly before the end of the year. Gold and dollar assets held for the International Bank and International Monetary Fund showed a nominal increase of \$83 million, bringing the total to \$3.4 billion at the year-end.

The most substantial increases in holdings of gold and dollar assets occurred in the accounts of Bank deutscher Laender (the central bank of Western Germany), which increased \$458 million, largely held in the form of Treasury bills and gold, and in the account of the Bank of England which rose \$403 million, all of which was represented by additional gold holdings. Other sizable gains occurred in the gold and dollar holdings of The Netherlands Bank, up \$228 million; Belgian National Bank, up \$117 million; the Bank for International Settlements as Agent for the Organization for European Economic Cooperation, up \$114 million. Increases of approximately \$75 million each occurred in the accounts of the central banks of Portugal, Argentina, and Switzerland. Although the majority of accounts were higher, the Canadian and Indonesian central bank accounts declined by \$152 million and \$87 million, respectively.

Loans to central banks

As in 1952 loans on gold to foreign central banks were of limited amount. The central bank of Turkey, which has been intermittently indebted to us in recent years, was borrowing its maximum of \$30 million in January 1953, but subsequently liquidated its indebtedness and was completely out of debt by early May. It began to borrow again in October under an arrangement set up in late May, and at year-end was borrowing the maximum of \$15 million. (The maturity of \$7 million of the loans has subsequently been extended to April 1954, and the other \$8 million, due to mature in March 1954, was extended to June.) Borrowings by the central bank of Bolivia reached a high of \$9.5 million in April and were repaid in full in August. The Bank for International Settlements reached a peak indebtedness of \$17 million in the middle of December, but was out of debt at the year-end; however, the arrangement continues in effect under which that bank may borrow up to \$25 million for periods of 7 days or less, primarily, though not exclusively, for the purpose of assisting it to adjust its position at the time of the monthly European Payments Union settlements. During the latter part of the year an arrangement was also entered into with the National Bank of the

**Total Assets Held at
Federal Reserve Bank of New York
for Foreign and International Accounts
(In millions of dollars)**

	End of 1953	End of 1952	Increase (+) or decrease (—)
<i>Foreign Accounts</i>			
Earmarked gold	5,488(a)	4,285(b)	+1,203
Deposits	423	550	— 127
U. S. Government securities	2,586(c)	2,156	+ 430
Miscellaneous securities, commercial paper, and bankers' acceptances	104(d)	83	+ 21
Total—Foreign Accounts	8,601	7,074	+1,527
<i>International Accounts (International Fund & Bank)</i>			
Earmarked gold	1,036	1,028	+ 8
Deposits	50	40	+ 10
U. S. Government securities	1,760(e)	1,733(e)	+ 27
Miscellaneous securities	563(f)	525(g)	+ 38
Total—International Accounts	3,409	3,326	+ 83
GRAND TOTAL	12,010	10,400	+1,610

(a) This amount, an all-time high, includes \$174.2 million as collateral to loans made by domestic commercial banks to Bolivia, Spain, Turkey, and Venezuela, and \$15.3 million held as collateral to loans to Turkey by Federal Reserve Banks.

(b) Includes \$141.6 million held as collateral to loans made by domestic commercial banks to Bolivia, Spain, Turkey, and Venezuela, and \$30.6 million held as collateral to loans to Turkey by Federal Reserve Banks.

(c) On December 21, 1953, a new all-time high was reached when the amount was \$2,739 million.

(d) Does not include bonds having face value of 10.5 million Swiss francs (or a U. S. dollar equivalent of \$2 million).

(e) Includes noninterest-bearing nonnegotiable demand notes in amount of \$1.3 billion.

(f) Does not include bonds having face value of 2.0 million Swiss francs (or a U. S. dollar equivalent of \$5.5 million), 65 million Belgian francs (\$1.3 million), 12.5 million Canadian dollars (12.8 million), and .6 million pounds sterling (\$1.7 million).

(g) Does not include bonds having face value of 2.1 million Swiss francs (or a U. S. dollar equivalent of \$5.5 million), 65 million Belgian francs (\$1.3 million), .6 million Canadian dollars (\$6 million), and .3 million pounds sterling (\$.8 million).

Republic of Haiti providing for a loan of \$1 million, but this arrangement expired without its being used. The Bank continued the policy of granting gold loans to foreign monetary authorities only for the purpose of assisting them in meeting their dollar requirements for temporary periods, with interest charged at our discount rate.

Gold movements

The year was characterized by very substantial sales of gold by the United States to foreign account, the total amounting to \$1,164 million net. None of this gold, however, was sent abroad but was placed in custody with us under earmark. Fifteen countries and the Bank for International Settlements acquired gold from the United States. The largest buyers were the United Kingdom, which bought \$480 million, and Germany, which purchased \$130 million. Other purchasers were the Bank for International Settlements, \$96 million; Argentina and Belgium, \$85 million each; The

Netherlands and Switzerland, \$65 million each; and Portugal, \$60 million. The Vatican was the only seller of gold—in the amount of \$4 million.

We made transfers of gold in our vaults between foreign accounts that involved a total of \$385 million. About \$102 million of this total represented direct transfers between foreign accounts on our books; \$144 million from the Bank for International Settlements to other accounts on our books, and \$62 million to the Bank for International Settlements from other accounts. The International Monetary Fund, which offers a service that undertakes to "match off" sale orders by central banks with similar purchase orders, accounted for \$77 million of the total transfers. The Fund's services continue to cost the buyer and seller each 1/32 per cent of the value of the gold handled, as compared with 1/4 per cent if the gold is purchased from or sold to the Treasury.

U. S. currency and coin

The Foreign and the Cash and Collections Functions handled imports from our foreign correspondents of \$30 million in U. S. currency and \$2.9 million in coin, as compared with \$16.6 million and \$2.8 million, respectively, in 1952; exports of \$5.4 million in currency, and \$0.7 million in coin were handled, as compared with \$52.5 million and \$0.7 million, respectively, in 1952.

New York Foreign Exchange Committee

The Bank has continued to maintain contact with the Foreign Exchange Committee of the New York Money Market on a variety of questions involving foreign exchange and other international finance. This Committee, consisting principally of New York bankers, was established in 1939 as a channel to facilitate contact between the foreign exchange market and this Bank. Information sent to us by our foreign correspondents for transmission to the market is circulated by the Committee to a large number of banks and others on its mailing list. Similarly we convey information to the Committee which the Treasury Department desires to have communicated to the market.

FOREIGN RELATIONS*Foreign travel*

WILLIAM F. TREIBER, First Vice President, and FRED H. KLOPSTOCK, Chief of the Balance of Payments Division, visited various Western European central banks for two months in late spring and toward the end of their trip attended the annual meeting of the Bank for International Settlements in Basle, June 6-8. ROBERT G. ROUSE, Vice President in charge of Open Market Operations, visited the Bank of England for about three weeks in the fall, and with ROBERT V. ROOSA, Assistant Vice President in Research, made a study of the operations of the London money market and government securities market. Accompanied by Mr. Roosa, Mr. Rouse later called on the Bank for International Settlements in Basle, and the Swiss National Bank in Zurich. Mr. Rouse also visited the Bank of France; in all, his trip lasted six weeks. Mr. Roosa, before he joined Mr. Rouse in London, had visited the central banks of France, Finland, Denmark, Norway, and Sweden. In October, NORMAN P. DAVIS and PAUL R. FITCHEN, Assistant Vice Presidents in the Foreign, and Cash and Collections, Functions, respectively, visited the Bank of Canada for a week, continuing a program of exchange visits of representatives of this Bank and

of the Bank of Canada. Also under the same program, EDWARD KEYES, Supervisor, Gold Section, Foreign Operations Division, and ARTHUR J. R. SMITH, Economist, Foreign Research Division, spent two weeks at the Bank of Canada.

Foreign missions

JOHN J. CLARKE, Assistant General Counsel, spent about three weeks during July and August at the Center of Latin American Monetary Studies, Mexico City, to lecture on legal problems relating to negotiable instruments. O. ERNEST MOORE, then Manager of the Research Department, spent the month of June at the Center to conduct a series of lectures and discussions on the role of the economic research department in a central bank. Earlier in the year, from March to May, Mr. Moore visited Haiti under the auspices of the United Nations to consult with that Government about various aspects of the recommendations for new monetary and banking legislation that he had submitted during the previous year. During February and March, ARTHUR I. BLOOMFIELD, Senior Economist, traveled to Indo-China as a member of a Mutual Security Agency Mission to evaluate the United States' aid program in that area. Upon his return, Mr. Bloomfield drafted the report of the mission, which was submitted to President Eisenhower. Mr. Bloomfield was on a leave of absence between October 21 and the year-end to serve as a member of the staff of the President's Commission on Foreign Economic Policy (Randall Commission). Since March 1952, JOHN F. PIERCE, Bank Examiner, has been on leave to advise the Central Bank of Ceylon on problems of commercial bank examination; Mr. Pierce's leave was extended on March 5, 1953 for another year.

Foreign visitors

Official visits by representatives of foreign central banks and governments, which have become increasingly numerous in recent years, rose to the high level of about 140 during the past year. Represented were the central banks or monetary authorities of 38 countries, nearly one-half of these by their governors or presidents, as well as the Bank for International Settlements and International Monetary Fund. As usual the visitors from London were the most numerous; the Bank of England and the British Government accounted for 21 visitors; Australia for 10; France, Japan and Korea each 6, and Germany 5. Some of these

visitors stayed with us for a matter of weeks, or longer, were furnished offices here and had opportunities to observe the operations and methods of this Bank and of commercial banks. Among this group, here for longer periods, were staff members of the central banks of Burma, Canada, Colombia, France, Greece, Korea, Mexico, and Thailand.

Staff Group on Foreign Interests

The Staff Group on Foreign Interests, which consists of representatives of the foreign, legal, and research staffs of this Bank and of the Board of Governors, held four meetings during the year to discuss foreign and international questions affecting the System's operations and other activities. As in earlier years, the group gave continuing consideration to the gold policies of the United States and the International Monetary Fund, as well as to current developments relating to international economic and financial policies, currency convertibility, payment of interest on time deposits held in United States commercial banks for foreigners, and foreign treaty provisions affecting United States commercial banks. The group also studied such matters as United States currency hoarded abroad; the release of data on United States Government securities held for foreign account by the Federal Reserve Banks; collection by the Federal Reserve Banks, as fiscal agents of the Treasury, of data on "official" and "other" short term foreign dollar funds, including special annual data, for use by the International Monetary Fund; the possibility of establishing a credit information service with respect to foreign banks for the benefit of American commercial banks actively engaged in foreign trade. Finally, the group considered the need for providing training abroad for selected younger members of the staff in the foreign and research functions, as part of a long range program designed to assure the future availability of senior personnel with practical experience in foreign financial matters. As in the past, the group assisted in the staffing of missions requested by foreign Governments or official and international agencies.

BANK SUPERVISION

Bank changes

During 1953 the total number of commercial banks in this District declined from 826 to 802, while the number of member banks declined from

720 to 696. The declines resulted from the following changes:

<i>National Banks</i>	
Absorbed by other national banks.....	8
Absorbed by State member banks.....	5
Absorbed by State nonmember banks.....	2
<i>State Member Banks</i>	
Absorbed by national banks.....	2
Absorbed by other State member banks.....	8
Converted to national banks.....	1
<i>Nonmember State Banks</i>	
Absorbed by State member banks.....	1
Absorbed by other State nonmember banks.....	1
Admitted to membership.....	1*
New State nonmember banks organized.....	2
Converted from industrial bank.....	1

* The Cicero State Bank returned to membership as a result of the change in law that eased the minimum capital requirements for member banks operating out-of-town branches.

In the ten-year period from 1944 through 1953, the total number of commercial banks in this District declined from 968 to 802; there were 173 mergers and absorptions. During the same period, the number of member banks declined from 806 to 696. In spite of the continued decline in the number of commercial banks in 1953, the establishment of new branches brought about an increase in the number of banking offices from 1,832 to 1,878.

Staffing requirements

A growth in the loan volume of our State member banks in 1953 created an increased work load in the Examining Division; examiners spend a major portion of their time on bank loan portfolios. We examine State member banks jointly with the Banking Departments of the three states in this District. In 1953 we had to supply an increased proportion of the examining personnel to make these joint examinations. For example, we provided 120 examiners and assistants in the examination of three banks in the city of Buffalo, whereas last year only 79 men were used to examine the same banks, an increase of 35 per cent in the number of man days of work; we made independent examinations of 11 banks in New Jersey (including several sizable institutions) which the Department of Banking and Insurance was unable to schedule during 1953. We were able to meet these increased demands and to complete our own schedule of examinations for 1953 with no increase in our staff, because of a more effective use of manpower and an improved training program.

RFC Investment in Member Banks

(In millions of dollars)

	Original Investment		No. of Banks	December 29, 1953		No. of Banks	December 31, 1952	
	No. of Banks	Retirable Value		Par Value	Retirable Value		Par Value	Retirable Value
State Members	156	\$181.5	3	\$7.9	\$32.2	4	\$8.3	\$33.8
National Banks	293	147.4	3	.3	1.1	4	.4	1.4
	449	\$328.9	6	\$8.2	\$33.3	8	\$8.7	\$35.2

Our program for training inexperienced new men consists, briefly, of assignment to an experienced examiner for a period of a year or more, during which time the trainee attends the Inter-Agency Bank Examination School in Washington, D. C., for a five-week period. This is followed by thirteen weeks of practical experience in one of our member banks. Our program, it is hoped, will provide a steady supply of promising young men, some of whom will become candidates for this Bank's executive training and development program. Capable men have already been supplied to other departments of this Bank and some of our better men have accepted official positions in other banks.

RFC investment in member banks

At the end of 1952, the Reconstruction Finance Corporation investment in member banks in this District had been reduced to holdings in eight banks, all of which were considered to present difficult repayment problems. During 1953, only two of these eight banks were able to pay off the RFC and, as indicated in the above table, the corporation still has an investment in six member banks of about \$33 million, of which about 97 per cent is in three State members.

The Reconstruction Finance Corporation Liquidation Act, approved July 30, 1953, provides for the termination of the corporate existence of the RFC on June 30, 1954. At that time the corporation's accounts are to be turned over to the Secretary of the Treasury for disposal. In the meantime the RFC is making every effort to liquidate its accounts and has been pressing the banks for payment. However, in each of the remaining banks, the retirable value of the RFC investment exceeds the par value, and in two of the banks, the retirable value even exceeds total book capital funds. As a result, the problem of eliminating the RFC capital is proving troublesome. All of these banks, and particularly the three State member banks, have met with the corporation in an effort to reach some settlement whereby the RFC might

accept less than the full retirable value. Up to now, the corporation has not compromised and has insisted upon full retirable value plus accrued interest. Recently, however, there have been indications that it may be possible for these banks to work out some program for the orderly liquidation of the RFC holdings that will be satisfactory to all parties concerned.

BANK RELATIONS

Bank visits program

As in the past, the mainstay of our bank relations program has been the visits made to banks by our Special Representatives. These personal contacts at least twice yearly enable us to maintain a friendly atmosphere in which mutual understanding and cooperation in our common tasks are generally assured. Our Special Representatives have continued to explain the underlying philosophy of Federal Reserve credit policies and operational procedures to our member bankers and to eliminate through prompt attention whenever possible the small difficulties which might be sources of friction and misunderstanding. During 1953 over 2,100 bank relations visits were made by our Special Representatives and, in addition, 19 officers of the Bank each spent a week visiting banks with Special Representatives.

Technical assistance program

Our program of giving technical assistance to member banks was expanded substantially during the year. In February the work was assigned to a newly created Technical Assistance Division within the Bank Relations Department, and a Chief was appointed to give the work closer supervision and direction. To meet the continued large and enthusiastic demand for these services, we have added to the staff as rapidly as we could find and train suitable personnel with the result that the new division now has ten Technical Representatives and Assistants as compared with five at last year's end. As we have gained in experience, the quality of the services rendered has

constantly improved and the reception of the program by the member bankers is evidenced by a still sizable backlog of requests for the various services.

The following table shows the activity of the technical assistance program in 1953, as compared with 1952:

Field of Service	Visits made		Pending requests for visits at year-end	
	1953	1952	1953	1952
Transit and bookkeeping..	602	450	88	140
Credit (including loan operations)	317	220	156	65
Audit and control.....	293	102	193	287

During 1954, we hope to make a substantial inroad in the backlog of requests so that we may be able to meet the many demands for second visits to review the progress made by the banks and to assist them in improving their operating methods further.

Other activities

Officers and Special Representatives attended three national conventions, 21 State association meetings, 48 county association meetings and 48 other bank or bank-sponsored meetings during the year. Representatives of the Bank took an active part in the program at a number of these meetings, but more important, our representation at such meetings is looked upon by the bankers as tangible evidence of our interest in, and support of, the constructive work these associations are doing to grapple with today's banking problems.

Group meeting program

For the past three years, we have been holding a series of meetings in the Bank for member bankers. These meetings were originally planned for senior officers and featured a discussion of current economic conditions and Federal Reserve policy. By June of 1953, each bank in the Head Office Territory outside New York City had had an opportunity to participate in such a meeting. We invited to the meetings 15 or 16 member bankers, from neighboring banks of roughly comparable size because they generally have much the same problems and points of view. After reviewing the program carefully and discussing it with a number of member bankers, we decided to continue to hold these meetings but to direct them to the junior officers and potential officers in our member banks.

The new program, as it has developed, includes a tour of the operating departments of the Bank and the gold vaults in the morning, an informal luncheon in the Directors' lounge, which is attended by a number of our officers, and, finally, a discussion meeting in the afternoon. The latter session is divided into a presentation of the "flannel board" demonstration of "The Place of the Reserve System in our Dynamic Economy" developed by our Public Information Department, and a panel discussion on "Country Bank Operations." The panel is comprised of three representatives of our Technical Assistance Division and the Director of Training from the staff of our Personnel Department. The aim of the panel discussion is to demonstrate the significant relationship between good bank earnings and efficient bank operations; to suggest ways of studying and improving operational procedures; and finally to explore ways in which cooperation may best be obtained from top management on the one hand, and from operating people on the other, in putting new ideas into effect and making them work.

We held six such meetings during 1953 and are planning to continue them through 1954 and 1955 until all banks in the District have had an opportunity to participate.

PUBLIC INFORMATION

Effective August 1, 1953, the Public Information Department was placed under the direct supervision of the First Vice President. The Publications Division returned to its status as a unit of the Secretary's Office. (When the Public Information Department was in the Secretary's Office, it seemed appropriate to have the Publications Division in that Department. However, with the shift of the Department, we considered it advisable to leave the Publications Division in the Secretary's Office; the Division's chief responsibility involves publication and distribution of official Bank circulars and bulletins, which are of particular concern to the Secretary.)

Efforts to achieve the best possible public relations for the Bank are a responsibility of every staff member. (This basic policy is explicitly stated in Operating Bulletin No. 28.) The following statistics, therefore, represent only that portion of our activities handled by the Public Information Department and the Publications Division, the units with a primary responsibility in this

area. Other departments, especially Research and Bank Relations, also devote much of their time to similar work.

Some Statistics of Operations

	1953	1952
Outside telephone and personal inquiries	13,366	10,222
Letter inquiries	12,047	11,321
Guided tours	1,065	830
Visitors	7,210	5,608
Film showings*	213	286
Film audiences	19,000	n.a.

* A print of the color film *Your Money's Worth*, produced by the Federal Reserve Bank of Richmond, was added during the year to the 14 prints of the other three System films that we have available for bookings without charge by bank, school, civic, and other interested groups.

n.a. Not available.

Publications Distributed

	1953	1952
A Day's Work	70,000	36,000
Money Market Essays	11,500	13,500
Bank Reserves	4,000 ¹	10,000
Weekly News Review	18,000 ²	17,000
Monthly Review	22,250 ³	23,480
Annual Report	20,256	24,000
Monetary and Banking Legislation in the Dominican Republic	1,027 ⁴	—
Coins and Currency	181,950	—
National Summary of Business Conditions	22,860 ⁵	21,250
Trend of Business	2,400 ⁶	—

¹ Out of print during most of the year, a revised edition being published in November.

² Average distribution each week, with the copies going to 556 member banks in our District for redistribution to selected customers.

³ Average monthly distribution.

⁴ First printing, August 1953.

⁵ Average monthly distribution to 347 member banks.

⁶ Average monthly distribution to 458 member banks; published only three months in 1952.

New publications

In addition to our activities in connection with the distribution of publications (referred to above), a revised edition of *A Day's Work at the Federal Reserve Bank of New York* was published. This became available for distribution in August. Also, the first compilation of educational articles reprinted from the *Monthly Review*, first published in 1951 and later reprinted under the title *Bank Reserves, Some Major Factors Affecting Them*, was revised and a second edition was brought out in late November. The second booklet in the series, *Money Market Essays*, was reprinted

for the third time in July. Three new booklets, *The Treasury and the Money Market*, *The New York Foreign Exchange Market*, and *Economic Indicators*, are scheduled for publication in 1954.

In September a copy of the newly revised edition of *A Day's Work* was sent with a letter from me individually addressed to each director of each member bank in the District. The many complimentary replies indicated that the recipients considered the booklet very informative on central banking operations.

In October, we started supplying a weekly column of current business and financial news to the *Long Island Commercial Review*, a recently established weekly newspaper intended for businessmen in Nassau and Suffolk Counties. Since 1951, we have been supplying a similar weekly column to the *Bergen Evening Record*, for use on the page in the Saturday edition of that paper that is sponsored each week by the Bergen County Bankers Association.

During the early part of the year, the Department cooperated with the Bank Relations Department in preparing a new booklet, *Coins and Currency*, for distribution by member banks to their customers, in connection with the display of the Bank Relations Department's currency exhibit. This booklet became available for distribution in March.

Last year's *Report* noted that we were working on a script of a proposed motion picture emphasizing the role of money and credit in our economy and the role of the Federal Reserve System in administering monetary policy. After further work on the script to take advantage of suggestions made both here and in Washington, a revised version of the script was submitted to the Board of Governors in May. In August the Board decided to withhold approval of the expenditure of approximately \$65,000 for the production of a film by this Bank, explaining that a good deal of material was already available to those who wish to learn more of the work of the System, that the proposed film did not provide sufficient enlightenment on the complexities of monetary management, and that a large expenditure for such a purpose might subject the System to criticism. We are not persuaded that the Board's decision should be final and irrevocable, and we expect to revive the film project at an appropriate time.

Speeches and addresses

We continued to provide speakers for appropriate occasions, such as for a series of meetings with Second District bankers held in the Bank, for meetings of county bankers associations and clearing house groups, and for such nonbank organizations as service clubs, professional societies, schools, colleges, and teachers conferences. To continue this important aspect of our public information program, officers and staff members of the Bank made 145 public addresses during the year, to audiences totaling over 10,500, compared with 134 addresses to about 10,000 people in 1952.

We continued during the year to use our "flannel board" lecture presentation of the role of money and banking, and the Federal Reserve System, in the economy. Shifting emphasis from one phase of the explanation to another, and adapting it to varying levels of economic sophistication (depending on the audiences before which it was presented), several officers and staff members gave the flannel board demonstration during the year to a large number of bank, civic, school, and teacher groups (included in the audience statistics in the preceding paragraph), as part of our continuing effort to improve the level of public knowledge about how our economy operates and the part the Federal Reserve System plays in its operation. From the time the flannel board presentation was developed (in July 1952) through December 1953, we have given it more than 130 times to audiences totaling over 7,000 people. There is no evidence of a slackening of demand for the presentation as yet.

One of our officers was invited to serve in 1953 as a member of the faculty of the one-week summer session of the Bankers School of Public Relations, jointly sponsored by the New York State Bankers Association and Syracuse University. This invitation has been renewed for 1954.

Relations with schools and colleges

We continued in 1953 our efforts to develop a strong program of relations with schools and colleges, especially with high school teachers of social studies and college teachers of economics and money and banking.

Our activities in this area in 1953 were highlighted by a three-day seminar on central banking held in the Bank in February for a group of 25 teachers of money and banking selected from

Second District colleges and universities. The purpose of the seminar was to provide the teachers attending with accurate and up-to-date information on central banking operations and policies. By helping them to acquire such information, we hoped to facilitate the dissemination of accurate and complete information about the purposes and functions of the Federal Reserve System among groups of college students, thus achieving a "multiplier effect" in promoting the objectives of the Bank's public information program.

In large measure, the first seminar appeared to achieve the objectives set for it, and its success encouraged us to proceed with plans for a second similar seminar, for another group of 25 Second District money and banking teachers, which was held here in March 1954.

Throughout 1953, we continued our activities as a liaison agent between the Joint Council on Economic Education and a special subcommittee of the System Committee on Education and Publications in connection with the cooperative Joint Council-System project of developing an "expert statement" on the role of money and banking in our economy. A first draft of this statement, tentatively titled "Money—Servant or Master?" was completed and distributed to all Reserve Banks and the Board for comments. The final draft, it is hoped, will be part of a "resource unit" for teachers to be published in 1954 by the Joint Council and the National Council for the Social Studies. The System Subcommittee is hopeful that it may also be developed into a "layman's statement" for possible System publication. We also continued to participate in the Economic Education Workshops held in the District during the year.

RESEARCH

The variety of problems arising out of the formulation and execution of monetary policy during a period of transition from economic expansion to contraction received the special attention of the research staff. In addition, it was concerned with studies of developments in other countries, particularly those indicating progress toward currency convertibility and less discrimination in trade.

Domestic studies and publications

A large number of memoranda were prepared for use by the Bank's Informal Credit Policy

Group, in which the Vice President, Assistant Vice President, and three staff members of the function participated regularly with me. The money market section of the Research Department was reorganized in order to provide additional services directly to the Manager of the System Open Market Account; the staff of this section was enlarged, mainly by transferring economists from other related assignments. Other studies in this area included such topics as the regional impact of monetary measures, the role of discount operations and policy, and the nature of wage-induced inflation.

Economic developments in the Second District were given increased emphasis in our studies of business trends. In addition to regular analyses of regional developments for this District's representative on the Federal Advisory Council, a series of articles in the *Monthly Review* dealt with various aspects of the District's economy, and a number of special studies were made of the adjustment problems encountered by certain selected industries and localities that had experienced notable declines in activity because of a weakening in the demand for their major products.

As part of a continuing program of improving the coverage, usefulness, and reliability of statistical series, special inquiries were conducted on the structure of interest charges for commercial loans in New York City, and the availability of more comprehensive data on new security issues. These investigations brought an improvement in the sample of banks reporting interest charges and made available for System use some additional information about interest rates on loans and on prospective security flotations. In conjunction with System-wide statistical projects, data on bank debits in the District were collected for use in a major revision of the national series, and work was begun on a simplified but more reliable method of obtaining data on the ownership of demand deposits.

We took part in several nation-wide surveys sponsored by the Board of Governors, dealing with the current position of business inventories, working capital, and borrowings from banks, and also dealing with building activity and mortgage financing. We continued to cooperate with the Board and other Reserve Banks in other ways. For example, members of the staff participated

in regular meetings of the System committees on Current Business Developments, Agriculture, and Current Reporting Series. One of our Senior Economists served as chairman of the System Committee on Real Estate Credit, headed the System *ad hoc* subcommittee on real estate and a working group on consumer credit, and, in the latter capacity, was joint author of a working group paper on the significance of consumer credit.

As in former years, other functions in the Bank called for research assistance in meeting their operating problems. Typical of these services were studies of the economic factors bearing on the designation of Second District boundaries, and analyses of some of the statistical problems encountered by the Personnel Department in connection with its periodic salary surveys and the operation of the merit rating system. In cooperation with the Bank Relations Department, a detailed examination was also made of the operating ratios of certain member banks.

Titles of some of the more important studies on domestic topics prepared during 1953 were:

- The Composition of the System's Government Security Portfolio
- Wage-Induced Inflation and Monetary Policy
- Discount Operations and Discount Policy
- The Regional Impact of Monetary Policy
- The Problem of Consumer Credit
- Economic Adjustments in the Gloversville Area
- The Growing Importance of Consumer Durables
- Credit Needs in a Growing Economy

Foreign and international studies and publications

In the foreign and international field, studies dealt mainly with questions bearing on United States international financial policies and, more particularly, on the foreign operations of this Bank. Analyses were made of the origin, effects, and wider implications of the sizable gold and dollar gains recorded by the rest of the world during the year; the recent trends in certain European and other countries toward increased reliance on market forces and monetary instruments as economic regulators; the prospects and conditions for the achievement of greater convertibility of currencies and a relaxation of restrictions on international trade; and the changes in the domestic economic conditions and the international positions of the principal foreign countries and areas. While many memoranda dealt with short-range

issues, examination was also made of the broad structural changes in international trade patterns, of the long term prospects for the United States balance of payments (particularly with respect to imports) and of other matters related to underlying trends in international trade and finance. All these studies, and some additional ones, were productive of the following papers, which were among the more significant of those prepared during 1953 by the department on foreign and international matters; some of the papers were approved for outside publication:

- The International Gold and Dollar Movement, 1945-1953
- Foreign Dollar Gains, "Dollar Shortage" and International Economic Policy
- Recent Developments in United States Trade and Tariff Policy
- The Sterling Area's Pattern of Trade: Basic Trends and Present Problems
- Britain's Savings Dilemma
- First Tests of the Schuman Plan
- Germany's External Economic Position
- Revisions of the Brazilian Export Rate Structure and Import Control System
- Coordination of International Bank and Export-Import Bank Activities
- Prospects for East-West Trade
- Speculative and Flight Movements of Capital in Post-war International Finance
- Recent Experience under Central Banking Legislation in Undeveloped Countries

Altogether, nearly 350 studies on international topics were prepared during the year, of which more than half were submitted in response to specific requests by officers of the Bank. Articles on international topics appeared in each issue of the *Monthly Review*. These articles dealt with economic developments in such countries as Canada, Brazil, Belgium, Western Germany, Mexico, India, and Pakistan; recent changes in foreign gold and dollar holdings; and with the record of the European Payments Union during its first three years of operation.

Library

Officers and staff members of the Bank made increasing use of the facilities of the Research Library during the year. Book circulation in 1953 averaged nearly 1,200 volumes per month, while magazine circulation reached a monthly rate of 6,500, representing increases of 39 per cent and 13 per cent, respectively, over the high rates of

use for the previous year. In addition, the Library was called upon to answer an average of nearly 1,300 reference questions a month, approximately the same number as during the previous year, and to carry out such special assignments as the purchase of more than 100 books on behalf of the Bank of Korea to provide that institution with the nucleus of a new library. The *Daily Newspaper Review* was distributed to a growing number of users, with daily circulation at the year-end amounting to 2,200 copies, a rise of 10 per cent during the year. The *Library News*, a list of new accessions primarily designed for use within the Bank, has proved useful to outside research workers as a review of current economic literature, and consequently was sent on request to certain libraries and banking institutions in the United States and abroad.

PERSONNEL

An increase in the volume of work, and a scarcity of qualified applicants for jobs during 1953, made it necessary for us to focus attention on recruiting personnel, and on screening, placing, and training them. We were hampered by a noticeable shortage of employable persons with the qualifications we wanted, for there were fewer high school graduates entering the labor market than in previous years, and those persons that were in the market had many opportunities for placement. The result was that although we interviewed more applicants during the past year than in the year before, we were unable to obtain our requirements and had to step up our training courses in the Bank.

Salary administration

With the continued upward pressure on salary scales, characteristic of the highly competitive bidding for employees, average salaries paid by the Bank were considerably beyond the midpoints of our salary grades. This situation was making salary administration less effective because it was constricting the salary areas available for rewarding outstanding performance. It also suggested that our salary schedules might be falling below those to be found among other progressive employers in the community. (As I have reported in the past, it is the Bank's intention to maintain rates of pay that are generally at least as high as those paid for similar work by firms with reputations for providing good pay and working conditions.) Data compiled from our community surveys indicated

that while the situation prevailed throughout our entire salary structure, there was a concentration of structural maladjustments and actual salary inequities in the upper grades. Effective December 24, 1953, we made selective upward changes in the ranges of all salary grades. Because a general salary increase was not indicated, we gave individual merit salary increases, incident to the regular year-end review of the salaries of all employees; these actions added 4.10 per cent to our annual salary liability. The changes in salary structure should assist us in attracting and retaining employees of the type we need for efficient operations. The individual salary increases that were granted have removed internal inequities and have corrected the lag in certain of our salaries as compared to average salaries paid by other employers.

Many jobs in an organization such as ours change from time to time, because of such things as fluctuations in work loads, organizational revisions, or the introduction of new systems; also, at the higher staff administrative levels, a new incumbent may change the content of a given job materially by bringing to bear his previous experience, personality and aptitudes. As a result, under our job evaluation program, we are constantly conducting job reviews to insure the maintenance of the proper salary grade alignment of jobs in terms of job content. In furtherance of this objective, we conducted 383 job reviews and revised 150 job descriptions. Changes in job content were found to have affected the relative difficulty of 133 jobs. Salary grades were raised in 23 cases, 21 at the Head Office, 2 at the Buffalo Branch, to reflect changes that were considered material.

In the summer of 1953, with the approval of the Board of Governors of the Federal Reserve System, we inaugurated a new plan for the administration of salaries of officers other than the President and First Vice President. In many respects the plan is similar to the employees' personnel classification plan which has been in effect for several years. The new plan provides for written descriptions of all official positions, the evaluation of all positions and their classification into one of six groups according to the level of responsibilities of the position. Salary ranges have been fixed for each group, and a periodic review of each officer's performance is called for under the plan.

The plan constitutes a guide to action by the President and the directors, not a mechanical determinant of action. Factors which cannot be

crystallized in any plan will continue to be considered in salary administration, and the board of directors will continue to fix, and the Board of Governors to approve, individual salaries.

Head Office salary liability

On December 31, 1953, salary liability (including reimbursable salary) at the Head Office was \$14,514,537; the comparable figure in even thousand dollar amounts for previous year-ends was \$14,100,000 (1952), \$13,576,000 (1951), \$11,779,000 (1950) and \$10,929,000 (1949).

Number of employees

At the year-end we had 3,773 persons in our employ at the Head Office, or 29 more than at the close of business on December 31, 1952.

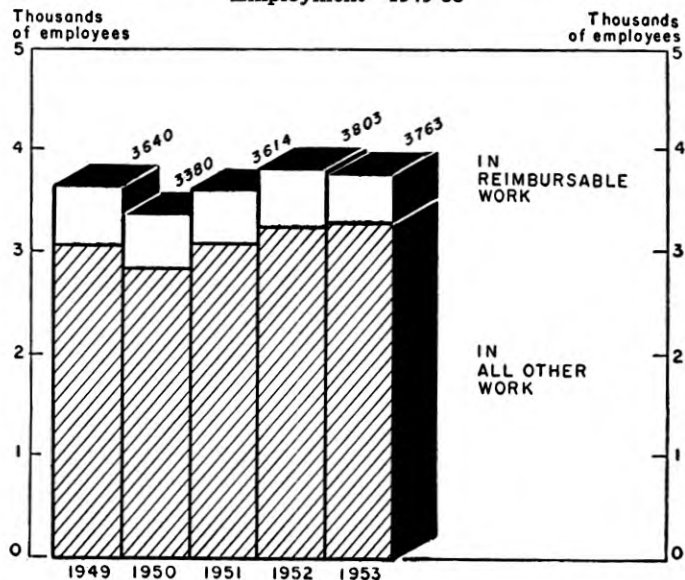
The following table and chart present some basic statistics on Head Office employment:

	1949	1950	1951	1952	1953
Employees, close of business December 31	3,441	3,385	3,775	3,744	3,773
Employees, average number engaged in work reimbursable by U. S. Govt. and its agencies	590	541	530	540	494*
Employees, average number, all other	3,050	2,839	3,084	3,263	3,269
Applicants	4,531	4,648	9,092	6,229	6,842
Hired	282	553	1,245	835	855
Separations†	612	602	852	866	834
Dismissals (included in separations)	210	109	87	30	129

* The decrease in this year's figure results mostly from the elimination of 45 jobs in the Savings Bond Department, described in this report under *Fiscal Agency Operations*.

† Includes those who resigned, retired, died or were dismissed.

Fluctuations in Average Yearly Head Office Employment—1949-53



The following table shows the distribution of Head Office employees according to length of service; 824 employees, or approximately 22 per cent of the staff, have been with the Bank for 20 years or more, 543 of them for 25 years or more.

Length of service	Number of employees	Percentage of total number of employees
35 years or more	158	4.2
30 years to 34 years, inclusive	136	3.6
25 years to 29 years, inclusive	249	6.6
20 years to 24 years, inclusive	281	7.4
15 years to 19 years, inclusive	113	3.0
10 years to 14 years, inclusive	816	21.6
5 years to 9 years, inclusive	470	12.5
Less than 5 years	1,550	41.1
Total (December 31, 1953)	3,773	100.0

Employee benefits

1. *Noncontributory active service death benefit.*—During the year, 11 Head Office staff members died, and their beneficiaries received \$53,618 in death benefits under group insurance and a like amount in death benefits from our Retirement System. These benefits were paid under coverage that is provided without cost to employees.

2. *Blue Cross Hospital and Blue Shield Surgical-Medical Plans.*—A total of 3,258 employees, or 86.4 per cent of our total staff, was enrolled in the Blue Cross Hospital and Blue Shield Surgical-Medical Plans at the end of 1953 compared with 3,231, or 86.3 per cent, enrolled at the end of 1952. Some of those not included get coverage under other plans, e.g., another employer where spouse works. The expense to the Bank, which pays two thirds of the total cost, was \$134,464, compared with \$127,838 the preceding year. During 1953 members of our Head Office staff filed 663 claims for hospital care, involving a cost of \$81,562, and 737 claims for surgical and medical care, amounting to \$43,035.

3. *Medical Division.*—Since July 1, 1953, we have been operating in the Bank a State-licensed Compensation Medical Bureau as an additional service to our employees who sustain injuries arising out of, or in the course of, their employment. While we were limited by law, before that date, to providing first-aid treatment for such injuries, we were thereafter permitted to give extended treatment if the injured employee chose to remain under our care. Injuries that do not lend themselves to treatment on the premises will, however, continue to be referred to treatment by outside doctors. Having the bureau in the building

has already resulted in a considerable saving of time which employees would otherwise have spent visiting doctors off the premises; it has also enabled our medical staff to keep a more satisfactory check on the progress of recovery. Eventually it should produce a noticeable decrease in our insurance premiums. All members of our medical staff, several of whom have the highest specialty ratings, are authorized to treat Workmen's Compensation cases.

Visits to the Medical Division in 1953 for examinations, limited treatment, and medical and dental advice remained at about the same level as 1952, averaging about 10 per employee.

4. *Red Cross blood bank.*—Members of the staff, through the Federal Reserve Club, contributed in 1953 a total of 328 units of blood; of this amount, 174 units were credited to our account. In October, the Red Cross changed its rule of apportioning blood donations between the armed forces and the donor from one-half to two-thirds to the donor. During the year 281 units were withdrawn to meet the needs of employees and their families. Withdrawals from the account are made through the Club without cost by our employees for themselves or for their immediate families; the needed blood of the type desired is picked up at the Red Cross headquarters in New York or delivered to any point in the City. In February, the Red Cross set up a bloodmobile unit in our gymnasium and for five days collected blood from members of our staff and from employees of other banks in the vicinity.

5. *Military service.*—We now have a total of 58 employees in the Armed Forces, including 16 who entered the service during 1953.

Personnel improvement programs

As a result of experiments conducted during 1952, visual perception training was given to proof machine trainees and operators in the Check Department on both the day and night forces. Eighty-nine staff members have already been trained, with good results, in the more rapid and more accurate reading of numbers. In October, an experimental program in speed reading was introduced to a group of ten officers. Instruction was provided in the Bank by the Reading Institute of New York University and was completed early in 1954. The officers' group recommended that the course be given to another group composed of officers and senior staff members, whose work re-

quires quick comprehension of voluminous reading material, in order to evaluate further the benefits of such training. Such a group, consisting of 10, has been formed, and the course is now being given. To assist us in the selection and assignment of properly qualified personnel, we gave 502 aptitude and proficiency tests to clerical personnel, key punch trainees, proof machine trainees, typists and stenographers.

Personnel research

A Supervisory Development Planning Committee composed of 12 staff members, with the Chairman from the Personnel Department, was formed to assist in the development of an over-all supervisory training program. The committee developed a program that is now being studied by officers of the Personnel Department.

Another special committee of the staff, known as the Merit Rating Development Committee, was appointed to survey the most advanced procedures in the field of merit rating of employees and to prepare a new rating system. The new system developed by the committee is an adaptation of the features of a number of different plans which were studied. It stresses objectivity and the development of the individual. We contemplate installing the system in May 1954.

A group of Personnel Department staff members has begun a special study of personnel testing. Emphasis is centered on tests that are scientifically designed to measure factors of aptitude, proficiency, interests, and personality, for use in the selection, placement, transfer, or promotion of personnel. The group plans to obtain and study a number of tests of this type and will submit a full report of its findings to officers of the Personnel Department.

Federal Reserve Club

Over 90 per cent of the staff of the Bank were members of the Federal Reserve Club in 1953. The Club, in its thirty-fifth year as a voluntary and cooperative enterprise for the benefit of employees of the Bank, sponsored a wide range of social and recreational activities, made special services available and encouraged educational development.

In 1953, under the Club's Educational Program, 143 members of the staff completed 446 study courses at various schools and colleges in and around New York. The counseling service was expanded so that these individuals were able to

get advice about the school or college to be chosen and the course of study to be followed. Depending on their scholastic records, students were reimbursed by the Bank for 50 per cent or 100 per cent of the costs of tuition, books, and fees. Under this program, the amount reimbursed to employees in 1953 was \$12,731; 91 per cent of this amount was on the basis of 100 per cent reimbursement.

The Club Store, one of the Club's services, continued to sell a wide variety of merchandise at prices substantially below established retail prices. For the fiscal year ended May 31, 1953, total Club Store sales amounted to \$154,407. Among its other services, the Club issued more than 17,000 checks for the convenience of members who do not have checking accounts, and maintained a reading and circulating library that lent 2,039 books, purchased 165 new ones, and placed 384 subscriptions to various periodicals for Club members.

Late in the year, with the cooperation of the Women's Advisory Committee of the Club, the 12th floor Women's Lounge was refurnished at a cost to the Bank of some \$10,000.

Cafeteria

The Food Supply Division served 791,272 meals during the year, a daily average of 3,140 as compared with 828,614, a daily average of 3,301, in the previous year. To provide this service, the Bank spent \$232,992 in 1953, or 44.9 per cent of total cost, compared with \$254,865 in 1952, or 46.4 per cent of total cost.

Employee handbook

Culminating a long period of preparatory work, an employee handbook entitled *You and the Federal Reserve Bank of New York* was written, edited and published. The handbook, which represents the combined efforts of many individuals in various departments throughout the Bank, is written in an informal style and stresses the privileges and responsibilities of all employees. It emphasizes the important role of the individual in our organization and it seeks to convey the friendly interest which characterizes our program of personnel administration. It is designed to encourage understanding in order to minimize problems which arise out of employer-employee relationships and to encourage the fullest use of facilities that are at the disposal of our employees. While the publication is addressed specifically to new employees, it should also prove of value to old employees.

OPERATING COSTS AND BUDGET

Operating expenses of the Head Office during 1953 aggregated \$27,584,000, including \$4,349,000 of reimbursable costs; in 1952 these figures were \$26,697,000 and \$4,330,000, respectively. One of our essential management tools for exercising control of expenditures, and for planning ahead to be able to take care of operating and policy requirements, is of course an annual budget. Our budgeted expenditures for 1953, approved by the directors and the Board of Governors, were \$28,019,000. Two of the more important factors causing actual expenses to fall short of the budgeted amounts were a smaller-than-anticipated increase in check volume, together with increased efficiency in check handling, and lower-than-expected receipts of currency for the emergency storage program.

10 Gold Street building

The electric wiring in the building owned by the Bank at 10 Gold Street was replaced because of its condition and the need for a system with a larger capacity. It was also considered desirable, at the same time, to increase illumination by the installation of fluorescent lighting fixtures similar to those recently installed in the main building.

At the request of the tenant, an air conditioning system was also installed to the service and working areas throughout the building. The cost of this system, including its operation, is being borne by the tenant.

BUFFALO BRANCH OPERATIONS

Operations at the Buffalo Branch continued to increase during 1953, reflecting the upward trend of business activity throughout the Branch territory. This activity was especially notable in the two principal cities of Buffalo and Rochester, the composite business index in the former reaching a new all-time high of 241.5 in March (1936-39 = 100). The year also witnessed, however, important steps toward improving the Branch's ability to handle efficiently the increased responsibilities and volume of work stemming from the steadily rising level of business activity, for plans were made for a new building and a site was acquired. These plans are also taking into consideration the increased work that will result from the inclusion of four more counties in the Branch territory, effected April 1, 1954.

Total expenses of operating the Branch in 1953 were \$1,141,900, of which \$67,000 was reimbursable, compared with \$1,097,300 in 1952, of which \$59,500 was reimbursable. The budget for 1953 contemplated expenses of \$1,193,700.

Cash operations

The following table summarizes the operations of the Cash Division for the year, as compared with 1952:

	1953	1952
Currency and Coin:		
Paid out to banks	\$360,189,000	\$334,894,000
Received from banks . . .	\$306,814,000	\$290,574,000
Net outflow	\$ 53,375,000	\$ 44,320,000
Currency counted (pieces)	52,570,000	52,206,000
Coin counted (pieces)	68,426,000	58,212,000
Coin wrapped (pieces)	23,164,000	19,026,000

Fifty-four counterfeit notes amounting to \$861 were detected by our currency sorters as compared with 130 notes aggregating \$1,870 in 1952.

Check collection

Despite a higher turnover of help in the Check Division (which provides a training ground for employees who are promoted to other positions in the Branch), an increased volume of checks was handled with a minimum of holdover and with nominal overtime cost.

	1953	1952
Checks:		
Number of items	32,909,000	31,038,000
Volume	\$10,191,781,000	\$9,442,675,000
Postal money orders:		
Number of items	4,337,000	4,477,000
Volume	\$ 76,037,000	\$ 75,825,000

A survey as of December 1, 1953 showed that 97.4 per cent of the checks passing through our Branch, and drawn on banks located in the Branch territory, bore the check routing symbol and transit number in the approved location (upper right corner); on December 1, 1952 the comparable figure was 96.2 per cent.

Wire transfers of funds

The Wire Transfer Section handled 12,810 transfers of funds amounting to \$4,479,277,000 in 1953, compared with 11,838 transfers totaling \$4,169,968,000 in 1952. These increases were caused primarily by "one-day" transactions in Federal funds in large amounts by the Buffalo, Rochester, New York and Chicago banks.

Since July 6, when the new leased wire system referred to earlier was installed, the Branch has had the benefit of direct communication with the Board of Governors, Treasury Department, RFC, and CCC offices in Washington and the Treasury office in Chicago. This improvement has reduced earlier delays and made possible some savings on telegraph charges for messages previously sent over public wires.

Operating methods

The volume of work processed during 1953 in the tabulating machine unit continued to increase. During the year the unit began to handle the preparation of certain expense records, the community salary survey tabulation, salary distribution, inventory of the supply stock room, performance record of proof machine operators, the routing symbol report, and a report of return items. During the coming year it is anticipated that the preparation of certain other reports and records will be assigned to this unit.

During the year two employees classified as Administrative Assistants were assigned to planning work involving the studies of systems and methods, expenditures, and the preparation of the budget, together with the responsibility for maintaining all necessary information in connection with the emergency program in the event of disruption of operations at the Head Office. This arrangement, which it has not seemed necessary or advisable to embody in our organization in the form of a division or other formal unit, will be continued during the coming year.

Loans to member banks

The Buffalo Branch made 518 loans aggregating \$949,145,000 to 41 member banks, compared with 499 loans totaling \$1,036,165,000 to 35 member banks in 1952. Interest on such loans amounted to \$138,625 compared with \$99,782 in 1952. The maximum amount of loans outstanding at any one time during 1953 was \$43,375,000 on April 15. During 1953 six banks borrowed in excess of their combined capital and surplus for short periods.

Change in boundary

At the joint meeting of the Presidents of the Federal Reserve Banks and the Board of Governors on March 5, 1953, it was suggested that a study be made of Bank and Branch territories to determine whether changes in transportation facilities and other conditions since the exist-

ing boundaries were established would call for revision of the boundaries to enable member banks to be served more efficiently. A study of our boundaries showed that a shift of the counties of Ontario, Steuben, Wayne and Yates from the Head Office territory to that of the Buffalo Branch would reduce the costs of handling currency and checks for banks in those counties. At the same time, such a shift of counties, which are part of the Eighth Banking District of New York State, would cause the Buffalo Branch territory to become coextensive with all of the Eighth, together with the Ninth, Banking Districts, and would facilitate administration with respect to the branches of those banks whose head offices heretofore were in other counties of the Eighth Banking District, in Buffalo Branch territory. Contacts with the banks affected indicated that all the bankers involved in the change of territory were in accord with the proposed plan. Consequently, the change was recommended to the directors of the Buffalo Branch and of the Head Office, and to the Board of Governors of the Federal Reserve System. The recommendation was approved and the revision in boundary was made, effective April 1, 1954.

Bank relations

Bank and public relations activities during 1953 included 315 visits to member and nonmember banks and branches, of which 272 were made to banking institutions in the Buffalo Branch territory and 43 were made to banks in four adjacent counties in connection with the proposal to include these counties in the Buffalo Branch territory.

Ninety-five meetings were attended and 29 public addresses were made by officers of the Branch before banking, civic and educational groups. Federal Reserve System films were shown on numerous occasions. During the year 519 visitors were conducted through the Branch to observe operations.

In October the Alden State Bank, Alden, New York, applied for membership in the Federal Reserve System. It was admitted February 11, 1954.

Personnel

The number of employees at the Buffalo Branch at the year-end was 201, compared with 206 as of the close of business December 31, 1952. A high point of 210 was reached during July and August. Two employees retired during the year,

and 57 others left the Branch's employ; 56 new employees were engaged after 297 applicants were interviewed. The rate of turnover was 28 per cent, compared with 35 per cent in 1952. During 1953, 89 per cent of our employees authorized deductions from their pay for the purchase of Series E bonds, the total deductions amounting to 3.58 per cent of the payroll at the end of the year. In addition, 57 employees were participating in a special payroll savings plan providing for deposit in a local savings bank. On September 1, 1953, the Branch adopted a new Blue Shield Group Plan, which offers greater surgical and medical benefits to our employees. (The improved benefits are now much more closely comparable with those available to the Head Office staff.) All but 23 employees are enrolled in this plan and in the Blue Cross Hospital Plan. Those not participating are covered under a similar plan through other members of their families or through the Veterans' Administration. The Branch absorbed 47.9 per cent of the year's cost of operating the cafeteria, which has become increasingly popular.

We continued during 1953 our training program under which senior high school girls are hired to work on Saturdays to receive instruction, practice and training in the handling of checks. Upon graduation 19 of these girls were added to the staff as permanent employees. We expect to continue this method of obtaining new employees in 1954. Early in the year an orientation program for new employees was put into effect. This program includes an informal discussion of employees' regulations, fringe benefits, general Bank operations, including the showing of films on the Federal Reserve System and a tour of the Branch.

Salary administration

Directors and officers of the Branch continued to carry out the Bank policy of paying salaries that would compare favorably with those paid for similar work by other progressive employers in the community. As at the Head Office, effective December 24, 1953, selective upward changes were made in the ranges of all salary grades and there were substantial individual merit salary increases incident to the regular year-end review of the salaries of all employees.

Branch building

Shortly before January 1953, we began to explore the downtown financial area of Buffalo for possible sites for a new Branch building. Many sites were studied, and after some preliminary negotiations our interest narrowed to two: one was at Main and Swan Streets directly across Main from the present building, and probably would have cost about \$700,000; the other was at the southwest corner of Delaware Avenue and Huron Street, 8½ blocks from the present Branch building. While still deliberating over a choice between the two sites, we obtained an option on May 11 to purchase the Delaware-Huron site for \$350,000.

The choice between the two sites received long and close consideration of the directors and officers of the Bank and Branch. The Branch directors, by a vote of five to two, approved the Delaware-Huron site; the directors of the Bank unanimously concurred in such selection. The site selected provides 82,000 square feet of ground space (compared with 32,000 square feet at Main and Swan), gives room for horizontal as well as vertical expansion as future needs may require, and will make available adequate outdoor parking facilities for staff and customers. We believe that the prospects of the future development of Buffalo in the area of the Delaware-Huron site are good, and that from the site selected we will be able to serve well all the banks of the Branch territory. While the site is farther away from the head offices of the two largest member banks in Buffalo and from the main post office, we concluded that the major operations of the Branch are concerned with the handling of checks and money, the latter transported almost entirely by armored truck, and that any inconvenience could be readily overcome without hardship to the operations of any member bank.

On November 12, 1953, the Delaware Avenue-Huron Street property was purchased from the Sheraton Corporation of America for \$350,000 in accordance with the terms of the option.

Eggers and Higgins of New York, and James, Meadows and Howard of Buffalo were engaged as architects for the new building.

AT 4105 A

FEDERAL RESERVE BANK
OF NEW YORK

May 5, 1954.

*To all Member Banks in the
Second Federal Reserve District:*

It is with deep regret that we announce the death today of
CURTIS R. BOWMAN, General Auditor of this Bank.

ALLAN SPROUL,
President.