THIRTIETH

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COVERING OPERATIONS FOR THE YEAR

1943

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1943]

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LETTER OF TRANSMITTAL

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, April 29, 1944.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

Pursuant to the requirements of Section 10 of the Federal Reserve Act, as amended, I have the honor to submit the Thirtieth Annual Report, prepared by direction of the Board of Governors of the Federal Reserve System, covering operations during the calendar year 1943.

Very truly yours,

M. S. ECCLES, *Chairman.*

ANNUAL REPORT OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

During 1943 the enormous output of the American economy became a decisive factor in the progress of war toward victory. This demonstration of the nation's ability to organize effectively for a national purpose raises hopes that the country will be able also to meet successfully the problems of readjusting to a peacetime economy and of maintaining a high level of output and continuous employment.

To finance the war effort the United States Treasury in 1943 expended 85 billion dollars. Total expenditures, including those for nonwar purposes, were 91 billion; net receipts, largely taxes, were 35 billion. War expenditures are determined by the maximum the nation can accomplish in the war effort and, after the amount to be obtained through taxation has been decided by Congress, the remainder has to be borrowed. The task of financial authorities is to make certain that the funds which have to be borrowed are raised promptly and smoothly on terms advantageous to the public interest, and that they exert a minimum of inflationary pressure on the economy.

At the time the United States entered the war in December 1941, the Board of Governors issued a statement to the effect that the Federal Reserve System was prepared to use its powers to assure at all times an ample supply of funds for financing the war effort and to exert its influence toward maintaining conditions in the United States Government security market satisfactory from the standpoint of the Government's requirements. In discharging this responsibility during 1943 the System engaged in open-market operations to maintain stable conditions in the Government security market at interest rates in harmony with a pattern agreed upon with the Treasury. From time to time it provided such additional reserves as the banks needed in order to purchase Government issues that were not absorbed by other investors, and in other ways did everything in its power to assure the success of war financing. It also continued and expanded its work in connection with war production loans guaranteed by the War and Navy Departments and the Maritime Commission. The Federal Reserve authorities did what they could to help raise war funds as far as possible from investors other than banks, thus diminishing the inflationary pressure resulting from the purchase of Government securities by banks throughout the year. They actively cooperated with the Treasury by consulting on financing policies to be pursued and by assisting in every other way in carrying out the war financing program.

In the aggregate the interest-bearing direct and guaranteed debt increased by 57 billion dollars during the year, of which 25 billion was taken by the banking system and 32 billion by nonbanking investors. A total of 27 million persons participated in pay roll savings plans and holdings of savings bonds of all kinds increased by 12 billion dollars. While these figures are large, an increase in participation by individuals in financing the war, with less dependence on bank purchases of Government securities, should continue to be the objective of the war finance program.

In the course of the year the Federal Reserve System increased its holdings of Government securities by 5.4 billion dollars. These purchases, which were made at different times in accordance with current market requirements, provided the banks with the major part of the reserves needed to offset an increase of 5 billion dollars in the demand for currency, a loss of gold and a growth in foreign balances at the Reserve Banks aggregating 1.5 billion, and an increase of 0.6 billion in required reserves at member banks.

The relatively small increase in required reserves, in the face of a large growth of bank deposits, was due to the enactment of legislation during the year, at the Board's recommendation, which exempted war loan deposits from reserve requirements for the duration of the war emergency. The large growth of money in circulation, which is common to all countries engaged in the war, reflected principally the effects of growth in incomes together with dislocations of populations resulting from the war.

Industrial output, which had expanded rapidly in the preceding two years, grew further in 1943 and was far larger than in any previous year. Growth of production was entirely in war industries, but civilian consumption in the aggregate remained close to the high levels of 1941 and 1942, indicating that American industry was able to meet the challenge of a global war without depriving the civilian population of goods and services required to keep up health and morale. The high level of civilian consumption reflected the fact that along with the growth of production there has been a wider distribution of income and a marked rise of consumption at lower income levels. Notwithstanding greatly increased taxes, incomes of individuals were far in excess of supplies of goods and services available to civilians. This current surplus of purchasing power, and the exceptional accumulation of liquid assets held by individuals, increased the difficulty of enforcing rationing, price, and manpower controls.

During the year liquid funds held by corporations and individuals showed a large increase. Deposits at all banks increased by 18 billion dollars and currency holdings outside of banks by 5 billion. The large volume of cash resources, together with savings which the public has invested in Government securities, is a source of inflationary danger, but at the same time it forms a backlog of buying power which if properly used should be a powerful safeguard against postwar deflation.

With the growth in military personnel and the expansion of war work, organization and distribution of manpower became the principal problems to be overcome in obtaining further increases in production. Recruitment of additional manpower became increasingly difficult and made it apparent that the anticipated expansion in war production during 1944 would have to be achieved principally by more effective utilization of the manpower already available. Shortages of materials and productive facilities, however, which had been acute in 1942 and the early part of 1943, had been eased considerably by increased supplies, by the completion of many construction projects, and by reduced requirements for certain war products.

Wholesale prices advanced 37 per cent from the beginning of the war to the end of 1943 and the rise in the cost of living for the same period was 25 per cent, according to official indexes. Pressures on the price and wage structures, which have been formidable and are increasing, are a serious threat to economic stability. To combat this danger now and in the period immediately following the war, there is need for an adequate further increase in taxation, for firmness in holding the line against price and wage advances, and for resistance all along the domestic front to pressures exerted by groups representing special interests rather than the public welfare.

After the war this country, on the basis of its resources and the war-stimulated expansion of its industrial capacity, will have an opportunity to enter upon an era of high and rising national income and sustained prosperity for all its people. To achieve this objective the country must avoid the danger of inflation, with its aftermath of economic collapse. Aside from maintaining wartime regulations during the transition period, nothing would contribute more to this end than rapid conversion of our industrial plant to assure a prompt resumption of the flow of goods to civilians, and planned redirection into other occupations of manpower released from war activities.

Adequate financial machinery, both for equity investment and credit of all types, to meet the capital and current financial requirements of reconversion, and the maintenance of stable and relatively low long-term interest rates to encourage enterprise, should form a vital part of a postwar program. Long-term policy in regard to governmental investment in public works and the volume of tax levies should be flexible, with outlays increasing and taxes declining when business activity shows signs of slackening, and taxes rising and public works slowing down when consumer and capital demands begin to press against productive capacity. Sustained prosperity in this country would result in an upswing of international trade and would contribute greatly to world reconstruction from the ravages of war and to general improvement of economic conditions throughout the world.

Economic, fiscal, and monetary policy, private and public, during and after the war, must seek to prevent the surplus income and surplus cash created by the war from resulting in inflation. In the critical postwar period ways must be found to promote full employment and stable prosperity by utilizing the people's abundant liquid resources and the expanded productive capacity of the country.

FULL PRODUCTION FOR WAR

Expansion of economic activity, which had proceeded at a rapid rate since the inauguration of the war program in the middle of 1940, slackened during 1943. Raw materials for war production were obtained in greater supply than in previous years and many additional manufacturing facilities were completed. While resources and manpower were more fully utilized than in 1942 and output of goods and services was in record volume, the reduction in the size of the labor force limited the increase in output, especially in the latter part of the year.

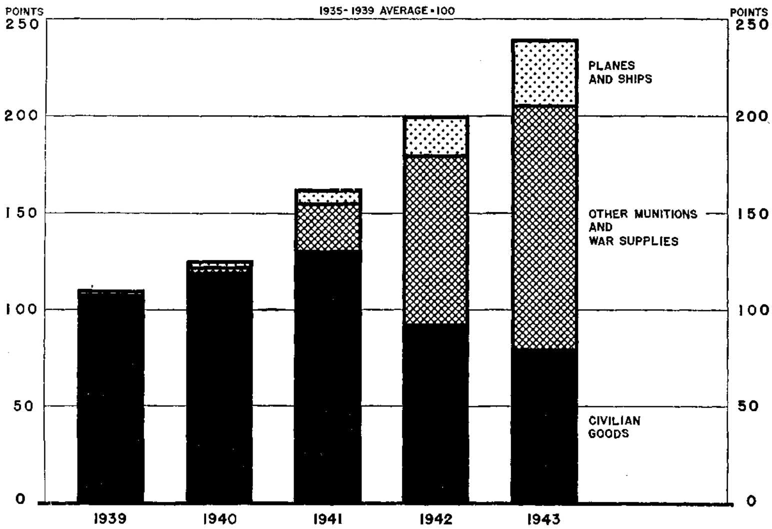
The armed services increased their strength by about 3.5 million persons during 1943. Employment in war industries continued to rise and manpower controls were established and extended to direct workers to essential jobs, eliminate labor hoarding, and minimize job-shopping for higher wages. Total employment outside of the armed forces declined in 1943 by about 2 million persons. A large share of this decline occurred in the construction industry, where activity was sharply reduced as military installations and new industrial facilities for the war program were largely completed. Employment on farms declined but total agricultural production increased somewhat further to a level 28 per cent higher than the 1935–39 average. Crop yields in the 1943 season were smaller than the record volume of 1942 but there was a continued large increase in output of livestock products.

Transportation of freight and passengers increased to new record levels, reflecting the large amount of agricultural and industrial production and continued restrictions on the use of automobiles for private purposes. Ocean shipping facilities improved considerably in 1943 owing to an exceptionally large volume of new ship construction and a marked decline in shipping losses. Exports, chiefly lend-lease aid to our Allies, totaled 12.7 billion dollars for the year, which was 58 per cent larger than in 1942 and 55 per cent larger than the value of goods exported in 1920, the previous high year. Shipments to the armed forces abroad, not included in these figures, rose rapidly. Improvement in shipping also resulted in larger supplies of imported materials. Value of imports in 1943 was 23 per cent larger than in 1942. In physical volume, however, imports were not as large as in prewar days, especially imports of goods for civilian use.

Total output of the economy in current prices amounted to 187 billion dollars, compared with 152 billion in the next highest year, 1942, and 89 billion in the prewar year of 1939. This increase is enormous, even after allowance for price advances. Of the total for 1943, close to one-half represented output for war purposes. At factories and mines, where war production is concentrated, output in December was 241 per cent of the 1935–39 average as compared with 223 at the end of 1942. After the early part of 1943 output for war increased at a slower rate and output of manufactures and minerals for civilian use showed little change. Throughout the year the bulk of the increase in output continued to be in the industrial sector of the economy.

Production for armed services. The further large shift of industrial activity in 1943 to output for war purposes is shown on the chart; in 1943 such production represented about 67 per cent of the total, compared with 54 per cent in the preceding year. In 1943 probably about one-half of the output for war purposes was accounted for by production of planes, ships, combat vehicles, and ordnance. Most of this production had required considerable conversion of manufacturing facilities and large expansions, often of specialized character. The remaining half of industrial production for war was composed of supplies used in producing munitions and of food, clothing, and the like for the armed services and lend-lease export.

INDUSTRIAL PRODUCTION



By the end of 1943 production rates for a number of war products were either close to or had passed their peaks. On the other hand, output of aircraft and certain other war products was scheduled to show further large increases in 1944. As a result of the leveling off of the production of heavy war products (including merchant ships), the reduction in construction activity, further increases in metal production, better controls over consumption, and cutbacks in parts of the war program, the metal supply situation by the end of 1943 was no longer a limiting factor in war production. Increased efficiency in mass production was partly responsible for a steady decline in the contract prices of munitions purchased by the Army during 1943.

Production for civilians. With supplies of metals increasing beyond military requirements, consideration was being given at the end of 1943 to larger allotments for production of certain durable goods for civilians, but the volume indicated was small except for farm machinery and railroad equipment. Activity at furniture factories was maintained at a high level in 1943, but a number of the mills had shifted to war work and in December Federal restrictions to conserve lumber for essential uses were placed on the production of furniture. Purchases of durable goods by consumers in 1943 exceeded output and as a result inventories were further reduced. Inventories of many nondurable goods were also reduced.

Food production was one-third greater than the average for the years 1935–39 and, even though military and lend-lease requirements absorbed one-fourth of the output, per capita food consumption by civilians in 1943 was somewhat higher than the average for 1935–39. In order to assure more equitable distribution of food supplies, rationing was extended to processed fruits and vegetables, meats, butter, cheese, and fats, and retail price controls for food were broadened. Production of such nondurable goods as textile, leather, and paper products for civilian use was generally reduced during 1943. Restrictions on apparel wool used for civilian consumption were lifted and cotton supplies were also in ample volume, but declining employment in the textile industries limited output of clothing.

Sweeping changes in industrial facilities and great concentration of activity in war production have resulted over a period of several years in extraordinary shifts in employment opportunities, location of workers, and incomes. Readaptation of various resources to peacetime needs will also involve widespread economic changes. Capacity to produce materials for peacetime goods has been greatly expanded since 1939 and the full utilization of this capacity in the years ahead will require that markets for finished goods be expanded and maintained considerably above prewar levels.

INFLATIONARY FORCES

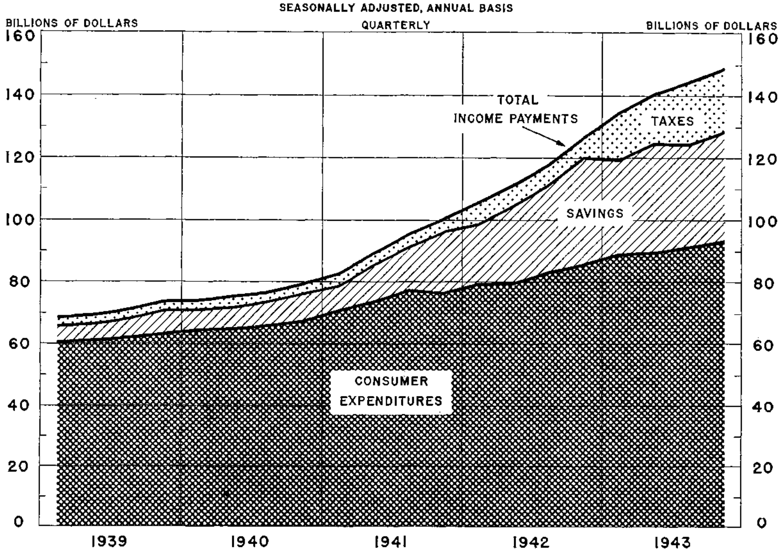
The phenomenal production record of 1943 brought a corresponding increase in incomes received by the American people and, since the additional output was for war purposes and only part of the additional income was absorbed in taxes, there was a widening spread between the amount of disposable income and the goods on which it could be spent. As a result, inflationary pressures increased throughout the economy. Excess dollars in the hands of consumers threatened to bid up retail prices and to strain price controls. Pressures developed from various economic groups to increase their gains at the expense of others and of the public at large.

Pressure of rising incomes on prices. Incomes received by individuals increased by 26 billion dollars from 1942, as shown on the chart. Additional tax payments absorbed less than half of the increase, leaving the people with 15 billion more of disposable income than in the preceding year. Of this about 8 billion went into increased consumer expenditures, and since there had been no considerable increase in the supply of consumer goods, most of it was reflected in price increases. About 7 billion dollars was absorbed in an increase in current savings above the 1942 level, and was added to the reservoir of liquid funds in the hands of the public. The fact that taxes did not absorb a larger share of the growing consumer income exposed price and rationing controls to heavy pressures. Although the stabilization program held price increases within fairly narrow limits, controls failed to check the growth of inflationary pressures throughout the economy.

The cost of living as measured by the Bureau of Labor Statistics index continued to rise through the first half of 1943 but in the second half was stabilized and, in response to subsidy policies, even declined somewhat. At the end of the year the combined index stood 7 per cent above the 1942 average. The price of some commodities, food in particular, rose more sharply from the 1942 level. Net income of farm operators continued to rise sharply and for the year as a whole was more than 30 per cent higher than in 1942. The increase in incomes was largely due to increased prices received by farmers rather than to an increase in output. The use of subsidies cushioned the impact of higher farm prices and was instrumental in preventing larger increases in prices to consumers. Average wage payments continued to increase because of shifts to industries with higher wages, fur-

INDIVIDUAL INCOMES, EXPENDITURES, AND TAXES

SEASONALLY ADJUSTED, ANNUAL BASIS
QUARTERLY



NOTE.—Department of Commerce data through second quarter of 1943; data for last two quarters of 1943 are estimates.

ther increases in hours worked, and upward adjustments of wage rates within the limits of the stabilization program. Total income of employees was 25 per cent above the 1942 level. Investment incomes received by individuals increased less rapidly than other types of income but corporation profits continued to rise and profits after taxes were slightly above the 1942 level.

The problem of stabilization. At the end of 1943 the country was facing the problem whether inflationary increases in incomes would be permitted to continue and at what rate. Expansion of money incomes, which had accompanied the increase in output and employment during the earlier stages of the war production program, continued although the increase in war production had flattened out. Price and rationing controls, which have been reasonably successful in protecting prices against the pull of excessive consumer demand, were threatened at the end of the year by the growing upward pressure of wages, farm prices, and profits. A stemming of this tide will be the most urgent task of stabilization policies in the coming year.

The need for maintaining orderly controls over wartime prices and income is even more important in relation to the subsequent transition to a peacetime economy. The task of shifting to peacetime employment the millions of persons now engaged on war orders and the millions to be demobilized from the armed forces will be enormous. Should there be an interval between the termination of war in Europe and in the Far East, gradual reconversion of industry and gradual release of service men and war workers will simplify the problem. Public policy, however, must be prepared to meet a sudden cessation of active warfare on both fronts and to prevent large-scale unemployment should it threaten to develop.

While some workers will withdraw from the labor market and a general shrinkage of hours of work will result in additional opportunities for employment, most of the personnel released from the services and from war industries will have to depend for jobs on increased production of civilian goods and services. The less delay in returning to a high volume of peacetime production, the smaller will be the unemployment problem in the transition period. But a relatively high level of income and employment in this period will also mean a continued pressure on the prices of those consumer goods of which supplies have not become ample.

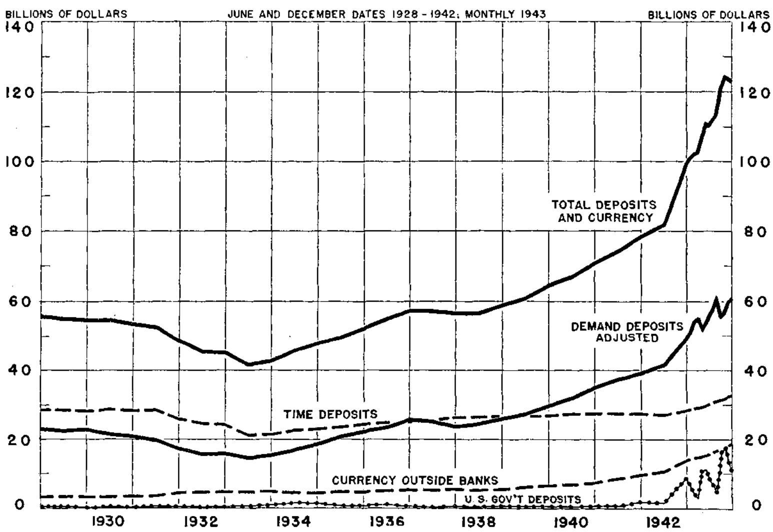
To assure a successful transition to a peacetime economy, it is thus most essential that price, wage, and rationing controls be maintained intact during the remainder of the war and be supported by adequate tax measures. Failure to do so will leave the economy with insufficient controls in the immediate postwar period, when public opinion may be expected to be less responsive to the adoption of new restrictive measures and the continuance of old ones. Maintaining orderly inflation controls during the war appears to be the first condition for a transition to a peacetime economy which will avoid maladjustments and assure the maintenance of a high level of income and employment.

Continuing and strengthening monetary policies designed to hold monetary expansion to a minimum, and fullest cooperation from the public in carrying these policies into effect, are requirements of a successful transition to peace. The future problem is made more difficult by the fact that, up to the present, financing of war expenditures has been accompanied by an expansion in deposits arising out of the purchase of Government securities by banks.

Bank deposits plus currency outside of banks expanded by more than 23 billion dollars during 1943, as shown by the chart. This followed a growth of about 21 billion in 1942 and brought the total to nearly 123 billion by the end of 1943. Adjusted demand deposits and United States Government deposits accounted for 14 billion of the growth and currency outside banks for 5 billion. Time deposits, which had shown little change in 1943, expanded by almost 4.5 billion.

Individuals have increased their liquid assets by more than 40 billion dollars in the past two years. Industrial corporations and other business enterprises have built up huge liquid balances, mainly for working capital in war production, and some of these will be released during the transition to peace. States, municipalities, and other local governments have also increased their liquidity by debt reduction and accumulation of reserves. These liquid funds can be an asset or a liability to the economy in the search for postwar security and prosperity, depending upon how they are used. If they are put to work creating useful peacetime goods and services, they will cushion the shock of the transition period and will help to maintain a high level of national income and employment. But if these funds are disbursed too early or too rapidly, they will contribute to inflationary price increases which may endanger postwar stability.

BANK DEPOSITS AND CURRENCY



If the United States is to continue to realize its potentialities in peacetime, it must aim for ever increasing production and consumption. The war has shown the enormous productive power of the economy when there is a demand for its product. The long-term problem of postwar prosperity will be to maintain a high level of demand for capital and consumption goods with a consequent high level of output, employment, and income.

The wartime growth in the money supply carries with it a threat of inflationary price advances during and immediately after the war. The most effective means of preventing such inflationary developments is to raise as large a part of war expenditures as possible from taxation, and to depend as little as possible on borrowing and particularly on borrowing from the banking system. It is clear, however, that so far the additional revenue raised by taxation in this country has not been sufficient in view of the growth in consumer and business incomes or of the country's urgent needs.

Monetary policy and inflation. It is believed by many that inflation and deflation can be prevented by monetary action. The fact that the Federal Reserve System has the power, through changes in the discount rate, through open-market operations, and through modifications in reserve requirements, to make money dearer and scarcer in a boom and cheaper and more abundant in a depression has been taken as an indication that monetary authorities are able, by their actions alone, to maintain economic stability. This is a greatly magnified view of the influence of monetary action on the course of economic life.

In the past quarter century it has been demonstrated that policies regulating the quantity and cost of money can not by themselves produce economic stability, or even exert a powerful influence in that direction. The country has gone through boom conditions at times when monetary restraints were being exerted and interest rates were extremely high, and it has continued in depression at times when an active policy of monetary ease was in effect and money was both abundant and cheap. Economic stability depends on a complex of forces and policies, of which credit policy is only one. In order to be effective in bringing about stability the regulation of the availability and cost of money must be integrated with a flexible fiscal policy and at critical times reinforced by direct controls over prices, wages, and supplies. Further experience with selective credit controls, which are discussed elsewhere in this Report, may also bring fruitful results.

An important consideration at this time is that, while monetary policy can not by itself prevent inflation, inflationary conditions are certain to result in heavy upward pressure on money rates. When the buying power of money is declining holders of money prefer to exchange it for commodities, equities, or real estate, rather than to invest it at a fixed rate of return, and others are willing to pay high rates for money to be used in speculation and speculative ventures. Consequently, money rates are always extremely high during an inflation. This is an additional reason why, in view of the enormous growth of our public debt, it will be vitally important to keep direct controls in effect after the war is ended, and thus to hold the line on economic stability. These controls can not be abandoned with safety until the flow of civilian goods from the reconverted industrial plant will be sufficient to meet the deferred and current demand of the people backed by their unprecedented holdings of cash and liquid assets.

INTERNATIONAL MOVEMENT OF GOLD, GOODS, AND CAPITAL

The increased magnitude of our war effort in 1943 was reflected in a strengthening of the trends in international trade and finance which were evidenced in the preceding year. Although the merchandise export surplus was the largest in history, foreign countries acquired a considerable amount of gold from the United States while at the same time adding substantially to their dollar balances. These developments reflect the huge expansion of lend-lease exports and the large expenditures for goods and services in foreign countries by the United States Government and by our troops serving abroad.

Total exports in 1943 (excluding shipments to our armed forces abroad) were valued at some 12.7 billion dollars, of which 9.9 billion represented lend-lease goods; in 1942 exports totaled 8 billion dollars, of which 4.9 billion were on lend-lease account. "Cash" exports thus declined from 3.1 billion dollars in 1942 to 2.8 billion in 1943, reflecting the increasing pressure of war requirements upon the output of goods for civilian use and upon the availability of shipping space. Merchandise imports, on the other hand, rose from 2.7 billion dollars in 1942 to 3.4 billion in 1943, largely because of increased deliveries from Latin America. Thus despite record exports in 1943, our international trade on a "cash" basis actually resulted in a net deficit of about 600 million dollars as compared with a surplus of 400 million in 1942. At the same time, the "service" items in the international balance of payments of the United States, increasingly influenced by expenditures in foreign countries by the United States Government and by American troops serving abroad, also called for large net payments to foreigners during 1943.

As a result primarily of the net payments by the United States to foreign countries on account of merchandise trade and services, these countries as a group were able to make substantial gold purchases in the United States and still to build up their dollar balances. The central banks of many Latin American countries and of some of the European neutrals converted sizable amounts of their existing or accruing dollar balances into gold, practically all of which was earmarked at the Federal Reserve Bank of New York. As a result of these and other transactions, the total gold holdings of foreigners in this country increased by 804 million dollars during 1943 to 3,477 million at the end of the year. This increase was almost matched by a reduction in the monetary gold stock of the United States, which declined by 788 million dollars during the year to 21,938 million; the net effect of other factors affecting the monetary gold stock (gold exports and imports, domestic gold production, and changes in the holdings of the Stabilization Fund) was insignificant. During 1942, gold under earmark for foreign account had increased by 458 million dollars, but this movement was almost wholly offset by other factors (especially gold imports and new domestic production) so that the monetary gold stock scarcely changed over the year as a whole.

In addition to foreign purchases of gold, foreign banking funds in the United States were built up by a net amount of 1,176 million dollars during the year as compared with 464 million in 1942. In line with the wartime trend, practically all of this gain was in the accounts of foreign central banks and governments, which at the end of the year held short-term funds with banks in the United States amounting to 3,099 million dollars. Of this amount, 1,080 million represented investments in United States Treasury bills and certificates of indebtedness; almost half of the net increase in official foreign banking funds during 1943 was invested in this form.

There was a capital inflow to the United States of 105 million dollars during 1943 as a result of transactions in securities, principally foreign bond redemptions in this market, but this gain was partly offset by an increase of 40 million dollars during the year in the special loan to the Chinese Government by the United States Treasury and by some small increase in outstanding Export-Import Bank credits.

WAR FINANCE

Monetary developments during 1943 were dominated by war finance. A great volume of funds was obtained through taxation and through the sale of United States Government securities to nonbank investors. Total financial requirements, however, exceeded the amounts raised from these sources and the balance was derived from the sale of Government securities to the banks.

In wartime the determining factor of public finance is the amount needed to prosecute the war. To the extent that this is not met by tax revenue it must be raised by borrowing. It is the function of financial authorities to formulate and carry out a financing program that will supply funds as they are needed with the least disturbance to the monetary system and with as little inflationary effect upon the economy as possible. The Federal Reserve System did all in its power during 1943 to contribute to the achievement of these objectives. More specifically:

It cooperated with the Treasury in the two major war loan drives and in the continuous effort to sell bonds through pay roll savings plans in order to secure as much nonbank investment as was possible.

It took measures to assure sufficient reserves to the banking system to enable banks to purchase such Government securities as had to be issued in excess of those taken by other investors.

It maintained stable conditions in the United States Government security market and kept prices and yields within a pattern agreed upon with the Treasury. This policy facilitated the sale of securities by removing all incentive for delaying investment and by encouraging purchasers to hold the securities they had acquired.

The Board recommended to Congress that United States Government deposits with banks arising out of war loans be exempted from reserve requirements. Congress adopted this recommendation.

In addition to using its powers and resources to facilitate Treasury financing, the Federal Reserve continued to participate in the Government program for guaranteeing loans to contractors and subcontractors engaged in war production. From the inception of this program in the spring of 1942 until the fall of 1943, guarantees were in general restricted to loans made to furnish working capital. In September, to meet a situation arising out of changes in war requirements, loans to enable contractors to free their own working capital from war projects were made eligible for guarantee in case of contract cancellation.

Federal expenditures and receipts. In this war Government expenditures for all types of war purposes have far exceeded those of the last war. The number of persons in the armed forces is larger and expenditures for subsistence and pay are correspondingly greater; much more elaborate and expensive equipment is needed; transportation, communication, and storage facilities cover a wider range of the world's area; and the Government has participated to a greater extent in financing expansion of plants, other facilities, and inventories needed for war production. Current expenditures for all these purposes, together with those for regular Government activities, have been greatly in excess of current tax receipts, and the balance has had to be obtained by borrowing from banks and the public.

Government expenditures in 1943, including those of Government corporations, totaled 91 billion dollars, 85 billion of which was for direct war purposes, while Government receipts amounted to 35 billion. To balance expenditures and to enlarge the balance in the Treasury's fund, the interest-bearing direct and guaranteed debt was increased by 57 billion, of which 39 billion was in marketable issues, 15 billion in nonmarketable issues, and the remainder in special issues sold to Government agencies and trust funds.

The 57 billion dollar increase in debt should be viewed with reference to tax receipts of 35 billion, an increase of 18 billion over 1942. The increase in tax receipts reflected greatly increased incomes during 1943, the higher tax levies adopted by Congress in 1942, the placing of personal income taxes on a current payment basis, and the introduction of a system of source collection during 1943. Legislation for additional revenue was under consideration at the close of the year.

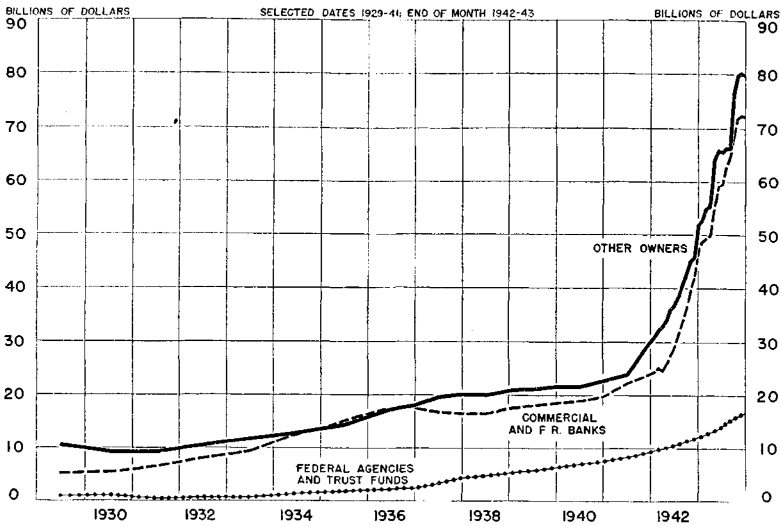
Nonbank purchases of Government securities. In the war loan drives of April and September, and in the campaign for the sale of savings bonds through pay roll savings plans, the Treasury and the Federal Reserve System constantly endeavored to place as large a part of the public debt as possible outside of the banking system. The authorities endeavored in every way to make it clear to the public that bond purchases were a protection against inflation now and a source of security after the war. The increase in ownership of Government securities by bank and nonbank holders is shown on the chart on the following page.

Nonbank investors took 57 per cent of the increase in public debt during 1943 as compared with 51 per cent in 1942. Increases in holdings outside banks totaled 32 billion dollars in comparison with 24 billion in the preceding year and consisted of 14 billion in savings bonds and tax notes, 4 billion in special issues to Government agencies and trust funds, and 14 billion in marketable issues. Millions of Americans bought securities in each drive, and purchases by individuals of longer-term marketable bonds and regular deductions from wages and salaries for investment in savings bonds increased substantially during the year. By December sales of Series E bonds under pay roll savings plans were 460 million dollars a month, an increase of 105 million over December 1942.

In terms of sales to nonbank investors and of total sales for the year the most important features of Treasury financing were the April and September drives. Purchases during the drives totaled 37 billion dollars and accounted for 65 per cent of the increase in the public debt during the year. In the April drive, when purchases by commercial banks were limited to 5.1 billion, nonbank investors bought 13.5 billion of securities; the corresponding figure was 18.9 billion in the September drive, when sales to banks were not permitted.

Sales to individuals, partnerships, and personal trust accounts, which absorbed funds that might otherwise have been used to bid up prices of the limited supply of consumer goods, were 5.4 billion in the fall drive as compared with 3.3 billion in the spring drive. This marks progress in the effort to finance the war in a noninflationary way. Insurance companies, mutual savings banks, and nonfinancial corporations invested 12.9 billion dollars in securities during the September drive, considerably more than in the April drive.

OWNERSHIP OF U. S. GOVERNMENT SECURITIES



Important features of the war loan drives have been the offering of a variety of issues in order to attract funds from all groups of nonbank investors, full allotment of subscriptions, and a nation-wide organization of volunteer workers. In addition to the three types of savings bonds and the savings notes that are continuously available, during the drives three issues of marketable securities of different maturities were offered. They consisted of certificates, intermediate Treasury bonds, and long-term Treasury bonds.

Purchase of Treasury issues by commercial banks. The increase in holdings of Government securities by commercial banks during 1943 amounted to 34 per cent of the increase in the public debt compared with 41 per cent in 1942. In addition there were substantial purchases by the Reserve Banks which raised the total volume taken by the banking system to 43 per cent of the expansion in debt as compared with 49 per cent in 1942. Subscriptions by commercial banks were limited to 5.1 billion dollars in the April drive, were excluded from the September drive, and were restricted to 3.2 billion in the period immediately following that drive.

In addition to subscriptions for new issues, banks purchased some securities in the market from other holders, and in the first half of the year took a portion of the increase in regular weekly offerings of Treasury bills. Most of the increase in bills outstanding, however, was absorbed by the Reserve Banks, the larger part of which represented purchases under option agreements from member banks needing reserves. The outstanding characteristic of bank investment during 1943 continued, as in 1942, to be a growth in both amount and proportion to total portfolio in holdings of short- and medium-term Government securities. At the end of the year 24 per cent of the marketable Government securities held by commercial banks had maturities of less than one year and 86 per cent were to mature within 10 years, compared with 10 per cent and 63 per cent respectively at the end of 1941. In 1943 as in most of 1942, bank subscriptions for new securities were limited by the Treasury to maturities not exceeding 10 years.

Exemption of Treasury war loan deposits from reserve requirements. It has been the practice of the Treasury beginning with the first World War to authorize banks to pay for United States Government securities purchased for their own account or for account of their customers by giving the Treasury credit in so-called war loan accounts. This practice avoids large transfers of funds to the Reserve Banks when securities are sold and makes for greater stability in the money market. The Treasury gradually calls on depositary banks for such amounts as it requires, and since these calls correspond closely to current disbursements, the effect of Treasury transactions on the money market is greatly diminished.

At the beginning of 1943 a great many commercial banks had not qualified for carrying war loan accounts, notwithstanding the urging of the Treasury and the Federal Reserve authorities that banks make full use of such accounts. To encourage their use the Board recommended and in April Congress enacted legislation exempting war loan deposit accounts from reserve requirements and from assessments for deposit insurance.

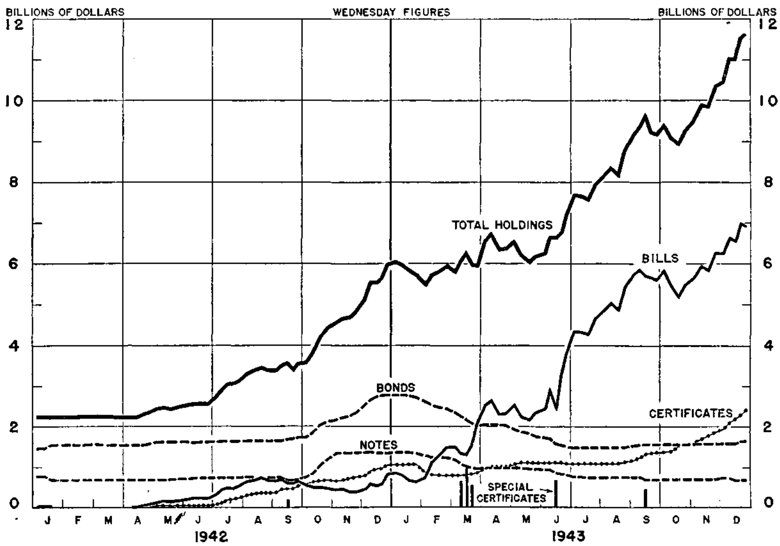
As a result of this legislation, the amount of reserves that banks were required to hold declined sharply in periods of extensive Government financing when bank customers drew on their deposits to pay for Government securities. This gave the banks additional temporary reserve funds, a part of which they invested in Treasury bills or other securities. Later, as the Treasury drew upon the war loan accounts and the funds returned to other accounts, thus increasing the amount of required reserves, the banks sold some of the securities in order to obtain the additional reserves needed.

In these transactions the banks made use of the posted buying rate on Treasury bills established by the Federal Open Market Committee in 1942. The establishment of a fixed rate of discount on bills, together with the option to repurchase at the same rate, was undertaken in 1942 for the purpose of stabilizing the bill market, effecting a broader distribution of bills, and facilitating prompt adjustment of bank reserves to changing conditions. During 1943 banks made extensive use of the facilities offered by the Federal Reserve to the bill market, and this practice helped to achieve the desired results. Toward the end of the year many banks sold certificates to the System Account in order to obtain needed reserves.

Federal Reserve purchases of Government securities. Maintaining the structure of prices and yields of Government securities, and supplying banks with adequate reserves to enable them to purchase such amounts of

Government securities as banks were called upon to take, continued to be the general objectives of Federal Reserve purchases of Government securities in 1943. During the year holdings of United States Government securities by the Reserve Banks increased by 5.4 billion dollars, as shown on the chart. Bill holdings increased by 5.8 billion and certificate holdings by 1.4 billion, while holdings of bonds and notes declined by 1.8 billion.

RESERVE BANK HOLDINGS OF U. S. GOVERNMENT SECURITIES

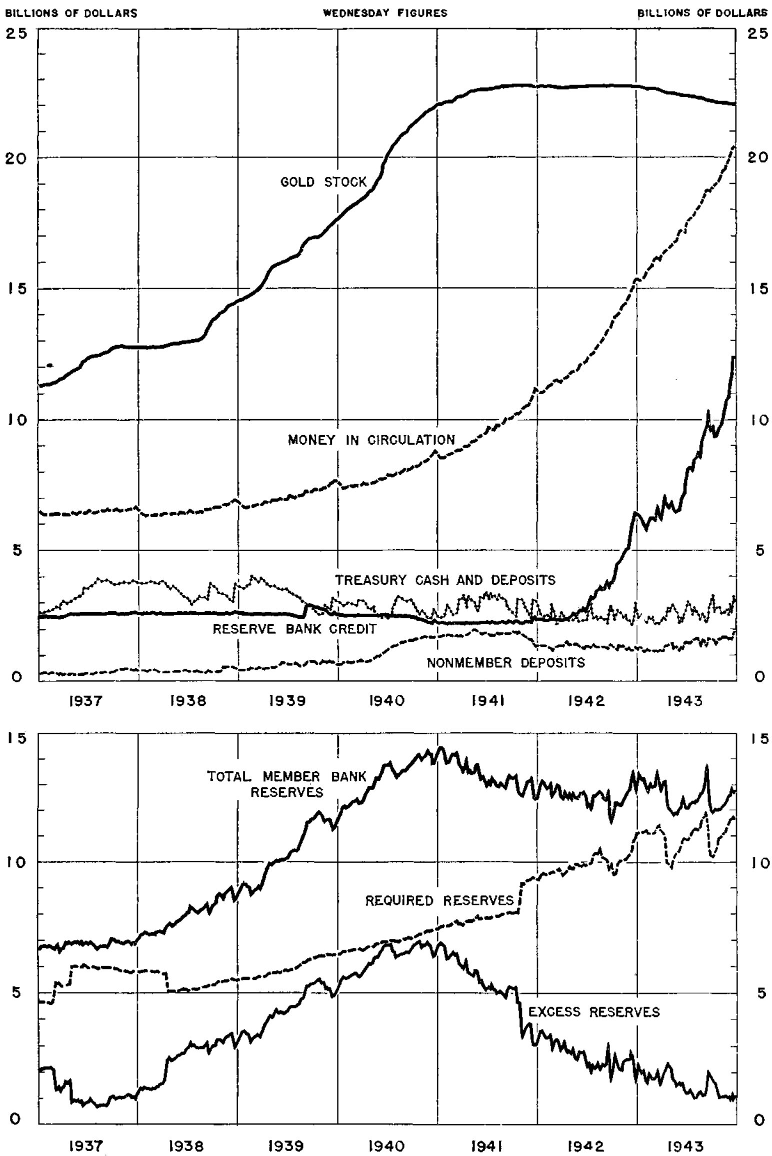


Treasury bonds were sold by the Reserve System in the first half of the year, when there was a large demand in the market. These sales helped to maintain the structure of yields on Government securities. The increase in certificate holdings came toward the close of the year and reflected largely the purchase of certificates sold by commercial banks in order to replenish reserves drawn down by currency outflow and to meet increases in required reserves. Purchases of special short-term Treasury certificates directly from the Treasury were made by the Reserve Banks from time to time, principally to avoid temporary declines in member bank reserves around income tax dates. Holdings of such certificates, by dates, are shown on page 67. Throughout the year the Reserve Banks purchased and sold large amounts of Treasury bills in response to changes in the reserve position of member banks.

The principal cause of the demand for reserve funds was the continuous growth of money in circulation, which amounted to 5 billion dollars in 1943 following an expansion of 4.2 billion in 1942. The currency outflow was fairly evenly distributed throughout the year. Since a growth in money in circulation, other things being equal, occasions a dollar-for-dollar drain on bank reserves, it necessitates Federal Reserve purchases of Government securities in order to adjust the reserve position of the banking system.

Other influences contributing to loss of reserves were an 0.8 billion dollar decline in the monetary gold stock, which had remained steady at about 22.7

MEMBER BANK RESERVES AND RELATED ITEMS



billion from the middle of 1941 to the beginning of 1943, and a growth of 0.6 billion in funds held by foreign central banks and governments in their accounts at the Reserve Banks. Some additional reserves of a more or less temporary nature were supplied by the issuance of Federal Reserve Bank notes and by small reductions in Treasury and nonmember bank deposits at the Reserve Banks. The net result of the various factors was a relatively small decline in member bank reserve balances, as indicated by the chart.

Required reserves increased somewhat, owing to the rapid growth of bank deposits which was occasioned by bank purchases of Government securities. Deposits expanded by 18 billion dollars at all banks in the country, which is to be compared with an expansion of 5 billion in currency in circulation. The effect of this growth upon the reserve position of banks was relatively small, however, both because of fractional reserve requirements in general and because of the total exemption from reserve requirements of United States Government war loan accounts which became effective during the year.

Excess reserves of member banks, which had been declining continuously from the peak of 7 billion dollars reached near the end of 1940, declined from a level of about 2 billion at the beginning of 1943 to about 1 billion at the end of the year. As in 1942, the heaviest drain on reserves was felt in New York, where the Treasury continued to raise more funds than it spent there. Commercial banks in New York, Chicago, and in some other cities continued to follow a policy of relatively full investment of their funds and adjusted their reserve positions through the purchase and sale of Treasury bills under the buying rate and repurchase agreement of the Reserve Banks. At reserve city banks excess reserves declined from a level of about a billion dollars at the end of 1942 to about 300 million at the end of 1943.

The buying rate on bills established by the Reserve System, combined with the option to repurchase at the same rate, works in the direction of giving banks greater flexibility in the management of their reserve funds. Also, the maintenance of the broad level of prices of other Government securities provides a high degree of liquidity. Under these policies and with the large volume of short-term securities held by banks, excess reserves no longer have the special significance for bank liquidity that has been attached to them in recent years. In general, however, most banks continue to carry some excess reserves and there appear to be a few which have the clear policy of not allowing their excess reserves to fall below certain fixed levels. Country banks have gained reserve funds as their requirements have grown and their excess reserves continued close to 800 million dollars in 1943 as in 1942.

Prospects on interest rates. Rates of interest on Government securities were maintained during the year within a range from 3/8 of 1 per cent on three-month bills to 2½ per cent on long-term bonds. The bill rate was determined by the fact that, by direction of the Federal Open Market Committee, the Federal Reserve Banks stood ready to buy all Treasury bills offered at that rate, while the bond rate largely reflected conditions in the investment market. The long-term Government bond market was strong in 1943 and the System, as a part of its policy to maintain stable conditions in that market, sold substantial amounts of bonds in the early part of the year. Rates on other high-grade bonds also remained at low levels. Short rates, after a sharp rise from the low point reached in 1940, are still low compared with past periods and could advance further in response to market conditions without affecting the rate on long-term money.

Long-term rates on Government bonds have become stabilized at their present level after a decline lasting for many years. The present situation raises the question of the probable trend of long-term interest rates after the war. Prospects are that conditions in the postwar period will favor the continuance of low long-term interest rates. Individuals and corporations will have an enormous volume of liquid assets accumulated in the period of high incomes and restricted opportunity for the purchase of goods. In addition, so long as the national income remains high there will be a large amount of current savings available for investment. The situation will differ radically from that after the last war, when liquid accumulations of businesses and individuals were far smaller than now. Also, banks were then borrowing heavily, whereas now they are practically free from debt.

Public policy with regard to long-term interest rates should be part of a program to achieve continuous full utilization of the country's material and human resources. It should be formed with reference to the fact that after the war this country will be the greatest creditor nation in the world and that in creditor countries, according to past experience, the interest rate on long-term capital is likely to be low.

Over the years a low cost of money to borrowers on long-term should tend to promote increased employment by encouraging capital outlays in both old and new enterprises. It would facilitate the task of refunding the public debt and safeguard the value of Government security holdings of the millions of individuals, educational institutions, trusts, banks, insurance companies, and other investors, who have placed tens of billions of dollars in Government bonds to help finance the war.

Guaranteed loans to industry. The program for guaranteeing loans to industry for war production, under which the Federal Reserve Banks are serving as fiscal agents for the War Department, the Navy Department, and the United States Maritime Commission, continued to provide financing for current war production and was also broadened in September 1943 to provide for the release of the working capital invested by contractors in war production at the time of contract terminations. The decision to broaden these credit facilities was reached with a view to preventing any lag in war production, as set forth in more detail on page 20.

Guaranteed loans to industry for war production were first provided for by the President's Executive Order 9112, issued on March 26, 1942. The War and Navy Departments and the United States Maritime Commission were authorized to guarantee and to make loans for the purpose of financing contractors, subcontractors, or others engaged in any business or operation deemed by those agencies to be necessary, appropriate, or convenient for the prosecution of the war. The Federal Reserve Banks were authorized to act as agents in carrying out the provisions of the Order, subject to the specific instructions of the guaranteeing agencies and the general supervision of the Board of Governors.

After consultation with the guaranteeing agencies, the Board issued its Regulation V, effective April 6, 1942, prescribing general rules and policies for the guidance of Reserve Banks in handling guaranteed loans under the war financing program. There has been no necessity for changing the Regulation since that time. The adoption by the guaranteeing agencies of a new standard form of guarantee agreement, dated April 6, 1943, made no change in policy with respect to loans. The new form incorporates the substance of the one formerly used, and the general intent of the agreement remains the same. The scope of operations under the guarantee program was enlarged by Executive Order 9336, issued by the President on April 24, 1943. This order authorized the Office of Lend-Lease Administration and the War Shipping Administration to indemnify any guarantees made on their behalf or for their benefit by the War and Navy Departments and the Maritime Commission.

During the summer of 1943, it became increasingly evident that many businesses engaged in war production were reluctant to assume additional war contracts because of the fear that their working capital would be tied up in such contracts at the termination of the war. They felt this might delay their return to peacetime operations and thus put them in an unfavorable competitive position. In order that war production schedules might not be interfered with because of such fears, the guaranteeing agencies and the Board of Governors announced on September 1 a broadened basis for the guaranteeing of loans under Regulation V which enables contractors who make arrangements in advance to obtain the use of most of their own working capital promptly upon termination of their contracts.

Loans guaranteed upon this broadened basis are known as VT loans to distinguish them from loans made without special reference to release of working capital. The maximum amount of credit which a contractor may obtain under a VT loan is based upon his receivables, inventories, work in process, and, without duplication, amounts paid or to be paid by him to subcontractors or suppliers because of contract cancellations. Guarantee agreements for VT loans provide that the percentage of the loan guaranteed is not subject to increase upon cancellation of war production contracts as is the case with V loans. Also, provision is made for the guaranteeing agency to share in any commitment fee charged the borrower on the undisbursed portion of the loan, which fee is limited to one-half per cent per annum. VT loans approved to the end of the year 1943, which are included in the figures of guaranteed loans given below, aggregated 924 million dollars for 132 loans.

By the close of 1942 the War and Navy Departments and the Maritime Commission had approved 2,700 applications for guarantees of loans totaling 2.7 billion dollars. By December 31, 1943, the number of approved applications had increased to 5,300 and the amount to 6.6 billion dollars. Loans outstanding at the end of the year under executed agreements amounted to 1.9 billion dollars, of which 1.6 billion were guaranteed. In addition, about 3.1

billion dollars were available to borrowers under guarantee agreements outstanding.

A recent analysis indicated that over one-half of the number of guaranteed war production loans were for $100,000 or less, and less than 12 per cent were for more than 1 million dollars. Loans of 25 million dollars or more constituted about one-half of the aggregate dollar amount of loans approved. The percentage distribution of the number of loans authorized, according to size of loan, is given below.

Amount of loan	Percentage of total number of loans	Cumulative percentage distribution
Up to $5,000	3.6	3.6
$5,001–$10,000	5.1	8.7
$10,001–$25,000	11.9	20.6
$25,001–$50,000	13.7	34.3
$50,001–$100,000	16.7	51.0
$100,001–$250,000	16.9	67.9
$250,001–$500,000	12.4	80.3
$500,001–$1,000,000	7.9	88.2
$1,000,001–$5,000,000	9.0	97.2
$5,000,001–$10,000,000	1.4	98.6
$10,000,001–$25,000,000	0.8	99.4
$25,000,001–$50,000,000	0.3	99.7
Over $50,000,000	0.3	100.0

A majority of the borrowers have been relatively small business concerns. As shown by the second table, in which borrowers are classified according to assets, 25 per cent had assets of less than $50,000 each and 68 per cent had assets of less than $500,000 each.

Assets of borrower	Number of borrowers	Percentage of total number
Under $50,000	[1]801	24.7
$50,000 to $500,000	[2]1,417	43.6
$500,000 to $5,000,000	814	25.1
$5,000,000 and over	198	6.1
No information	15	0.5
Total	3,245	100.0

[1] Includes 171 borrowers, for whom asset size is not available, with loans of less than $50,000 each.
[2] Includes 113 borrowers, for whom asset size is not available, with loans of between $50,000 and $100,000 each.

Most of these loans and agreements to make loans were made by commercial banks, but other financing institutions have also participated. Very large loans have been handled through participations entered into by a number of institutions. In a few cases V-loan financing has been provided by the Federal Reserve Banks and by the Reconstruction Finance Corporation.

Functions of the Reserve Banks with respect to the negotiation of V loans include analysis of the financial integrity of the applicant, determination of the type of financing best suited to meet the particular situation, and the preparation of the necessary documents. In the interest of decentralization and to speed up the V-loan procedure, applications for guarantees are handled without reference to Washington on behalf of the War Department when the amount of the loan is not more than $100,000 and on behalf of the Maritime Commission when the guaranteed portion of the loan is not more than $100,000. All other applications for guarantees are submitted to Washington for approval. Utilization of the twelve Federal Reserve Banks and their twenty-four branches has decentralized the financing of war production to a considerable extent, and facilitated the procedure for the Government as well as for loan applicants.

SELECTIVE CREDIT CONTROL BY THE FEDERAL RESERVE

As indicated in preceding sections of this Report, Federal Reserve policy during the year was principally concerned with supporting war financing with as little inflationary consequence as possible. Among the several instruments of credit control at the disposal of the Board of Governors, however, there are two which differ in principle and method from the others. These are the regulation of stock-market credit by fixing minimum margin requirements and the regulation of consumer credit by such methods as prescribing minimum down payments and fixing maximum maturities. The mechanism of these controls, like that of the others, is such that they can be either stiffened or relaxed from time to time, by administrative action, as circumstances may demand. They differ from the other methods, however, in two major respects. (1) They impose a limit on the amount of credit that borrowers and other credit users are in position to demand, rather than on the cost and volume of credit that lenders have available; they may, therefore, limit the use of credit, regardless of the fact that there may be an abundant supply. (2) They influence the volume of credit by affecting the amount used for specified purposes rather than by limiting the amount used for all purposes. Because of this last characteristic, these instruments of credit control are sometimes called "selective" instruments.

The addition of such instruments as these to the formal arsenal of a central banking system is a comparatively recent innovation. They have been used informally by different central banks for a long while, but significant legislation dates back only to 1934 when the Securities Exchange Act directed and empowered the Board to fix margin requirements "for the purpose of preventing the excessive use of credit for purchasing or carrying securities." The analogous power to regulate consumer credit was inaugurated in August 1941, when an Executive Order, effective for the present national emergency, was issued by the President. Up to the present time, therefore, the System's experience with these new instruments has been of short duration, but it has nevertheless been long enough to provide significant materials for the study of the principle which they embody.

This principle has accordingly been under continuous study, both inside and outside the Federal Reserve System, not only in its application to the fields to which it has already been applied but also in more comprehensive applications. Such studies take account of the historical fact that there are times when the traditional monetary controls, such as the discount rate and open-market operations, are wholly or largely inapplicable. Constructive possibilities which the selective principle may offer in these and other types of credit, by way of contributing to the long-run stability of a progressive national economy, are worthy of thorough exploration.

Margin requirements. Since November 1, 1937, requirements under the Board's Regulations T and U relating to extensions of credit for the purpose of financing security transactions have remained the same. At that time, coincident with the decline in stock prices, margins on security purchases were reduced to 40 per cent and margins on short sales were set at 50 per cent.

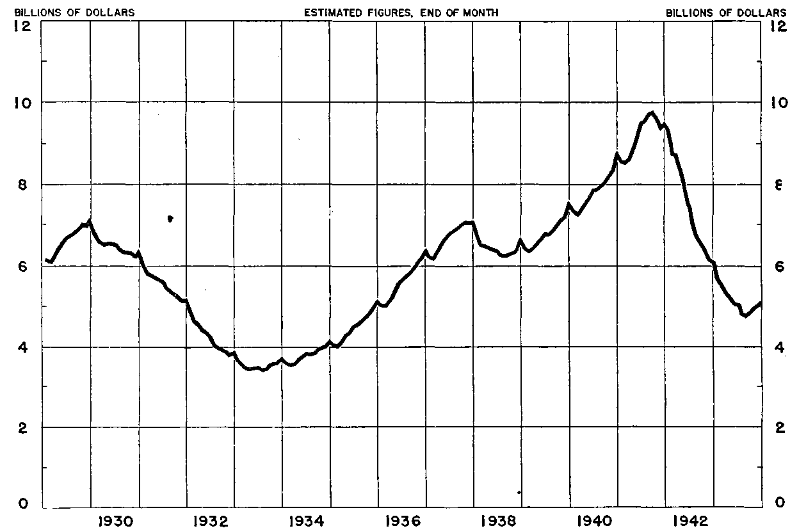
During the six-year period from November 1, 1937 to December 31, 1943, the stock market operated within a relatively narrow range. Only for a short time in the early part of 1942 did the price level fall below the low point of 1938, and it did not at any time rise above the high point of that year—although a sustained advance beginning in 1942 had by July 1943 carried prices to a point above the high of 1941 and about level with the high points of 1938, 1939, and 1940. Subsequently prices fell off slightly but remained near the level attained in July. Throughout this six-year period the volume of trading was considerably below that of earlier years, although there was a considerable but short-lived increase in activity in the first half of 1943. Debit balances of customers of New York Stock Exchange firms which aggregated about 1.1 billion dollars in October 1937 declined to about 0.5 billion in August 1942. Coincident with the recovery in the market, customers' debit balances rose to about 0.8 billion dollars at the end of July 1943, and they remained close to that general level throughout the rest of the year.

The sustained advance in stock prices which began in April of 1942, coupled with the subsequent increase in trading and the growing total of customers' debit balances, particularly during the first half of 1943, emphasized the importance of giving careful attention to the various factors of the situation, including the possibility that a runaway stock market might contribute to inflationary sentiment in the country as a whole. Conditions did not, however, appear at any time to be such as to call for an increase in margin requirements, although it was recognized that the situation should be watched closely so that precautionary measures could be taken well in advance of dangerous developments.

Restrictions on consumer credit. During 1943, restrictions on consumer credit, as applied through the Board's Regulation W, continued in much the same form as those made effective on May 6, 1942, when the Regulation was amended to expand its scope. On a wide list of consumer durable and semidurable goods, instalment sales are required to have down payments of at least 33⅓ per cent and maturities not exceeding 12 months. Sales of listed articles in charge accounts must contemplate payment by the tenth of the second calendar month after the purchase. Instalment loans are also limited to 12 months and single-payment loans are limited to 90 days with renewals totaling not more than 12 months from the date of the original loan. In the course of the year a few minor administrative changes were made in the provisions of the Regulation for the purpose of helping merchants to meet operating problems.

As is shown by the chart, outstanding consumer credit continued to decline during the year but at a less rapid rate than in 1942. At the lowest point, on August 31, the total amounted to about 4.8 billion dollars, which was 23 per cent less than the 6.2 billion dollars outstanding on December 31, 1942. During the last four months of the year, largely for seasonal reasons, consumer credit expanded to about 5.2 billion dollars, and the net decline for the year was about 1 billion.

CONSUMER DEBT



SOURCE.—This series was assembled by the Bureau of Foreign and Domestic Commerce from monthly estimates of consumer instalment debt 1929–1938, prepared by Duncan Holthausen while at the National Bureau, and annual estimates of all types of consumer debt originated by Rolf Nugent of the Russell Sage Foundation. In August 1942 the series was transferred from the Bureau of Foreign and Domestic Commerce to the Board of Governors. This series is limited to debt maturing within five years and consists of instalment and single payment loans and of charge account and instalment credit for goods and services.

Regulation W has continued to play a part, although clearly a relatively small part, in the national effort to restrain inflationary forces. A certain amount of consumer income has been absorbed in retiring pre-existing debt; less new debt has been created than would otherwise have been the case; and what new debt has been incurred has been paid off more rapidly. For example, instalment purchases at furniture stores, which on the average were being paid off in about 10 months at the end of 1942, were being paid off in about 8 months at the end of 1943. These results were due not only to the specific provisions of the Regulation, but also to a spirit of restraint on the part of the public in asking for credit and on the part of credit grantors in extending credit, which was stimulated by the Regulation and by the President's "hold-the-line" program. In addition there was the important fact that the supply of goods commonly bought on long-term credit was greatly curtailed. It should be noted in this connection, however, that the field covered by the Regulation, as amended on May 6, 1942, was much broader in scope than the instalment purchasing of heavy durable consumer goods like automobiles, refrigerators, and washing machines. It was aimed at restraint on the creation of all kinds of consumer credit dollars, because these would add to the already excessive purchasing power of the public and would be used to bid for all kinds of goods and services with consequent upward pressure on their prices.

Tendencies evident in the latter part of 1943 indicate that consumer credit outstandings may be approaching the lowest level likely to be achieved during the war period. It is not to be assumed from this fact, however, that the work of regulation has come to an end. The need for keeping consumer credit from expanding in any substantial amount will still be present. When production of the heavier durable consumer goods is gradually resumed but production of goods and services in general still falls short of effective demand it will be particularly desirable to prevent large amounts of consumer credit from being created. On the other hand, sufficient credit will be available to meet the vital needs of the public as tested by wartime criteria. As is shown on the chart, outstanding credit at the end of 1943 was as large as it was at the end of 1935. In fact, consumer credit not directly associated with heavy durable consumer goods was, at its lowest point in 1943, about as high as it was in 1937 and 1938.

POSITION OF BANKS IN THE WAR ECONOMY

Banking developments in 1943 were influenced predominantly by the requirements of war finance. Investments continued to increase rapidly, reflecting almost entirely bank purchases of United States Government securities, and deposits showed a corresponding growth. There was little increase in loans. Loans made for the purpose of purchasing or carrying securities (mostly Government securities) increased, while consumer loans continued to decline. Loans to finance war contracts expanded further but business loans for nonwar purposes declined. Banking services expanded greatly, particularly those connected with the distribution of Government war bonds, the cashing of a continuously increasing volume of Government checks, the handling of ration coupons, and other phases of the war effort.

Deposits and Currency

All groups of banks throughout the country shared in the growth in deposits and holdings of Government securities, but increases were relatively larger for reserve city and country banks than for banks in New York City and Chicago. Changes in loans, investments, reserves, and deposits at different groups of member banks are shown on page 26. Banks in New York City and Chicago showed smaller increases in assets and deposits than the other groups of banks. Having previously developed the practice of depending on sales of bills to the Reserve Banks in order to adjust reserve positions, by the end of 1942 the banks in the financial centers had employed practically all of their resources. Consequently they could expand their loans and investments in 1943 only as they obtained additional reserves. Banks in reserve cities and country banks, on the other hand, had a substantial amount of unused funds at the end of 1942 and gained deposits during the year. They were thus able to expand their holdings of Government securities by large amounts while their reserves also increased.

CHANGE IN PRINCIPAL ASSETS AND LIABILITIES—ALL MEMBER BANKS
DECEMBER 31, 1942 TO DECEMBER 31, 1943
[In billions of dollars]

Item	All member banks	Central reserve city member banks		Reserve city member banks	Country member banks
		New York	Chicago		
Loans and investments—total	+15.0	+2.0	+0.6	+6.6	+5.8
Loans	+0.2	+0.3	+0.2	+0.1	−0.4
U. S. Government securities	+15.4	+2.0	+0.4	+6.6	+6.3
Other securities	−0.6	−0.3	*	−0.1	−0.1
Reserves with Federal Reserve Banks	−0.2	−0.8	−0.1	+0.2	+0.5
Demand deposits, adjusted	+10.1	+2.0	+0.5	+3.8	+3.8
U. S. Government deposits	+1.6	−0.8	*	+1.4	+0.9
Time deposits	+2.4	+0.1	+0.1	+1.1	+1.2

* Less than 50 million dollars.

Expanding deposits increased the amount of reserves that banks were required to hold. At central reserve city banks there were practically no excess reserves during the year; at reserve city banks the increase in requirements more than absorbed the small gain in reserves, and excess reserves declined from an average of around a billion dollars in December 1942 to about 300 million in December 1943. At country banks, the growth in reserves kept pace with the growth in requirements, and excess reserves continued during the year at close to 800 million dollars.

Distribution of deposit growth. During 1943 there were increases of about 14 billion dollars in demand deposits at all banks, 4.5 billion in time deposits, and 5 billion in currency outside banks. It is estimated that demand deposits of individuals increased by about 5 billion dollars during the year, and that the larger part of the reported increase in demand deposits was in business accounts. Most of the growth in time deposits, which moved upward in 1943 after several years of little change, and also the increase in currency, were accounted for by individual holdings.

The increase in the total of bank deposits and currency in 1943 was somewhat more rapid than the increase in gross national product or in income payments and was considerably more rapid than total consumer expenditures and retail trade. There was a decline in the rate of turnover of deposits. This would indicate that an increasing portion of the deposits and currency represents idle balances or uninvested savings.

Since the beginning of 1942, and particularly during 1943, the course of Treasury receipts and expenditures has been a dominant influence on the distribution of deposits as well as on their growth. During war loan drives there have been wide shifts from private to Government accounts, while between drives, as the Treasury drew upon its war loan deposits to meet expenditures, the funds shifted back to private accounts and were widely distributed throughout the country. The Treasury built up its deposit balances in war loan accounts to a high level at the end of 1942 and generally maintained larger balances than usual throughout 1943.

A large portion of the total increase in demand deposits and the largest percentage growth occurred in medium-size and small cities and towns. The growth in demand deposits has been shared by small and large business units, by depositors engaged in manufacturing and mining, in commerce and trade, and in agriculture, and by urban and rural communities in all sections of the country. Information available for the first half of the year indicates that at least two-thirds of the increase during that period accrued to businesses, including unincorporated firms. In percentage terms expansion has generally been greatest in the southern and western districts of the United States, where there were increases of one-third to one-half in demand deposits, and least in the northeastern districts, particularly in large city banks. The exceptionally large growth in deposits in areas known to be active in war production reflects the general tendency for funds to be held near the point of production in periods of expanding activity rather than near the financial offices of business concerns. The rapid growth in agricultural income also contributed to the growth of deposits at country banks.

For the year 1943 as a whole, as in 1942, New York City lost funds on balance through Treasury transactions and commercial and financial operations, and regained funds through the open-market operations of the Reserve System. Adjusted demand and United States Government deposits increased only 1.2 billion dollars as compared with an increase of 4.5 billion in 1942. Treasury collection of taxes and sales of new securities continued to take more money from the New York market than was returned by Treasury expenditures. The market also lost heavily from currency withdrawals and transactions with foreign accounts. During the first six months of 1943 there was an inflow on commercial and financial accounts, in contrast to the steady outflow in 1942. During the last half of the year, however, these accounts were again drawn down.

The inflow of funds on commercial and financial accounts may have represented the accumulation of business balances in New York. Working balances in the areas of production may have become ample for current operations, and business concerns may have placed funds in excess of such needs on deposit in the money-market banks pending investment or other use. Another source of the inflow may have been purchases of Government securities in New York by banks and other investors outside the city. During the war loan drives in April and September, however, there was a heavy withdrawal of funds from New York, presumably to make purchases of securities elsewhere or to replenish working balances that had been exhausted in making subscriptions. The effect of these and of further heavy withdrawals in December on the supply of funds in the market was largely offset by Federal Reserve purchases of securities.

Growth of currency. Growth of deposits during 1943, as in previous war years, was accompanied by expansion of currency in circulation. The rate of currency outflow was substantially more rapid in 1943 than the increase in wage and salary payments or consumer expenditures—the principal purposes for which currency is used—thus continuing a development that had prevailed in a less striking way during 1942. More large denomination currency went into circulation in 1943 than in 1942, a fact which suggests that more funds were being held idle. Although 10 and 20 dollar bills accounted for the greater part of the increase in both years, in 1943 the relative increase in 50 and 100 dollar bills was greater than for any other denominations. Continued heavy income receipts by the low and middle income groups, movement of population to new centers of war production, expansion of the armed forces, and bank service charges on checking accounts appeared to be continuing factors in the large currency outflow.

Currency growth in this country has not been materially different from that in other countries with highly developed deposit banking systems. Since 1939 the percentage increase here has been slightly smaller than in Canada and slightly larger than in Great Britain.

Deposits after the war. The large expansion of bank deposits and currency in recent years raises the question as to what changes are likely to occur after the war in the volume and distribution of deposits and what effect such changes may have on the position of banks.

Decline in the volume of deposits in all commercial banks taken as a whole can be caused by withdrawals of currency or by an outflow of gold from the country, or it may reflect a reduction in the banks' loans and investments. Only the last of these causes is likely to occasion a substantial decline in deposits in the postwar period. The volume of currency in circulation now is so large that it is much more likely to decline after the war (and thus increase deposits) than to expand further (and thus reduce deposits). Neither is there any likelihood of a gold outflow of sufficient volume to be of consequence in relation to the total volume of deposits.

Since about two-thirds of the earning assets of banks at present consist of United States Government securities, any substantial reduction in bank credit would necessarily mean a decrease in the banks' holdings of these securities. Such a decrease might be the result of a rapid contraction of the Government debt or of the sale to nonbank purchasers of Government securities now held by banks. In case of either of these developments bank deposits would decline, but their decrease would release required reserves which would be available to serve as a basis of an expansion in loans and investments (and thus in deposits) equal to the previous contraction.

When the present situation is compared with that prevailing after the last war or in the 1930's, the outstanding difference is that since the banks' portfolios now consist in large part of United States Government securities, the banks are not likely to be under pressure to liquidate assets, as they were in the earlier periods. At those times the expansion in deposits had been due in large part to increases in bank loans during periods of rising values. In the period preceding 1920, much of the increase was in loans on commodities based on rising commodity prices, while in the years ending in 1929 the expansion was in security loans based on rising stock prices. In both cases a collapse in values resulted in a weakening of the quality of bank assets, with consequent urgent pressure by the banks to liquidate loans. After the present war there is no prospect of a substantial contraction of deposits from this cause.

Aside from such changes as may take place after the war in the total volume of deposits, there will no doubt be a considerable movement of deposits between banks and between regions. Growth of deposits during the war has been widely distributed over the country. It has been largest in places where war activity has expanded most. At financial centers, where tax payments and purchases of United States Government securities have been heaviest, the deposit growth has been least marked. It is possible that after the war there will be a flow of deposits from scattered communities to the financial centers. Individual banks may lose deposits through transfers to other banks and may find it necessary in meeting the drain to dispose of some of their Government securities. In such cases, however, other banks will receive the deposits and will be in a position to buy additional securities.

The flexibility of the banking system and of many individual banks in meeting declines in deposits has been enhanced by the practice of adjusting the maturities in security portfolios to the character of deposits. In general, a large proportion of bank holdings of Government securities is in short maturities which are not subject to wide fluctuations in price. In case large and abrupt interbank movements of deposits should result in temporary disturbances, the Federal Reserve authorities would be in a position to take measures, in accordance with their well-established policy, to restore stability to the money market.

Operations and Structure

Bank earnings. Earning assets of the banking system increased by about 25 per cent during 1943 following a 28 per cent increase during 1942. At the close of the year they totaled around 98 billion dollars, over two-thirds of which consisted of Government securities. The increase in the total volume of assets more than compensated for lower yields on investments as compared with loans, and bank earnings were higher than at any time since the banking holiday.

The large growth in holdings of Government securities, combined with the decline in loan volume, has produced widely different effects on the earnings of individual banks. In 1942 net earnings of central reserve and reserve city banks increased while those of country banks declined. In 1943 earnings at all classes of banks increased, but the biggest gain was at the money-market banks in central reserve cities. These variations can be explained largely by differences in the spread between loan rates and investment yields. At large banks, where loan rates have not been much higher than rates on investments, earnings on an enlarged volume of Government securities have more than offset the decline in earnings on loans. At smaller banks, loan rates are generally much higher than rates on Government securities. Consequently, while showing an increase in the total volume of earning assets, some of these banks have suffered a decline in earnings.

Capital accounts. As a result principally of larger earnings and no material change in the amount of cash dividends declared on bank stock, capital accounts of member banks increased about 374 million dollars in 1943, compared with 214 million in 1942. Towards the close of the year a number of the larger banks declared substantial stock dividends out of accumulated surplus and profits, thus increasing the "fixed" portion of their capital structures, and some sold additional common stock. All of this fits in with the general policy of bank supervisory authorities, that banks should strengthen their capital structures and take whatever other steps may be necessary to place them in the best possible position to meet postwar developments.

Increases in banks' capital accounts in recent years have been much smaller, relatively, than increases in bank liabilities. There is, in other words, less margin for the protection of the general depositors, if the nature of bank assets is disregarded. But most of the increase in liabilities has been accompanied by growth in assets involving no risk of loss, and the ratio of capital accounts to what are sometimes termed "risk assets" (all assets other than cash, reserves, due from banks, and Government securities) is higher now than it was at the beginning of the war. On December 31, 1943, this ratio for all member banks as a group was 29 per cent, compared with 23 per cent on December 31, 1941.

Change in number of banking offices. Continuing the trend of recent years, the number of banks declined slightly in 1943. It was 14,579 on December 31, or 101 below the number at the end of 1942. The number of branches and additional offices, including banking facilities at military reservations, increased by 194 to 3,933 in 1943. Other than the special wartime offices, there was an increase of only two in the number of branches and additional offices established by banks.

As in other recent years, the decrease in the number of banks was due almost entirely to consolidations and voluntary liquidations. These resulted in a gross decrease of 148 banks. Four banks suspended during the year—two member banks and two insured nonmember banks. The number of banks newly organized in 1943 was 49, compared with 22 the year before. The net decrease in number of banks during the year was 101.

The number of branches and additional offices established by banks, excluding offices at military reservations, was 49, while the number discontinued was 47. The new branches were about equally divided between *de novo* banking offices and conversions of existing banks into branches. Three-fourths of the 49 new branches and half of the 47 branches discontinued were located outside the cities of their respective head offices. The number of banking offices opened at military reservations was 192; all of these were established through arrangements made by the Treasury Department with banks designated as depositaries and financial agents of the Government.

Increase in banking services. The volume of transactions handled by the banking system increased considerably during 1943, in reflection of the banks' continued contribution to the war effort. Aside from participating in the management of the war loan drives and purchasing securities for their own accounts, banks handled subscriptions to securities sold during the drives. In addition, throughout the year they sold and issued a large volume of savings bonds to the public and to their employees through pay roll savings plans. Banks certify owners' signatures on war savings bonds, which are redeemed outside of Washington solely by the Federal Reserve Banks.

As previously indicated, banks have made many loans to contractors and subcontractors engaged in war operations. Additional loans were made to finance the construction or repair of homes in war housing areas, and to finance the production of adequate food to meet the needs of the armed services and civilian personnel at home and abroad. At the request of the Treasury, banks have established facilities for the receipt of deposits and payment of checks at more than 200 military reservations since the war began. They also cash millions of allotment and allowance checks issued to soldiers' and sailors' dependents, provide trust services for men and women in the armed services, etc. Many banks make up cash pay rolls for war industries and, in some cases, for the Army and Navy.

The tax withholding program of the Treasury and the ration banking plan of the Office of Price Administration have created new functions for the banking system. The banks provide receipts for taxes withheld and transfer the funds to the Reserve Banks from time to time as required by the Treasury. Millions of ration coupons and stamps are received by the banks from dealers in rationed products. Accounts for certain rationed commodities are set up in much the same way as deposit accounts for cash and the banks keep a running balance between deposits of coupons and stamps and withdrawals to replenish stocks of rationed goods. After their expiration dates, coupons are kept for the period required by the Office of Price Administration and then destroyed. Toward the close of the year arrangements were completed for banks to act as distributing agents for millions of fibre tokens to be issued by the Office of Price Administration in connection with the rationing program.

Banks assist the Treasury in its control of the movement of funds and assets belonging to "nonnationals" by effectuating the Treasury orders and licenses which make limited amounts of such funds available to their owners. The census of such funds and assets, which the banks had been making for the

Treasury, had been practically completed prior to 1943. Banks also are the principal means through which the Treasury is now endeavoring to obtain a complete census of American holdings of foreign assets.

Increase of membership in Reserve System. Despite the net decrease of 101 in the total number of banks, membership in the Reserve System continued to increase in 1943 and registered a net gain of 59. National banks—required by law to be members of the Federal Reserve System—declined by a net of 41, principally because of consolidations. State member banks showed a net increase of 100—about the same as the year before, but considerably less than in 1940 and in 1941. The 6,738 member banks (including three small mutual savings banks) that were in operation on December 31, 1943, accounted for 48 per cent of the number and about 87 per cent of the deposits of all commercial banks in the United States. While nearly all of the larger banks are member banks, most of the member banks are of small or moderate size. In December 1942, for example, 57 per cent of the member banks had deposits of 2 million dollars or less each, and 80 per cent had deposits of 5 million or less.

The gross number of State banks admitted to membership in 1943 (including four newly organized banks) was 117. All but one of the 113 operating State banks admitted to membership were already members of the Federal Deposit Insurance Corporation. Total deposits of these 113 banks amounted to about 320 million dollars. Admissions of State banks to membership were distributed throughout the twelve Federal Reserve districts, but two-thirds of the total number admitted were in three districts—Chicago, Cleveland, and New York.

In 1943 State bank membership in the Reserve System reached 1,698, its record peak. There were 50 more State banks in the System on December 31 than there had been in June 1922, when membership for State banks was at its former peak. Relative to the number of State banks in existence on the two dates, State bank membership is now two and one-half times larger than in 1922. In June of that year State member banks were approximately 8 per cent of all State commercial banks; now they are 19 per cent. The proportion of State commercial bank deposits held by State member banks is also considerably higher than it was in 1922, the percentage being 70 now as compared with 48 in 1922.

Par and nonpar banks. The Federal Reserve Act provides that no exchange charges for the collection or payment of checks shall be made against the Federal Reserve Banks; consequently only checks on which no exchange is charged are collectible through the Reserve Banks. To facilitate collections, there is maintained a "Federal Reserve Par List," comprising all member banks—which are required to remit at par for checks presented to them by the Reserve Banks—and nonmember banks that have agreed to pay without deduction of exchange charges such checks drawn upon them as are forwarded for payment by the Reserve Banks.

During 1943 there was a net increase of 79 in the number of banks on the par list, consisting of 59 member banks and 20 nonmember banks. The total number of banks on the par list at the end of the year was 11,501, comprising 6,738 member banks and 4,763 nonmember banks.

The number of nonmember banks (other than mutual savings banks and banks on which no checks are drawn) not on the par list was 2,529, compared with 2,710 a year earlier. The net reduction of 181 in the number of nonpar banks is the result principally of the transfer of 192 banks to the par list (111 in Iowa) and the termination of existence of 26 nonpar banks. The decrease in the number of nonpar banks took place largely in July, following the enactment in Iowa of a law providing for the clearing at par of checks drawn on all banks organized under the law of that State; there were 111 nonpar banks in Iowa at the beginning of 1943. A considerable number of nonmember banks were also added to the par list in December. The gross decreases in the number of nonpar banks were offset in part by the withdrawal of 26 banks from the par list and the organization of 20 new nonpar banks.

Of the 2,529 nonpar banks at the end of the year, about 95 per cent were located in 16 States as follows: Minnesota 420, Georgia 263, Mississippi 174, Tennessee 166, Nebraska 154, Wisconsin 145, Arkansas 128, Alabama 127, North Carolina 127, South Carolina 114, North Dakota 111, Louisiana 104, South Dakota 98, Missouri 94, Florida 88, and Texas 88. Of the remaining 128 nonpar banks, 37 were located in Virginia, 22 in Washington, 21 in Montana, 12 each in Illinois and Oklahoma, 10 in Kentucky, and a total of 14 in six other States.

Absorption of exchange charges. There was an important development during the year in connection with the practice pursued by some banks of absorbing exchange charges for correspondent banks. The Board was presented, in a specific case, with the question whether the absorption of exchange charges by a particular member bank constitutes a payment of interest on demand deposits in violation of Section 19 of the Federal Reserve Act, and of the Board's Regulation Q. The Board held that the absorption of exchange charges in the case under consideration was equivalent to "a payment to a depositor for the use of funds constituting a deposit," and, consequently, under the Board's definition of interest, was a payment of interest and was in violation of the law and the regulation. This ruling was published in the *Federal Reserve Bulletin* for September 1943.

Prohibition of payment of interest on demand deposits was incorporated into the law by the Banking Act of 1933, which prohibits such payments made "directly or indirectly by any device whatsoever." By an amendment adopted in the Banking Act of 1935 the Board was authorized "to determine what shall be deemed to be a payment of interest" within the meaning of the statute.

On February 11, 1937, the regulations of the Board and the Federal Deposit Insurance Corporation were amended by providing that for the purpose of both regulations the term "interest" shall mean "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit." By joint announcement of the two agencies, it was made clear that the purpose of this action was to restate principles of law as decided by the courts and to provide for the consideration of each case that might arise upon the basis of the facts involved in the specific case.

It was in accordance with the policy thus agreed upon in 1937 that the Board's ruling was made in 1943. The facts of the case upon which that ruling was based were developed in connection with examination of a member bank and were submitted to the Board with a request for an interpretation. In expressing its views, the Board was guided by what the courts have considered to be the collection or payment of interest. Principles of law thus announced by the courts were applied to the facts of the case before the Board, and the Board expressed the opinion that the practice followed by the bank in question came within the scope of the statutory prohibition.

The bank to which the ruling applied and other banks in the same community subsequently announced their intention to comply with the Board's interpretation of the law. A number of other banks throughout the country, as well as clearinghouse associations, likewise conformed to the Board's ruling by announcing the discontinuance of the absorption of exchange charges.

Late in 1943 this matter became the subject of hearings extending into 1944 in the Banking and Currency Committee of the House of Representatives, in which members of the Board and its General Attorney appeared as witnesses. Early in 1944, bills were introduced in both Houses of Congress (S. 1642; H.R. 3956) for the purpose of amending Section 19 of the Federal Reserve Act to provide that the absorption of exchange and collection charges by member banks shall not be deemed to be a payment of interest. In response to a request for its opinion as to the merits of the proposed legislation, the Board of Governors addressed letters explaining its position to the Chairmen of the Banking and Currency Committees of the Senate and the House of Representatives. A copy of the Board's letter to the Honorable Robert F. Wagner, Chairman of the Senate Committee on Banking and Currency, dated January 24, 1944, was printed in the *Federal Reserve Bulletin* for February 1944. The letter includes a full statement with respect to the history of the question of absorption of exchange charges as well as to the Board's position in this matter.

RECOMMENDED LEGISLATION ON BANK HOLDING COMPANIES

In the Banking Act of 1933 the Congress undertook to provide for the supervision of bank holding companies. The Board, in the light of its experience, believes the present law inadequate to accomplish the purposes for which it was enacted, and accordingly the Board wishes to recommend certain broad changes which it believes should be incorporated in the law if it is to be effective.

In the first place, the existing statutory definition of a bank holding company is inadequate. This definition, which is contained in Section 2(c) of the Banking Act of 1933, reads in part as follows:

"(c) The term 'holding company affiliate' shall include any corporation, business trust, association, or other similar organization—

"(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election, * * * ."

Effective control does not depend upon the ownership or control of a majority of the outstanding shares. It can be and often is exercised through the ownership or control of a much smaller proportion of total shares outstanding and this fact has been recognized by the Congress in corresponding legislation enacted in other fields.

The number of shares owned or controlled as compared with the number of shares voted for the election of directors at the preceding election is an equally unsatisfactory basis for determining whether a holding company affiliate relationship exists. Such a restricted test puts it within the power of the holding company, under the statutory test, to establish an absence of control when, in fact, it is at that very time actually exercising most effective control. Moreover, regulation, to be effective, must have continuity, and a statutory yardstick under which a company may be a bank holding company one year and may not be the next year renders regulation difficult if not impossible in some important instances.

In the Board's experience, the case in which regulation is most necessary is likely also to be the case in which advantage has been taken of the gaps in the statutory definition with respect to the number of shares owned or controlled. The Board believes that these gaps should be filled in by incorporating in the statute more realistic definitions envisaging the manner and means by which effective control actually is exercised.

Secondly, the only limitation which the law imposes upon the control of subsidiary banks by bank holding companies is that the latter may not vote their stock in a controlled bank without securing a voting permit from the Board, and it is only as an incident to obtaining the voting permit that there is any regulation at all. When effective control is exercised without voting the stock, which is the case in important instances, obtaining a voting permit from the Board becomes a matter of no importance to the holding company. In such a case, the bank holding company can escape every consequence of the statute merely by not obtaining a voting permit and not voting its stock. Thus the option of whether or not it shall be regulated under the statute rests entirely with the holding company. The Board believes that all bank holding companies should be supervised, as are the banks which they control.

Finally, even if the holding company chooses to subject itself to regulation, the effectiveness of the Board's supervision is hindered rather than helped by the penalties provided by the statute. For violation of the statute or of its agreement with the Board, the holding company's voting permit may, after hearing, be revoked. The consequences flowing from such a revocation are that the member bank whose stock is controlled can not receive deposits of public monies of the United States nor pay any further dividends to the holding company. Also, if the controlled bank is a national bank, its charter may be forfeited, and if it is a member State bank, its membership in the System may be terminated. The Board believes that means should be provided for reaching the holding company and its management directly rather than indirectly, as is now the case.

While their operations are extensive in certain areas, bank holding companies are not numerous. Their management, on the whole, has been co-operative and the Board has enjoyed a satisfactory relationship with most of the holding companies to which it has issued voting permits. It is the exceptional case which now concerns the Board for it is in the exceptional case that the inadequacies of the statute are real impediments and in which the Board's ability to regulate is challenged. In the exceptional case, the Board has found that the corporate device of the holding company has not been used solely as a mechanism for the efficient operation of controlled banks but as a device to accomplish by indirection objectives which could not be accomplished directly.

Accepted rules of law confine the business of banks to banking and prohibit them from engaging in extraneous businesses such as owning and operating industrial and manufacturing concerns. It is axiomatic that the lender and borrower or potential borrower should not be dominated or controlled by the same management. In the exceptional case, the corporate device has been used to gather under one management many different and varied enterprises wholly unallied and wholly unrelated to the conduct of a banking business. When the bank holding company has thus expanded its operations into other and unrelated activities, it tends more and more to have the characteristics of the type of institution to which the "Investment Company Act of 1940" was addressed. Yet, if the company controls banks and has a voting permit for any one of such controlled banks, it is exempted from the provisions of that Act. The Board believes that such a company should be required, by law, to adjust its affairs so as to become either a bank holding company or an investiment company. In no event should it be permitted to remain a hybrid beyond the period necessary for it to adjust its affairs in this respect.

In the exceptional case, the Board has found that the corporate device of the holding company has been used to escape the supervisory powers of the various bank supervisory agencies. Briefly stated, Congressional policy with respect to the establishment of branches of banks, as reflected in current statutes, is designed to limit Federal permission to establish branches in each State to the legislative policy of the State. The Federal supervisory authorities now have authority to control the direct establishment of branches of banks under their respective jurisdictions. This is because national banks must first obtain permission from the Comptroller of the Currency to establish branches, State member banks from the Board and nonmember insured banks from the F.D.I.C. Through the corporate device of the holding company, however, these controls are defeated and the holding company by indirection can do what the bank can not do directly. Thus the same management which is restricted in its operation under a bank charter can, through the holding company device, acquire unit banks, operate them in the same manner branches would be operated, and thus defeat the expressed will of Congress regarding the establishment of branches.

There is now no effective control over the expansion of bank holding companies either in banking or in any other field in which they may choose to expand. Moreover, the device lends itself readily to the amassing of vast resources obtained largely from the public which can be controlled and used by a few people and which give to them, when they choose so to use them, an unfair and overwhelming advantage in acquiring additional properties and in carrying out an unlimited program of expansion. In the exceptional case, these resources have been used to acquire independent banks by measures which leave the local management and minority shareholders little with which to defend themselves except their own strenuous protests. Likewise, these resources have been used to support the market for their own stocks and thus to facilitate the acquisition of independent banks by the exchange of stocks, as well as to create trading profits for favored participants.

The Board believes, therefore, that it is necessary in the public interest and in keeping with sound banking principles that the activities of bank holding companies be restricted solely to the banking business and that their activities be regulated, as are the activities of the banks themselves.

It is recognized that bank holding companies have served a useful purpose in some areas of the country and have contributed banking services which might not otherwise have been available or might not now be available, and a requirement that bank holding companies be immediately dissolved would more likely result in the liquidation of controlled banks in certain areas than in their sale to and continued operation by new owners.

For these reasons the Board recommends that immediate legislation be enacted preventing further expansion of existing bank holding companies or the creation of new bank holding companies. Such legislation should be so designed as to prevent any such company from using the corporate device to circumvent and evade sound banking principles, regulatory statutes, and declared legislative policy.

WARTIME SERVICES OF THE RESERVE BANKS

Work performed by the Reserve Banks for the Government in connection with the prosecution of the war expanded further during 1943. In order to give the banks and the public the best possible service consistent with economical operation, a number of additional fiscal agency services were made available at the twenty-four branches of the Reserve Banks. This policy of decentralization in the Federal Reserve System helped to relieve somewhat the pressure at the head offices. Toward the middle of the year the operations of the Reserve Banks and their branches were designated an essential activity by the War Manpower Commission.

Fiscal Agency Operations

About 12,000 employees or half the System's total personnel were engaged in fiscal agency activities at the end of the year, a majority of such employees being assigned to war savings bond operations. The number of employees in fiscal agency departments alone is now somewhat larger than the total personnel of the Reserve Banks and branches before the war.

Withholding tax program. One of the principal fiscal agency operations inaugurated during the year was the handling for the Treasury of much of the work in connection with the withholding tax program under the Current Tax Payment Act of 1943, which was enacted June 9. This work involved the issuance of Treasury instructions, the qualification of depositary banks, the acceptance of deposits from such banks, the matching of copies of depositary receipts received from Collectors of Internal Revenue with those received from depositary banks, and the issuance and safekeeping of 2 per cent depositary bonds. These bonds are sold to depositary banks for the purpose of compensating them for the additional costs they incur in receiving and accounting for deposits of withheld taxes.

Ration banking. Another new fiscal agency activity was the handling of ration checks for the Office of Price Administration. Under the Ration Banking Plan, which was inaugurated on January 27, out-of-town ration checks deposited with banks carrying ration bank accounts are cleared through the Reserve Banks and their branches. During the year the Reserve Banks handled more than 52 million ration checks.

Depositary services for the Treasury. During the early part of the year, the Reserve Banks were requested to act as agents of the Treasurer of the United States in paying a new type of Government check—a punch-card check designed to be handled through sorting and tabulating machines. These card checks are drawn on the Treasurer of the United States payable through a particular Federal Reserve Bank. During the year the Federal Reserve Bank of New York, for example, handled 34 million card checks, a majority of which represented payments to dependents of men in the armed forces. Checks now being issued in punch-card form payable through the Reserve Banks include also checks drawn by various Navy offices and yards and by Treasury regional disbursing offices. The number of Government checks handled by the Reserve Banks, including card checks, increased from 131 million in 1942 to 267 million in 1943. There was also a substantial increase in the number of checks deposited by Collectors of Internal Revenue and other Government officials for credit to the Treasurer's general account. Millions of such checks are now collected annually by the Reserve Banks. As depositaries of the United States, the Reserve Banks also pay and charge to the Treasurer's general account maturing coupons from Government securities, 17 million of which were paid during 1943.

Federal Reserve Banks made substantial shipments of currency direct to Army and Navy posts in this country and to banks for use at such posts. The Federal Reserve Bank of Dallas estimated that direct payments of currency and coin to authorized finance officers of the Army and Navy represented about one-fifth of its total volume of currency shipments.

Issuing and servicing Government obligations. In point of number of employees engaged, the handling of war savings bonds continued during 1943 to be the largest single operation performed by the Federal Reserve Banks. In addition to the direct issue of savings bonds, the Reserve Banks, as fiscal agents, maintain consignment accounts with thousands of banks and other qualified issuing agents for Series E bonds. Stocks of bonds in the millions were furnished these issuing agents by the Reserve Banks during 1943 and, as the bonds were sold, reports and remittances were received, accompanied by the bond stubs which show the registration of each bond sold. Such stubs are consolidated with those representing bonds issued by the Reserve Banks, then tabulated and forwarded to the Treasury. The Reserve Banks supply all issuing agents except post offices with stocks of bonds. Many of these issuing agents are corporations and others which operate pay roll savings plans for the purchase of war savings bonds by their employees. About 75 per cent of the number of savings bonds issued during 1943 were in the $25 denomination, which largely accounts for the tremendous amount of work involved. Moreover, savings bonds are issued in registered form and require considerably more time to handle than bonds issued in bearer form. The Reserve Banks are the sole redemption agencies for savings bonds outside of Washington. As the sales of savings bonds have increased, the number of bonds redeemed has increased, and many Reserve Banks and branches have set up separate savings bond redemption departments outside their regular banking quarters. Almost 53 million units of Series E savings bonds were sold in the Third War Loan Drive and 33 million in the Second Drive. These issues were in addition to sales outside of the drives.

Reissues of savings bonds increased considerably during the year, principally because of bonds being improperly inscribed at time of purchase. The Federal Reserve Bank of Chicago renders a special service to the Treasury's Chicago office in handling reissue cases that can not be settled without clearance with the Treasury. The Chicago Reserve Bank handles cases of this type from all parts of the country, whether submitted to the Treasury Department direct or through other Reserve Banks. The volume, which is currently running at an annual rate of 200,000 pieces, is rapidly increasing.

The safekeeping facilities at the Federal Reserve Bank of Cleveland were expanded during the year to care for several million bonds to be deposited for the Navy's personnel. The Chicago Reserve Bank renders a similar service for the War Department.

As contrasted with the number of pieces, the dollar volume of securities handled by the Reserve Banks was greatest in the Treasury's market issues, which were sold largely during the Second and the Third War Loan Drives. The wider distribution of securities achieved by greater efforts to sell securities to nonbank investors resulted, of course, in a larger number of individual pieces sold and consequently in an increase in the volume of work of the Reserve Banks. Concentration of security offerings into brief drive periods also resulted in sharp peak loads. In spite of increased staffs and employees borrowed from other departments, considerable overtime was necessary in the fiscal agency departments.

The Federal Reserve Banks cooperated fully with the Treasury in the task of organizing and administering the war loan drives. This activity required a considerable part of the time of the Presidents of the Reserve Banks and other officers as well as the full time of a large number of employees. The work included assistance in the preparation and distribution of publicity materials such as manuals and letters of instruction to workers in the drives, printing and distribution of subscription blanks, and tabulation of detailed reports on the results of the drive for the information of the war finance committees and the Treasury.

Efforts made during the year to increase the number of banks qualified as war loan depositaries were quite successful. Owing to the Treasury's large financing operations, many banks realized the desirability of paying for subscriptions to Treasury securities by credit in war loan accounts. Funds in war loan accounts are left in the depositary until actually needed by the Treasury.

Services for Government corporations. Since April 1943, a number of the Reserve Banks have been maintaining complete inventory records of machinery and equipment owned by the Defense Plant Corporation and used in war production plants. The Defense Supplies Corporation purchased large quantities of clothing, strategic materials, automobile tires and tubes, etc., which were paid for with checks drawn at its direction by the Reserve Banks on the Treasurer of the United States.

Services somewhat similar to those performed for the Defense Plant Corporation and the Defense Supplies Corporation were performed by the Reserve Banks during the year for the Commodity Credit Corporation and for the Reconstruction Finance Corporation and its various other subsidiaries, including Metals Reserve Company, War Damage Corporation, Rubber Reserve Company, U. S. Commercial Company, Federal National Mortgage Association, Disaster Loan Corporation, and RFC Mortgage Company. The Reserve Banks disburse, by checks drawn on the Treasurer of the United States, the amount of loans and other payments made by such agencies and receive, examine, and hold the notes of the borrowers and other collateral. Payments of principal, interest, and commitment fees made in connection with such loans are received and applied by the Reserve Banks. All Reserve Banks continued to receive a large number of remittances from fiduciary agents representing premiums collected on War Damage Corporation insurance coverage.

Stabilization Fund operations. The Federal Reserve Bank of New York carries out the operations of the United States Stabilization Fund in accordance with authorizations and instructions from the Treasury. Such operations include the purchase and sale of gold and foreign exchange and the maintenance of accounts for various foreign central banks and foreign governments in connection with stabilization agreements and other arrangements between the United States and certain foreign countries.

Foreign Funds Control. The activities of the Federal Reserve Banks as agents for the Foreign Funds Control in the Treasury continued to be important during 1943. The Foreign Funds Control regulations were modified and extended somewhat during the year, particularly with a view to facilitating legitimate transactions and to tightening up the barriers against Axis manipulation of dollar assets. The liberation of North Africa brought an increase in the number of applications for transactions with this area, and foreshadowed new problems when contact is resumed with European areas now occupied by the enemy.

More than 100,000 applications for licenses were received by the Reserve Banks during the year, most of which were handled under general authorizations from the Treasury Department without the necessity of transmitting them to Washington. Several hundred thousand reports of transactions under license were also received and checked. Under special authorization, the Federal Reserve Bank of Dallas effected during the year about 8,500 releases of currency illegally brought into the United States from Mexico. At the request of the Treasury, the Reserve Banks distributed during the year several million copies of forms, circulars, and other documents relating to foreign funds control.

The Reserve Banks participated during the year in the administration of the Treasury's general census of foreign property owned by persons subject to the jurisdiction of the United States, including all residents of the United States and all American citizens resident abroad. By the end of the year, approximately 200,000 reports had been filed with the Federal Reserve Banks pursuant to this census, involving property in foreign countries valued at some 11 billion dollars.

Foreign transactions. The Federal Reserve Bank of New York continued to engage in foreign transactions on an extensive scale. Gold under earmark for foreign account at the New York Bank increased by 804 million dollars to 3,477 million during 1943, while the deposits of foreign central banks and governments at that Bank increased by 568 million to 1,360 million at the end of the year. Gold or dollar accounts are held for the central banks or governments of 59 foreign countries; a few of these accounts are held by the New York Bank in its capacity as fiscal agent for the Treasury Department, but most of them are held by the Bank in its own name, and participated in by the other Reserve Banks pursuant to an agreement approved by the Board of Governors. A further element in the foreign transactions of the Federal Reserve Bank of New York which became increasingly important during 1943 was the handling of official remittances from the United States to foreign countries, particularly in connection with the maintenance abroad of American armed forces.

The New York Reserve Bank also acts as agent of the Treasury in connection with transactions in gold and silver, but the decline in gold imports and the absorption of all silver imports by the market greatly reduced the volume of such transactions during the year. Near the close of the year arrangements were being made for the New York Bank, as fiscal agent, to open and maintain on its books an account for the United Nations Relief and Rehabilitation Administration.

At the close of 1942 two loans on gold to a foreign central bank were outstanding for a total amount of 2.5 million dollars. Two further loans to the same bank were made in January 1943 by the Federal Reserve Bank of New York under the usual arrangements authorized by the Board of Governors. The maximum amount outstanding at any time during the year was 4 million dollars. These loans were all repaid during 1943, and at the end of the year no loans on gold were outstanding.

Enlarged Responsibilities of Reserve Bank Branches

In line with the movement initiated by the Board of Governors in 1942, the Federal Reserve Banks continued to expand the operations and functions of their branches.

Among important changes made during the year was the transfer in several instances of the reserve accounts of member banks and the clearing accounts of nonmember banks from a Reserve Bank to the branch serving the territory in which the banks are located. The Reserve Bank at Cleveland transferred such accounts to its Cincinnati and Pittsburgh Branches, the Reserve Bank at Atlanta to its Birmingham, Jacksonville, and Nashville Branches, and the Reserve Bank at Kansas City to its Oklahoma City Branch. All branches now carry on their books the reserve accounts of member banks in their territories.

Branch participation in fiscal agency activities connected with Treasury financing was expanded, with the approval of the Treasury Department. Branches now handle transactions in connection with war savings bonds, Series E, F, and G, and Treasury savings notes, Series C. The war loan deposit accounts of banks in a number of branch territories have been transferred from the head office to the branch. Near the end of the year several Reserve Banks obtained Treasury authorization to maintain complete stocks of all market issues of Government securities at their branches, so as to be in a position to make denominational exchanges and effect delivery of short-term securities under telegraphic instructions.

New activities assumed by the Reserve System in connection with the handling of ration banking checks at the request of the Office of Price Administration, and with the withholding tax program at the request of the Treasury Department, are handled at all Reserve Banks and branches.

Because of the increased responsibilities of their branches, the Federal Reserve Banks of Cleveland, Chicago, and Kansas City have designated vice presidents to serve as resident heads of their branches and Dallas has designated vice presidents to serve at its Houston and San Antonio Branches.

At the end of the year eight of the twenty-four branches were under the immediate direction of resident vice presidents of their respective Federal Reserve Banks. There will be a further enlargement in the scope of branch activities in 1944.

BANK SUPERVISION BY THE FEDERAL RESERVE

The added functions and activities incident to the war effort and the volume of business handled by banks, which continued to expand in 1943, increased the duties and responsibilities of all bank supervisory agencies. The work of supervision was carried on during the year with efficiency despite a continued rapid turnover in personnel, and this accomplishment was due in no small measure to the cooperation evidenced by thousands of bank officers and employees. Bank supervisory agencies continued to cooperate in the national effort to further the control of inflation by encouraging the reduction of individual credit for nonproductive purposes and of credit for the accumulation of inventories of consumer goods; and, wherever consistent with sound banking principles, they also sought to pursue examination and supervisory policies and practices which would implement the financing of the war program, both private and governmental.

Examination of Federal Reserve Banks. The twelve Federal Reserve Banks and their twenty-four branches were examined during the year, by the Board's Division of Examinations, as required by law.

Examination of State member banks. State member banks are subject to examination at the direction of the Board of Governors or at the direction of the Federal Reserve Banks by examiners selected or approved by the Board of Governors. The established policy is to make at least one regular examination of each State member bank, including its trust department, during each calendar year, by examiners for the Reserve Bank of the district in which the State member bank is situated, with additional examinations if considered necessary or desirable. In order to avoid duplication and to minimize inconvenience to the banks examined, wherever practicable such examinations are made jointly in cooperation with State banking authorities or, by agreement with State authorities, alternate examinations are made.

As stated in the *Annual Report* covering operations for the year 1942, members of the Board and its staff met in Philadelphia in September of that year with representatives of the bank examination departments of the Reserve Banks for a conference on bank examination and other supervisory responsibilities under wartime conditions. One of the principal problems discussed at the conference was the difficulty of making at least one regular examination of each State member bank during each calendar year, a difficulty which was believed certain to become greater and further complicated by the pressure upon the facilities of the several State supervisory authorities. It was determined to carry out the policy in full so far as possible and, certainly, without any sacrifice with respect to the scope and adequacy of examinations or the resultant reports.

With the close cooperation of State authorities it has been possible practically to complete the program for examination of all State member banks in 1943. The very few banks not examined during the calendar year are scheduled for examination early in the year 1944 and it is hoped that it will be possible to maintain a satisfactory schedule throughout the coming year.

In view of transportation difficulties and the pressure of other work it was not considered practicable to hold a conference between representatives of the Board and representatives of the bank examination departments of the twelve Federal Reserve Banks in 1943. It was possible, however, to hold a short and effective independent meeting between members of the Board's staff and representatives of the Reserve Banks attending the meeting of the National Association of Supervisors of State Banks in Cincinnati in September. Also, representatives of the Board's Division of Examinations participated in several conferences of examiners at various Reserve Banks. The coordination of the bank examination and supervisory activities under general policies of the Board was further effected through continuing contacts and correspondence.

Bank holding companies. Bank holding companies, technically defined as "holding company affiliates," are required by law to obtain voting permits from the Board of Governors of the Federal Reserve System before stock of subsidiary member banks which the holding companies own or control may be voted. This requirement does not apply to the voting of stock of subsidiary banks which are not members of the Federal Reserve System, whether or not they are insured banks. In acting upon an application for a voting permit the Board is required by law to consider, among other things, the financial condition of the applicant and the general character of its management. The Board may, in its discretion, grant or withhold a voting permit, as the public interest may require. Regulation of bank holding companies by the Board is effected through the specific statutory powers to grant, withhold, or revoke voting permits, and through agreements predicated upon the general statutory powers and responsibilities of the Board and required to be executed by the holding companies before obtaining voting permits from the Board. The purpose of these statutes and agreements is that the holding companies and their subsidiaries, including member banks and nonmember banks, whether insured or uninsured, shall maintain sound financial condition and proper management policies and operating practices, including those involving intercompany transactions and relationships. Appropriate action was taken during the year in a number of cases with respect to various important matters in the regulation of bank holding companies.

During the year the Board authorized the issuance of three general voting permits, i.e., permits unlimited as to time or matters which may be voted upon, and four limited voting permits, i.e., permits for limited periods of time and limited also as to subjects which could be voted upon.

Under the authority of Section 301 of the Banking Act of 1935 the Board determined that five organizations were not engaged directly or indirectly as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks or trust companies, and that, therefore, they were not holding company affiliates except for the purpose of Section 23A of the Federal Reserve Act, which contains limitations on loans to affiliates and investments in or loans on their obligations by member banks.

Trust powers of national banks. Under the provisions of Section 11(k) of the Federal Reserve Act, the Board granted to 10 national banks authority to exercise one or more trust powers. This number includes the grant of additional powers to one bank which previously had been granted certain trust powers. Trust powers of 44 national banks were terminated, 15 by voluntary liquidation and 29 by voluntary surrender. At the end of 1943, there were 1,798 national banks holding permits to exercise trust powers.

Increased acceptance powers. During the year the Board approved an application of a national bank made pursuant to the provisions of Section 13 of the Federal Reserve Act for permission to accept drafts and bills of exchange up to an amount not exceeding at any one time, in the aggregate, 100 per cent of its paid-up and unimpaired capital stock and surplus. No other applications were received.

Foreign branches and banking corporations. One foreign branch of a member bank was closed during the year, the branch having been established with the Board's permission in the previous year. No applications were received for permission to establish foreign branches pursuant to the provisions of Section 25 of the Federal Reserve Act.

At the end of 1943, seven member banks were operating a total of 64 branches or offices in 14 foreign countries or dependencies or possessions of the United States, exclusive of branches or offices in enemy occupied territory. Of the 64 branches and offices, four national banks were operating 60 and three State member banks were operating 4. The foreign branches were distributed geographically as follows:

Latin America		42
Argentina	10	
Brazil	4	
Chile	2	
Colombia	3	
Cuba	16	
Mexico	1	
Panama	3	
Peru	1	
Uruguay	1	
Venezuela	1	
Far East		1
India	1	
England		10
U. S. Insular Possessions and Dependencies		11
Canal Zone	4	
Puerto Rico	7	
Total		64

During the year there was no change in the list of the four corporations operating under agreements entered into with the Board of Governors pursuant to the provisions of Section 25 of the Federal Reserve Act relating to the investment by member banks in stocks of corporations engaged principally in international or foreign banking. One corporation operates a branch in England and one has an English fiduciary affiliate. The other two corporations have no foreign offices.

The head office of the one banking corporation in active operation, organized under the provisions of Section 25(a) of the Federal Reserve Act and chartered by the Board to engage in international or foreign banking, was examined during the year by the Board's Division of Examinations. The institution's three branches in the Far East and its two French offices are in enemy occupied territory. The Board's Regulation K relating to corporations organized under Section 25(a) was amended, in view of changes that had taken place since the enactment of the Section, so as to require the consent of the Board in each case before such corporation might invest in stock in other institutions.

RESEARCH AND ADVISORY SERVICES

The Board continued to modify and amplify its usual reporting services to meet changes and special problems growing out of the war. The System's regional research work, in which the twelve Reserve Banks and the Board cooperate, was considerably expanded and progress was made on the special postwar studies being conducted by the System's staff. The Board continued to maintain close contact with other Government agencies engaged in the war effort and in planning for reconstruction after the war, and information and advice were contributed to many interdepartmental conferences and committees. As indicated in other parts of this Report, representatives of the Board cooperated with representatives of other Government agencies in efforts to solve problems of public policy and procedure in wartime.

A volume entitled *Banking and Monetary Statistics* was completed during the year and published by the Board early in 1944. It is a compilation of statistics on banking, monetary, and other financial developments for past years. Most of the financial series for which current data are published in the *Federal Reserve Bulletin* are included and some series of historical interest which are no longer published currently are also given. The series cover varying periods ending in 1941. They extend back to 1914 in many cases and in a few cases to earlier dates.

A survey of the ownership of deposits in March 1943 was made by the Board and the Reserve Banks, because of the bearing that the distribution of deposits has on problems of inflation control, on business financial requirements, and on Government financing during and after the war. The survey was based on voluntary reports from a large sample of member banks throughout the country. It was developed in collaboration with participating banks, the Association of Reserve City Bankers, The National Bureau of Economic Research, and various interested Government agencies. Following analysis of the results of the March survey, it was generally agreed that such information should be obtained regularly, and the survey was established on a semiannual basis, beginning with July 31.

New seasonal adjustment factors for money in circulation were released by the Board in the September 1943 issue of the *Bulletin*. The new adjustment factors are ratios based on total currency outstanding, and provide a better method of adjustment for seasonal changes in times of rapidly expanding circulation than do the constant dollar adjustments formerly used. Beginning early in 1944 seasonally adjusted figures were published regularly in the *Bulletin*.

In order to ascertain the nature of the increase in business deposits and the factors contributing to them, analyses previously made of financial statements of large manufacturing corporations were greatly expanded and were extended to cover transportation and other public utility activities. These studies indicate the directions in which various industries had expanded their business assets during the war and the extent to which this expansion had been financed by Government funds, other borrowings, and retained earnings. A study was also made of the factors which have contributed to different profit trends in various industries during the war. The Board's previous studies of durable goods expenditures were continued and new estimates for capital expenditures in various manufacturing industries were developed from the financial statements of a large number of companies.

A broad revision of the Board's index of industrial production was made during the year and the results were published in the October *Bulletin*. A number of new production series were developed to measure activity in war and civilian industries and improvements were made in various old series on the basis of new data which had become available as a result of the war program. Special studies of the index were continued in an attempt to obtain a breakdown between production for war and civilian purposes and the results of these studies were also published in the *Bulletin*. Work continued on developing physical production indexes of the monthly output of clothing and shoes for civilians as part of a general index of output of finished consumer goods. These indexes were supplied on a confidential basis to the War Department and other Federal war agencies.

The System's monthly indexes of department store sales were revised during 1943 and the final results will be available to the public in the spring of 1944. The revised national index is computed by combining revised or new indexes for each of the twelve Federal Reserve districts into a total index. The district indexes are adjusted to 1929 and 1939 Census data where necessary and are computed on a 1935–39 average base. Upon completion of this revision the Board's weekly index of department store sales and the System's indexes of end-of-month department store stocks will be reviewed and revised where necessary.

Several studies were made of analyses by Federal war agencies and private organizations relating to general production measurements and other economic problems, especially output and employment in war industries. Several special reports on department store sales and stocks were made for war agencies during the course of the year and the collection of regular monthly data showing considerable detail by departments, begun at the request of these agencies, was continued.

Extensive work was done in the fields of price control, wage stabilization, taxation, and other aspects of the stabilization program. The Board's staff cooperated extensively with Walter R. Stark, Assistant Director of the Board's Division of Research and Statistics, who was granted a leave to act as an adviser to the Office of Economic Stabilization. At the request of the Ways and Means Committee of the House of Representatives, the Chairman of the Board submitted a proposal of a revenue program.

Early in 1943 a special committee of representatives of the Reserve Banks and the Board of Governors was appointed to study various aspects of guaranteed loans to industry under the Board's Regulation V. The Committee gave particular attention to problems of meeting the capital requirements of industrial plants during the reconversion period after the war. The work of this committee was supplemented by intensive study by the Board and the Federal Advisory Council of all aspects of the final settlement of terminated war contracts. A resolution containing six recommendations for procedure in terminating contracts was adopted by the Council on November 15 and concurred in by the Board. The Board submitted the resolution to Government officials and agencies directly interested and on November 16 released it to the press. A copy of the resolution is given on pages 99–100 of this Report.

The Board continued its study of postwar problems. Among the problems being studied are: postwar outlook for production and employment; financial needs of industry in the reconversion period; bank investment problems; international financial problems and mechanisms; monetary and fiscal policies; investment potentialities in various fields, both public and private; over-all surveys of public investment programs; urban redevelopment and Federal-State-local taxation and fiscal relations. Close contact is maintained with other agencies working on related programs, particularly with the Bureau of the Budget, the Department of State, the Treasury, the Bureau of Labor Statistics, the National Housing Agency, the Department of Agriculture, the Department of Commerce, the Securities and Exchange Commission, the Foreign Economic Administration, and the War Production Board.

Expansion in the Federal Reserve System's regional research work continued in 1943. The research departments of the twelve Reserve Banks, working in cooperation with one another and with the Board's Division of Research and Statistics, are studying the significant economic developments in their respective districts in order to provide a basis on which to evaluate problems that may arise during the war and in the postwar period.

The emphasis of the regional research work undertaken by the Federal Reserve Banks necessarily varies with the economic characteristics of each district, but studies on current banking problems, currency flows, the location and economic influence of war facilities, agricultural land values, and farm credit conditions are in progress at most of the Reserve Banks. In a number of districts special studies are being made of the impact of the war on selected areas and industries, with particular reference to the postwar outlook for production, employment, and financial requirements for reconversion. In addition, some System-wide projects have been undertaken which include the continuing survey of the ownership of bank deposits, an investigation of the financial needs of business for the conversion to civilian goods production after the war, and a study of the problems incident to the increase in deposits and the banks' investment policies.

Federal Reserve regional research work is directed primarily toward being of assistance to the System in the discharge of its responsibilities, but it is hoped that it may also serve to assist the various communities and the country as a whole in the solution of the economic problems that lie ahead. To this end, and in order to avoid duplication of effort, the research staffs are cooperating closely with other Government agencies and with public and private groups which are engaged in economic research on a regional or national basis.

As a result of the increasing number and complexity of the international problems faced by the Government, the work of the Board in the field of international finance expanded considerably during 1943. In close collaboration with various Government departments, studies have been pursued in the fields of international currency stabilization and international investment, financial administration and reconstruction in liberated areas and in enemy territory, and monetary and banking reforms in Latin America.

Members of the Board's staff have participated in the interdepartmental and intergovernmental negotiations with respect to the proposals concerning international monetary stabilization put forward by experts of the United States and British Treasuries. Informal discussions of these plans have proceeded with technical experts representing approximately 30 foreign countries, and on the basis of these discussions one revision of the plan drafted by the American experts has been issued. The discussions continue on a technical level, the responsibility of the respective governments having not yet been involved. Members of the Board's staff also participated in interdepartmental conferences with respect to the proposal for an international bank which was drafted by experts of the United States Treasury and communicated to the Finance Ministers of some 44 countries toward the end of the year.

At the request of the War Department and civilian government agencies responsible for the development of financial policy relating to liberated areas and enemy territory, an extensive research program has been developed involving the analysis of current developments in those areas and of the problems which may be confronted in this field by American military and civilian personnel.

Studies of central banking and money markets in Latin America have been actively pursued, especially as a result of various requests for technical assistance which have emanated from the central banks or governments of these countries. Pursuant to such a request a member of the Board's staff participated with Treasury experts in a joint mission to Honduras which submitted a report to the Honduran Government recommending establishment of a central bank in that country. Two members of the Board's staff also visited Paraguay late in the year, at the request of the Paraguayan Government, and new legislation embodying their recommendations for a reform of the currency system was passed in that country on October 5. Recommendations with respect to new central banking legislation and a general banking law are also being developed for submission to that Government.

The Board and several of the Reserve Banks cooperated in the training program of the Inter-American Training Administration, making their facilities available to Latin American bankers and banking students and assisting in the planning of the work. The Uruguayan Bankers' Mission, comprising three officers of the central bank of Uruguay, spent about five months in the United States, under the auspices of the Inter-American Training Administration, making their headquarters with the Board.

Members of the Board's staff continued to serve as Chairman and Secretary of the United States Committee of the Joint Economic Committees of Canada and the United States until these Committees were dissolved by action of the Canadian and United States Governments on March 14, 1944. It was agreed that the continued operation of the Committees had been rendered unnecessary by the development of other agencies for collaboration between the two countries. In addition to various other activities of the Committees during 1943, substantial progress was made in carrying out the joint project for the North Pacific area initiated in the latter part of 1942. A number of surveys were conducted in this area and the results are to be embodied in a forthcoming report.

During 1943 distribution to the general public of the Board's publications and releases continued to be substantially curtailed as a wartime economy measure and in cooperation with the policy of the Office of War Information. Distribution was continued to Government departments and agencies which make use of the factual information developed by the Board.

RESERVE BANK PERSONNEL AND OPERATIONS

As previously indicated, operations of the Reserve Banks were in considerably larger volume in 1943 than in 1942, particularly those relating to the issuance and redemption of securities and to other activities as fiscal agents of the United States. The expansion in operations necessitated an increase in personnel and the renting of considerable additional office space.

Personnel

Directorates. Directors of a Federal Reserve Bank are elected or appointed for terms of three years. The Board of Directors of each Federal

Reserve Bank consists of nine directors, three of whom are designated as Class A directors, three as Class B directors, and three as Class C directors. The six Class A and Class B directors are elected by the member banks of the district, while the three Class C directors are appointed by the Board of Governors of the Federal Reserve System.

The Class A directors are chosen as representatives of the member banks and, as a matter of practice, are active officers of member banks. The Class B directors may not, under the law, be officers, directors, or employees of banks. At the time of their election they must be actively engaged in their district in commerce, agriculture, or some other industrial pursuit.

The Class C directors may not, under the law, be officers, directors, employees, or stockholders of banks. They are appointed by the Board of Governors as representatives not of any particular group or interest, but of the public interest as a whole.

Federal Reserve Bank branches have either five or seven directors, of whom a majority are appointed by the Board of Directors of the parent Federal Reserve Bank and the others are appointed by the Board of Governors.

In making selections of directors, the Board has endeavored to stress the public interest and bring to the boards men who can make an effective contribution to the public service.

A list of the directors of the Federal Reserve Banks and branches as of the close of the year is shown on pages 105-111.

Appointments of directors. The Board made the following appointments of new directors either for terms beginning January 1, 1943, or to fill vacancies during the year:

William I. Myers, Dean, New York State College of Agriculture, Cornell University, Ithaca, New York, was appointed a Class C director of the Federal Reserve Bank of New York for the term beginning January 1, 1943. On September 10 he was appointed Deputy Chairman for the remainder of the year 1943.

On April 8, C. Canby Balderston, Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pennsylvania, was appointed a Class C director of the Federal Reserve Bank of Philadelphia.

On May 7, Lyle L. Hague, a farmer and stockman of Cherokee, Oklahoma, was appointed a Class C director of the Federal Reserve Bank of Kansas City.

On September 13, Robert D. Calkins, Dean, School of Business, Columbia University, New York, New York, was appointed a Class C director of the Federal Reserve Bank of New York.

J. S. Abercrombie, President, J. S. Abercrombie Company, Houston, Texas, was appointed a director of the Houston Branch of the Federal Reserve Bank of Dallas for the term beginning January 1, 1943.

C. E. Myers, agriculturist, of Covina, California, was appointed a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco for the term beginning January 1, 1943.

On February 18, Walter S. Byrne, General Manager, Metropolitan Utilities District of Omaha, Omaha, Nebraska, was appointed a director of the Omaha Branch of the Federal Reserve Bank of Kansas City.

On February 27, W. A. Alexander, Vice President, The Denver Tramway Corporation, Denver, Colorado, was appointed a director of the Denver Branch of the Federal Reserve Bank of Kansas City.

On April 10, John J. Shaffer, Jr., a sugar planter of Ellendale, Louisiana, was appointed a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta.

On May 15, Charles S. Lee, who is engaged in cattle raising and farming at Oviedo, Florida, was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta.

On May 21, W. C. Arthur, President, Talon, Inc., Meadville, Pennsylvania, was appointed a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland.

On June 5, George W. Stocking, Professor of Economics, University of Texas, Austin, Texas, was appointed a director of the San Antonio Branch of the Federal Reserve Bank of Dallas.

On September 23, John D. Clark, Dean, College of Business Administration, University of Nebraska, Lincoln, Nebraska, was appointed a director of the Omaha Branch of the Federal Reserve Bank of Kansas City.

Expansion in staff. At the end of the year the total number of officers and employees of the twelve Federal Reserve Banks and twenty-four branches was 24,741 as compared with 19,972 at the close of the previous year. During the year 1,064 employees of the Reserve Banks left to enter military service.

Operations

In so far as extension of credit is concerned, Reserve Bank operations were predominantly in the form of purchases and sales of United States Government obligations. Discount operations were in somewhat larger volume than in other recent years, especially toward the end of the year as a few member banks found it necessary to borrow in order to maintain their required reserves. Industrial advances and commitments declined somewhat owing to the fact that most industrial enterprises needing working capital beyond amounts available from the usual sources were engaged in war production work and their needs were taken care of through loans guaranteed by the War Department, Navy Department, or Maritime Commission under Executive Order No. 9112 and the Board's Regulation V. Figures showing the volume of operations in principal departments are given in Table 5, page 67.

Earnings and expenses. Current earnings, current expenses, and distribution of net earnings of the Federal Reserve Banks combined and of each Reserve Bank are given in detail in Table 6, pages 68–69. The first table on the opposite page shows a summary of these items for the year 1943 compared with 1942.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS IN 1943 AND 1942
[In thousands of dollars]

Item	1943	1942
Current earnings	69,306	52,663
Current expenses	43,546	38,624
Current net earnings	25,760	14,039
Net additions to current net earnings	23,768	*1,569
Net earnings	49,528	12,470
Paid U. S. Treasury (Section 13b)	245	198
Dividends paid	8,911	8,669
Transferred to surplus (Section 13b)	135	49
Transferred to surplus (Section 7)	40,237	3,554
Total	49,528	12,470
Transferred from surplus (Section 7) to reserves for contingencies	12,551	647

* Net deductions.

Increased current earnings of 17 million dollars in 1943 resulted from larger holdings of Government securities in the System Open Market Account and of Treasury bills acquired from member banks and others under agreements to resell on demand at a discount rate of 3/8 per cent per annum. Current expenses, after deducting reimbursable fiscal agency expenses, were 44 million dollars in 1943 as compared with 39 million in 1942, the increase being due principally to the larger volume of check collections and currency operations. Net earnings in 1943 were 50 million as compared with 12 million in 1942, the increase reflecting larger earnings from holdings of Government securities and also profits on the sale of securities, which are included in the item "net additions to current net earnings."

EARNINGS ON BILLS AND SECURITIES
[Amounts in thousands of dollars]

Item and year	Total	Bills discounted	U. S. Govt. securities direct and guaranteed	Industrial advances
Daily average holdings:				
1940	2,429,984	4,046	2,416,761	9,177
1941	2,200,491	4,681	2,187,030	8,780
1942	3,209,649	6,610	3,191,259	11,780
1943	7,761,651	24,759	7,724,488	12,404
Earnings:				
1940	42,677	51	42,174	452
1941	40,607	56	40,152	399
1942	51,943	65	51,404	474
1943	68,656	152	68,090	414
Average rate of earnings (per cent):				
1940	1.76	1.26	1.75	4.93
1941	1.85	1.20	1.84	4.54
1942	1.62	0.98	1.61	4.03
1943	0.88	0.61	0.88	3.34

Distribution of net earnings was as follows: Payments to United States Treasury under provisions of Section 13b of the Federal Reserve Act relating to industrial advances, $245,000; dividends to member banks paid in accordance with the Federal Reserve Act, $8,911,000; and additions to surplus accounts, $40,372,000. Of the total added to surplus, $12,551,000 was transferred to reserves for contingencies. In case of liquidation of a Federal Reserve Bank any surplus remaining after payment of all debts, dividend requirements, and the return of capital paid in by member banks becomes the property of the United States.

Average daily holdings of discounts, advances, and securities by the Federal Reserve Banks and average rates of earnings thereon during the past four years are shown in the second table on page 53.

Retirement System. During the year a number of important changes were made in the Retirement System of the Federal Reserve Banks which provides retirement benefits for employees of the twelve Federal Reserve Banks and of the Board of Governors. The special committee which was appointed near the end of 1941 by the Conference of Presidents of the Federal Reserve Banks to review the operation of the Retirement System in the light of the experience since its establishment in 1934 concluded its studies and submitted its final report. Preliminary reports had been submitted previously and considered by the Conference of Presidents and by the Board of Governors.

On the basis of the final report a number of changes were recommended by the Conference of Presidents and approved by the Board of Governors. The principal changes were a reduction in the interest basis from 4 per cent to 3 per cent and the provision of a compensating increase in the reserves; a liberalization of the benefits, particularly for the lower paid employees; and provision within the Retirement System of the Federal Reserve Banks of a separate retirement plan permitting employees of the Board of Governors to receive benefits comparable to those provided by the Civil Service Retirement System. In order that the Retirement System might continue to be fully funded under the new basis, special payments totaling 9.8 million dollars were made to the System, of which 2.2 million was to adjust to the new interest basis the reserves from prior years' contributions of members and 7.6 million was to provide increased pension benefits.

Building operations. Pressure for additional space at many of the Federal Reserve Banks and branches arising from expanded wartime operations, which was noted in the *Annual Report* for 1942, continued throughout the year. At the end of 1943 all but three of the twelve Federal Reserve Banks and all but six of the twenty-one branches owning their own bank buildings were renting outside space. The Cincinnati, Portland, and Seattle Branches, which rent their bank premises, found it necessary to rent additional space. At Pittsburgh, an old building which had not been occupied by the Bank since 1931 was reconditioned for use in handling increased wartime operations. The Federal Reserve Bank of Richmond took over its Annex Building, which had been rented to outside tenants.

A building adjoining the bank premises of the Detroit Branch was purchased during the year, and the Board of Governors authorized the purchase of two buildings adjoining the Boston Bank building and of a vacant lot adjoining the Charlotte Branch. Construction of an additional story on the Memphis Branch building has been approved by the Board of Governors.

Interdistrict Settlement Fund. Effective March 15, 1943, the separate clearing for interdistrict balances arising from shipments of Federal Reserve notes of other Federal Reserve Banks to the Banks of issue or to Washington for redemption, which had been conducted by the Board of Governors since February 1922, was discontinued. Under the new arrangement amounts due to other Federal Reserve Banks arising from such Federal Reserve note shipments are included with credits for checks and other collection items settled daily through the Interdistrict Settlement Fund.

In connection with the program for enlarging the responsibilities of Federal Reserve Bank branches, which was undertaken in 1942, six branches were added to the list of direct settling branches, as follows:

Birmingham	October 4
Jacksonville	November 1
Oklahoma City	December 1
Nashville	December 20
Cincinnati	January 3, 1944
Pittsburgh	January 3, 1944

There are now twenty-three branches which settle directly through the Interdistrict Settlement Fund in addition to the twelve Federal Reserve Banks.

BOARD OF GOVERNORS—STAFF AND EXPENDITURES

Staff. On December 31, 1943, the Board's employees, exclusive of those on military leave or on leave without pay, numbered 459 as compared with 422 at the end of 1942. There was practically no increase in the number of office employees but during the year the employees of the Board's cafeteria, who had previously been on the pay roll of an outside contractor, became members of the Board's staff.

At the end of the year 69 of the Board's permanent employees were on military leave. In addition, 24 employees who had received temporary appointments had resigned to enter military service.

Walter R. Stark resigned in November as Assistant Director of the Board's Division of Research and Statistics in order to return to private business.

During 1943 Board personnel maintained 100 per cent participation in the plan of pay roll savings for the purchase of war savings bonds. Deductions rose from 11.4 per cent of gross salaries in January to 12.7 per cent in April (Second War Loan Drive) and to 18.9 per cent in September (Third War Loan Drive). The percentages achieved during April and September placed the Board's organization at the top of the Honor Roll published by the President's Interdepartmental War Savings Bond Committee showing the comparative standing of governmental organizations operating such plans. No quota was assigned to the Board by the Interdepartmental Committee in the Second Drive. However, the quota set for the Board's organization in the Third Drive, which included both cash purchases and pay roll deductions, was oversubscribed by 28.6 per cent.

The Board's organization also participated in the blood donor program, 174 individuals having made 375 donations during the year. As of the end of the year, four had made eight or more donations, two had made seven, five had made six, and eighteen had made five.

Expenditures. The current expenses of the Board for the year 1943 aggregated $1,914,512. Two assessments were levied on the Federal Reserve Banks representing about seven-tenths of one per cent of their average paid-in capital and surplus for the year to cover the general expenses of the Board. Details are shown in Table 9, page 72.

Under an arrangement with the Federal Reserve Bank of Richmond, the accounts of the Board for the year 1943 were audited by the Auditor of the Federal Reserve Bank of Richmond, who certified them to be correct.

FEDERAL RESERVE MEETINGS

The Federal Open Market Committee met in Washington on January 25–26, March 2, May 15, June 28, and October 18, 1943, and the executive committee of the full Committee met from time to time during the year. Under the provisions of Section 12A of the Federal Reserve Act, the Federal Open Market Committee has responsibility for determining the policies under which the open market operations of the Federal Reserve Banks shall be carried out. A record of the actions taken by the Committee on questions of policy will be found on pages 90–98 of this Report.

The Chairmen of the Federal Reserve Banks met with the Board of Governors on November 8, 1943. The executive committee of the Chairmen's Conference met on March 3 and October 1, 1943, to discuss matters of interest to the Conference.

The Conference of Presidents of the Federal Reserve Banks held meetings on January 22–24, March 1, June 25–27, and October 15–17, 1943, and the Board of Governors met with the Presidents on January 26, March 2, June 29, and October 19, 1943.

The Board continued to have the benefit of consultations with the Federal Advisory Council. Meetings of the Federal Advisory Council were held on February 14–15, May 23–24, September 19–20, and November 14–15, 1943, and the executive committee of the Council met on January 6, April 7, October 6, and December 7, 1943. The Board of Governors met with the Council or its executive committee on each of these occasions. The Council is required by law to meet in Washington at least four times each year and is authorized by the Federal Reserve Act to consult with and advise the Board on all matters within the jurisdiction of the Board.

During the year several conferences, attended by representatives of the Federal Reserve Banks and the Board of Governors, were held to discuss such matters as bank supervision, the research work of the Reserve System, and the administration of Regulations V and W relating to guaranteed war production loans and consumer credit, respectively.

LEGISLATION RELATING TO THE FEDERAL RESERVE SYSTEM AND REPORTS TO CONGRESS

War loan deposit accounts. By an Act of Congress, approved April 13, 1943, subsection (h)(1) of Section 12B of the Federal Reserve Act was amended so as to make it unnecessary for insured banks until six months after the cessation of hostilities to pay deposit insurance assessments on balances to the credit of the United States Treasury arising solely as a result of subscriptions for United States securities issued under the Second Liberty Bond Act, as amended. This Act also amended the last paragraph of Section 19 of the Federal Reserve Act so as to exempt member banks for the same period from the necessity of maintaining reserves with the Federal Reserve Banks against deposits payable to the United States arising solely as a result of subscriptions for such securities.

Stabilization Fund. By an Act of Congress, approved April 29, 1943, the time within which the President may exercise his powers relating to the Stabilization Fund under the Gold Reserve Act of 1934, which would have expired on June 30, 1943, was extended until June 30, 1945, and a new provision was added which, according to the report of the Committee on Coinage, Weights and Measures of the House of Representatives "will carry out the view expressed by the Secretary of the Treasury that the Stabilization Fund should not be included in any international fund without the approval of the Congress."

Government obligations as collateral for Federal Reserve notes. By an Act of Congress, approved May 25, 1943, the second paragraph of Section 16 of the Federal Reserve Act was amended so that the authority of the Board of Governors of the Federal Reserve System to permit direct obligations of the United States to be used as collateral for Federal Reserve notes, which would have expired on June 30, 1943, was extended until June 30, 1945.

Federal Reserve Banks as custodians for Commodity Credit Corporation. By an Act of Congress, approved July 16, 1943, the Federal Reserve Banks were authorized to act as depositaries, custodians, and fiscal agents for the Commodity Credit Corporation. The Reserve Banks had for some time performed services for the Corporation at the request of the Reconstruction Finance Corporation.

Reports to Congress. During the year members of the Board were called upon on several occasions to appear before Committees of Congress to give information on proposed legislation. At the request of these Committees, and at the request of the Bureau of the Budget, the Board submitted reports on proposed legislation relating to the retirement of Federal Reserve Bank notes, the dissolution of the Regional Agricultural Credit Corporations, the extension of the time during which direct obligations of the United States may be used as collateral for Federal Reserve notes, the exemption of Government deposits from Federal deposit insurance assessments and reserve requirements, the restricting of branch banking, the collection of information by Government agencies, the payment of postage by the executive branch of the Government, the extension of the time during which the Land Bank Commissioner may make loans, the reduction of premium rate charged for insurance by the Federal Savings and Loan Insurance Corporation, the taxation of profits from the sale of farm land, and the financing of terminated war contracts.

CHANGES IN REGULATIONS OF THE BOARD OF GOVERNORS

The regulations of the Board of Governors were changed during the year 1943 in the following respects:

Reserves of member banks. Effective April 13, 1943, the Board amended Regulation D, in order to conform to the change in Section 19 of the Federal Reserve Act made by the Act of April 13, 1943, referred to above.

Extension of credit by brokers, dealers, and members of national securities exchanges. Effective July 24, 1943, the Board amended the portion of Regulation T relating to a "special cash account" so as to permit payment for certain issued registered securities which are traded in on a national securities exchange on a "when distributed" basis to be made within seven days after the distribution.

Consumer credit. Effective September 1, 1943, the Board amended Regulation W. The changes were administrative and designed to help merchants meet manpower problems in extending charge account credit.

Banking corporations authorized to do foreign banking business under the terms of Section 25(a) of the Federal Reserve Act. Effective November 1, 1943, the Board amended Regulation K so as to make it necessary for such corporations to obtain the Board's consent in each case before investing in the stock or certificates of ownership of other corporations.

Relations of Reserve Banks with foreign banks and bankers. Effective January 1, 1944, the Board amended Regulation N so as to conform to changes in the law and also in several administrative particulars.

TABLES

NO. 1—STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANKS (IN DETAIL) DECEMBER 31, 1943[1]

ASSETS

[Amounts in boldface type are those shown in the Board's weekly statement. In thousands of dollars]

Gold certificates with Federal Reserve agent	13,266,000		
Interdistrict settlement fund with Board of Governors	5,256,136		
Gold certificates on hand	1,010,444		
Gold certificates on hand and due from U. S. Treasury		**19,532,580**	
Redemption fund—Federal Reserve notes		**233,671**	
Total gold reserves		19,766,251	
Other cash:			
United States notes	25,062		
Silver certificates	270,702		
Standard silver dollars	1,869		
National and Federal Reserve Bank notes	14,076		
Subsidiary silver, nickels, and cents	18,113		
Total other cash		**329,822**	
Total reserves			**20,096,073**
Bills discounted:			
Secured by U. S. Government obligations, direct and guaranteed:			
Discounted for member banks	5,255		
For others	....		
Total secured by U. S. Govt. obligations, direct and guaranteed	....	**5,255**	
Other bills discounted:			
For member banks	....		
For others	....		
Total other bills discounted		....	
Total bills discounted		**5,255**	
Industrial advances		**10,134**	
U. S. Government securities, direct and guaranteed:			
U. S. Government securities, bought outright:			
Bonds	**1,629,479**		
Notes	**677,900**		
Certificates	**2,467,300**		
Bills	**2,923,191**		
Total U. S. Government securities, bought outright	**7,697,870**		
U. S. Government securities, bought under repurchase option:			
Bills	3,845,077		
Total U. S. Government securities, direct and guaranteed		**11,542,947**	
Total bills and securities			**11,558,336**
Due from foreign banks			**136**
Federal Reserve notes of other Reserve Banks			**90,598**
Uncollected items:			
Transit items		1,828,220	
Exchanges for clearinghouse		202,982	
Other cash items		81,851	
Total uncollected items			**2,113,053**
Bank premises (net)			**38,293**
Other assets:			
Industrial advances past due	399		
Miscellaneous assets acquired account industrial advances	1,023		
Claims account closed banks	(2)		
Miscellaneous assets acquired account closed banks	267		
Total	1,689		
Less valuation allowances	1,440		
Net		249	
Federal Deposit Insurance Corporation stock[3]		....	
Fiscal agency and other expenses, reimbursable		13,182	
Interest accrued		15,041	
Premium on securities		29,278	
Deferred charges		779	
Sundry items receivable		854	
Real estate acquired for banking-house purposes		830	
Suspense account		543	
All other		343	
Total other assets			**61,104**
Total assets			**33,957,593**

[1] Before closing books at end of year. [2] Less than $500. [3] Charged off. See footnote 4, Table 7.

No. 1—FEDERAL RESERVE BANKS (IN DETAIL)—Continued

LIABILITIES

[Amounts in boldface type are those shown in the Board's weekly statement. In thousands of dollars]

Federal Reserve notes outstanding (issued to Federal Reserve Banks)		17,512,088	
Less: Held by issuing Federal Reserve Banks	580,119		
Forwarded for redemption	25,610	605,729	
Federal Reserve notes in actual circulation (including notes held by Treasury and by Federal Reserve Banks other than issuing Bank)			**16,906,359**
Deposits:			
Member bank—reserve account		**12,885,516**	
U. S. Treasurer—general account		**578,457**	
Foreign		**1,360,488**	
Other deposits:			
Nonmember bank—clearing accounts	128,488		
Officers' and certified checks	18,633		
Federal Reserve exchange drafts	134		
All other	208,681		
Total other deposits		**355,936**	
Total deposits			**15,180,397**
Deferred availability items			**1,432,303**
Other liabilities:			
Accrued dividends unpaid		467	
Unearned discount		37	
Discount on securities		3,361	
Sundry items payable		821	
Suspense account		437	
All other liabilities		870	
Total other liabilities			**5,993**
Total liabilities			**33,525,052**

CAPITAL ACCOUNTS

Capital paid in			**154,106**
Surplus (sec. 7)			**160,411**
Surplus (sec. 13b)			**26,829**
Other capital accounts:			
Reserve for contingencies		47,574	
Earnings and expenses:			
Current earnings	69,306		
Current expenses	43,546		
Current net earnings	25,760		
Add—profit and loss	26,772		
Deduct—dividends accrued since January 1	8,911		
Net earnings available for charge-offs, reserves and surplus		43,621	
Total other capital accounts			**91,195**
Total liabilities and capital accounts			**33,957,593**

NO 2—STATEMENT OF CONDITION OF EACH FEDERAL RESERVE BANK AT END OF 1942 AND 1943

[In thousands of dollars]

Item	Total		Boston		New York		Philadelphia		Cleveland		Richmond	
	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942
ASSETS												
Gold certificates on hand and due from U. S. Treasury	19,532,580	20,523,281	1,025,651	1,172,613	5,904,288	6,855,451	1,029,794	1,147,114	1,395,309	1,714,833	1,031,584	950,761
Redemption fund—Federal Reserve notes	233,671	30,449	22,457	1,152	22,844	1,364	24,120	5,665	31,000	1,140	23,648	5,559
Other cash	329,822	354,084	30,199	39,891	74,244	73,223	24,499	21,191	24,477	43,580	23,041	19,535
Total reserves	20,096,073	20,907,814	1,078,307	1,213,656	6,001,376	6,930,038	1,078,413	1,173,970	1,450,786	1,759,553	1,078,273	975,855
Bills discounted:												
Secured by U. S. Government obligations, direct and guaranteed	5,255	3,030	1,610	320	2,185	235	700	2,140	265	190	420	25
Other bills discounted	....	2,541	....	....	....	1,063	....	240	....	271	....	110
Total bills discounted	5,255	5,571	1,610	320	2,185	1,298	700	2,380	265	461	420	135
Industrial advances	10,134	13,649	342	475	126	611	4,046	4,710	390	820	235	677
U. S. Government securities, direct and guaranteed:												
Bonds	1,629,479	2,792,581	142,420	212,493	179,243	713,272	138,260	212,929	231,524	248,255	126,848	182,445
Notes	677,900	1,345,059	59,250	102,346	74,569	343,553	57,519	102,557	96,319	119,572	52,772	87,873
Certificates	2,467,300	1,041,000	215,644	79,212	271,407	265,889	209,347	79,374	350,565	92,543	192,066	68,011
Bills	6,768,268	1,009,995	334,128	52,852	2,474,891	372,606	456,612	45,308	501,745	49,083	280,416	40,412
Total U. S. Government securities, direct and guaranteed	11,542,947	6,188,635	751,442	446,903	3,000,110	1,695,320	861,738	440,168	1,180,153	509,453	652,102	378,741
Total bills and securities	11,558,336	6,207,855	753,394	447,698	3,002,421	1,697,229	866,484	447,258	1,180,808	510,734	652,757	379,553
Due from foreign banks	136	47	3	3	[1]56	[1]18	13	5	13	4	6	2
Federal Reserve notes of other Federal Reserve Banks	90,598	57,053	1,912	923	12,394	7,019	4,620	2,541	5,061	2,869	12,099	10,794
Uncollected items	2,113,044	1,717,800	146,184	167,471	502,634	382,789	117,062	114,046	249,227	200,909	153,090	141,375
Bank premises	35,205	39,285	1,666	2,722	9,121	9,823	3,600	4,755	4,214	4,326	2,936	3,046
Other assets	61,174	88,788	4,410	6,229	9,936	21,947	4,815	6,926	8,295	8,479	4,320	6,048
Total assets	33,954,566	29,018,642	1,985,876	1,838,702	9,537,938	9,048,863	2,075,007	1,749,501	2,898,404	2,486,874	1,903,481	1,516,673

[1] After deducting $80,000 participations of other Federal Reserve Banks on Dec. 31, 1943, and $29,000 on Dec. 31, 1942.

LIABILITIES												
Federal Reserve notes in actual circulation[1]	16,906,359	12,192,986	1,155,295	881,534	3,766,861	2,799,735	1,149,726	848,682	1,495,780	1,133,507	1,141,590	786,787
Deposits:												
Member bank—reserve account	12,885,984	13,116,809	653,633	678,306	4,263,922	5,029,391	645,810	651,566	1,003,595	918,240	544,664	525,661
U. S. Treasurer—general account	578,617	799,449	46,850	97,848	210,279	144,933	31,375	52,643	75,109	132,279	17,131	35,397
Foreign	1,360,488	792,790	34,785	23,103	[2]600,236	[2]367,578	120,273	67,100	116,475	64,304	54,439	30,754
Other deposits	355,936	485,147	4,382	6,301	246,308	303,762	5,350	4,673	12,403	77,688	2,152	8,633
Total deposits	15,181,025	15,194,195	739,650	805,558	5,320,745	5,845,664	802,808	775,982	1,207,582	1,192,511	618,386	600,445
Deferred availability items	1,432,303	1,247,053	61,605	124,925	301,754	271,518	84,032	89,503	154,352	125,478	124,195	112,605
Other liabilities including accrued dividends	5,589	3,568	501	614	1,154	342	875	524	521	162	180	403
Total liabilities	33,525,276	28,637,802	1,957,051	1,812,631	9,390,514	8,917,259	2,037,441	1,714,691	2,858,235	2,451,658	1,884,351	1,500,240
CAPITAL ACCOUNTS												
Capital paid in	154,104	146,026	9,797	9,489	57,440	53,653	11,686	11,747	15,572	14,878	6,140	5,885
Surplus (sec. 7)	188,097	160,411	13,206	11,160	70,012	58,001	17,859	15,670	16,026	14,767	5,236	5,236
Surplus (sec. 13b)	26,965	26,829	2,874	2,874	7,092	7,070	4,421	4,393	1,007	1,007	3,290	3,244
Other capital accounts	60,124	47,574	2,948	2,548	12,880	12,880	3,600	3,000	7,564	4,564	4,464	2,068
Total liabilities and capital accounts	33,954,566	29,018,642	1,985,876	1,838,702	9,537,938	9,048,863	2,075,007	1,749,501	2,898,404	2,486,874	1,903,481	1,516,673
Commitments to make industrial advances	9,270	10,661	700	119	9	261	1,930	1,346	100	387	670	1,008
FEDERAL RESERVE NOTE STATEMENT												
Federal Reserve notes:												
Issued to Federal Reserve Bank by Federal Reserve agent	17,512,088	12,672,151	1,203,368	909,636	3,872,083	2,904,543	1,183,454	873,297	1,552,379	1,175,580	1,180,700	824,238
Held by Federal Reserve Bank	605,729	479,165	48,073	28,102	105,222	104,808	33,728	24,615	56,599	42,073	39,110	37,451
In actual circulation[1]	16,906,359	12,192,986	1,155,295	881,534	3,766,861	2,799,735	1,149,726	848,682	1,495,780	1,133,507	1,141,590	786,787
Collateral held by agent for notes issued to banks:												
Gold certificates on hand and due from U. S. Treasury	13,266,000	12,467,000	761,000	898,000	3,540,000	2,915,000	715,000	795,000	955,000	1,180,000	775,000	727,000
Eligible paper	4,990	2,830	1,610	320	2,185	235	700	2,140	....	....	420	25
U. S. securities	4,488,690	355,000	450,000	20,000	350,000	....	475,000	100,000	600,000	....	450,000	125,000
Total collateral held	17,759,680	12,824,830	1,212,610	918,320	3,892,185	2,915,235	1,190,700	897,140	1,555,000	1,180,000	1,225,420	852,025

[1] Includes Federal Reserve notes held by the U. S. Treasury or by a Federal Reserve Bank other than the issuing bank.
[2] After deducting $759,843,000 participations of other Federal Reserve Banks on Dec. 31, 1943, and $424,034,000 on Dec. 31, 1942.

No. 2—STATEMENT OF CONDITION—Continued

[In thousands of dollars]

Item	Atlanta		Chicago		St. Louis		Minneapolis		Kansas City		Dallas		San Francisco	
	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942
ASSETS														
Gold certificates on hand and due from U. S. Treasury	890,198	763,536	3,808,383	3,570,031	643,405	721,665	365,112	477,051	668,768	662,054	468,987	520,889	2,301,101	1,967,283
Redemption fund—Federal Reserve notes	18,974	1,844	19,758	1,475	19,714	4,192	8,625	202	12,288	352	9,837	371	20,406	7,133
Other cash	23,142	23,880	40,409	40,018	15,399	19,246	9,777	8,353	13,663	11,997	11,050	17,175	39,922	35,995
Total reserves	932,314	789,260	3,868,550	3,611,524	678,518	745,103	383,514	485,606	694,719	674,403	489,874	538,435	2,361,429	2,010,411
Bills discounted:														
Secured by U. S. Government obligations, direct and guaranteed	....	....	....	....	....	45	....	....	75	65	....	....	....	10
Other bills discounted	....	87	....	305	....	75	....	55	....	72	....	73	....	190
Total bills discounted	....	87	....	305	....	120	....	55	75	137	....	73	....	200
Industrial advances	221	504	4	110	....	61	178	366	30	1,250	12	31	4,550	4,034
U. S. Government securities, direct and guaranteed:														
Bonds	118,737	131,718	154,843	342,801	78,235	133,223	60,270	75,729	104,226	137,180	100,408	113,568	194,465	288,968
Notes	49,397	63,444	64,418	165,109	32,547	64,170	25,074	36,474	43,361	66,074	41,772	54,702	80,902	139,185
Certificates	179,785	49,101	234,460	127,787	118,457	49,662	91,258	28,230	157,819	51,137	152,038	42,335	294,454	107,719
Bills	249,956	23,763	940,272	241,198	304,038	40,764	181,594	13,746	238,081	34,617	208,643	17,040	597,892	78,606
Total U. S. Government securities, direct and guaranteed	597,875	268,026	1,393,993	876,895	533,277	287,819	358,196	154,179	543,487	289,008	502,861	227,645	1,167,713	614,478
Total bills and securities	598,096	268,617	1,393,997	877,310	533,277	288,000	358,374	154,600	543,592	290,395	502,873	227,749	1,172,263	618,712
Due from foreign banks	5	2	17	6	3	1	2	*	4	1	4	1	10	4
Federal Reserve notes of other Federal Reserve Banks	8,932	4,827	9,906	6,415	6,852	4,162	3,291	2,108	4,851	5,449	3,930	2,695	16,750	7,251
Uncollected items	113,337	82,976	306,817	244,938	94,750	75,178	36,279	34,291	109,204	64,897	69,582	53,476	214,878	155,454
Bank premises	1,653	1,726	2,948	2,917	2,064	2,110	1,280	1,309	2,737	2,808	963	1,052	2,023	2,691
Other assets	3,893	4,022	5,807	10,859	2,912	4,158	2,162	2,513	3,726	4,410	3,633	3,590	7,265	9,607
Total assets	1,658,230	1,151,430	5,588,042	4,753,969	1,318,376	1,118,712	784,902	680,427	1,358,833	1,042,363	1,070,859	826,998	3,774,618	2,804,130

* Less than $500.

LIABILITIES														
Federal Reserve notes in actual circulation[1]	954,983	546,908	3,163,200	2,419,593	725,702	513,737	385,761	302,727	613,745	428,631	416,356	251,765	1,937,360	1,279,380
Deposits:														
Member bank—reserve account	535,969	476,535	1,943,250	1,925,896	434,360	446,424	295,470	276,826	583,217	487,364	520,289	468,388	1,461,805	1,232,212
U. S. Treasurer—general account	10,305	23,562	56,515	71,445	18,687	56,544	25,045	35,354	19,241	36,209	26,840	27,947	41,240	85,288
Foreign	44,311	24,464	154,455	85,273	37,981	20,969	27,853	15,377	35,449	20,270	37,981	20,270	96,250	53,328
Other deposits	6,592	5,085	3,546	4,310	10,806	12,257	10,051	12,465	6,002	4,903	3,016	3,456	45,328	41,614
Total deposits	597,177	529,646	2,157,766	2,086,924	501,834	536,194	358,419	340,022	643,909	548,746	588,126	520,061	1,644,623	1,412,442
Deferred availability items	89,896	60,884	210,687	197,776	76,497	56,581	29,290	27,636	86,862	52,850	52,663	43,312	160,470	83,985
Other liabilities including accrued dividends	208	106	672	334	206	83	165	229	484	573	219	121	404	77
Total liabilities	1,642,264	1,137,544	5,532,325	4,704,627	1,304,239	1,106,595	773,635	670,614	1,345,000	1,030,800	1,057,364	815,259	3,742,857	2,775,884
CAPITAL ACCOUNTS														
Capital paid in	5,453	5,188	17,916	16,306	4,705	4,549	3,236	3,075	5,029	4,725	4,657	4,450	12,473	12,081
Surplus (sec. 7)	5,725	5,725	26,490	22,925	6,330	4,966	3,669	3,221	4,554	3,613	4,831	4,083	14,159	11,044
Surplus (sec. 13b)	749	717	1,429	1,429	530	530	1,000	1,000	1,137	1,137	1,307	1,307	2,129	2,121
Other capital accounts	4,039	2,256	9,882	8,682	2,572	2,072	3,362	2,517	3,113	2,088	2,700	1,899	3,000	3,000
Total liabilities and capital accounts	1,658,230	1,151,430	5,588,042	4,753,969	1,318,376	1,118,712	784,902	680,427	1,358,833	1,042,363	1,070,859	826,998	3,774,618	2,804,130
Commitments to make industrial advances	...	135	...	...	337	1,687	...	...	3,000	1,826	...	...	2,524	3,892
FEDERAL RESERVE NOTE STATEMENT														
Federal Reserve notes:														
Issued to Federal Reserve Bank by Federal Reserve agent	998,714	582,534	3,223,744	2,469,905	759,355	541,608	392,402	308,147	634,522	440,629	449,884	277,211	2,061,483	1,364,823
Held by Federal Reserve Bank	43,731	35,626	60,544	50,312	33,653	27,871	6,641	5,420	20,777	11,998	33,528	25,446	124,123	85,443
In actual circulation	954,983	546,908	3,163,200	2,419,593	725,702	513,737	385,761	302,727	613,745	428,631	416,356	251,765	1,937,360	1,279,380
Collateral held by agent for notes issued to banks:														
Gold certificates on hand and due from U. S. Treasury	650,000	555,000	2,860,000	2,500,000	400,000	480,000	225,000	310,000	400,000	440,000	261,000	283,000	1,724,000	1,384,000
Eligible paper	...	...	...	...	...	45	...	...	75	65	...	...	...	...
U. S. securities	375,000	30,000	400,000	...	363,690	75,000	175,000	...	250,000	5,000	200,000	...	400,000	...
Total collateral held	1,025,000	585,000	3,260,000	2,500,000	763,690	555,045	400,000	310,000	650,075	445,065	461,000	283,000	2,124,000	1,384,000

[1] Includes Federal Reserve notes held by the U. S. Treasury or by a Federal Reserve Bank other than the issuing bank.

NO. 3—HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS AT END OF DECEMBER 1942 AND 1943

[In thousands of dollars]

Type of issue	Rate of interest (Per cent)	December 1942	December 1943	Change during 1943
Treasury bonds:				
1943-47	3⅜	91,107	....	−91,107
1943-45	3¼	129,886	....	−129,886
1944-46	3¼	126,000	196,000	+70,000
1944-54	4	45,530	60,930	+15,400
1945-47	2¾	122,199	121,200	−999
1945	2½	55,602	19,000	−36,602
1946-56	3¾	35,135	37,250	+2,115
1946-48	3	101,222	96,700	−4,522
1946-49	3⅛	48,852	47,852	−1,000
1947-52	4¼	17,159	13,000	−4,159
1947	2	11,250	....	−11,250
1948-50*	2	125,528	38,100	−87,428
1948-51	2¾	104,529	100,500	−4,029
1948	2½	23,750	....	−23,750
1948-50	2	4,594	....	−4,594
1949-51* June 15	2	130,427	7,750	−122,677
1949-51* Sept. 15	2	62,240	3,000	−59,240
1949-51* Dec. 15	2	141,018	....	−141,018
1949-52	3⅛	35,889	32,500	−3,389
1949-53	2½	129,125	74,100	−55,025
1950-52* Mar. 15	2	177,475	....	−177,475
1950-52* Sept. 15	2	....	88,700	+88,700
1950-52 Sept. 15	2½	120,383	75,000	−45,383
1951-54	2¾	123,393	85,300	−38,093
1951-55	3	40,194	16,000	−24,194
1951-53*	2	....	192,500	+192,500
1951-53	2¼	79,882	32,500	−47,382
1951-55*	2	53,291	....	−53,291
1952-54*	2½	48,509	....	−48,509
1952-55*	2¼	87,019	26,500	−60,519
1953-55	2	37,050	16,700	−20,350
1954-56	2¼	5,068	6,000	+932
1955-60	2⅞	89,312	8,000	−81,312
1956-58*	2½	71,861	7,790	−64,071
1956-59	2¾	57,731	5,000	−52,731
1958-63	2¾	64,037	40,900	−23,137
1960-65	2¾	75,352	37,250	−38,102
1967-72*	2½	105,460	73,443	−32,017
Total Treasury bonds	....	2,777,059	1,559,465	−1,217,594
Treasury notes:				
Mar. 15, 1943*	¾	39,300	....	−39,300
June 15, 1943	1⅛	95,400	....	−95,400
Sept. 15, 1943	1	31,700	....	−31,700
Dec. 15, 1943	1⅛	54,000	....	−54,000
Mar. 15, 1944	1	107,400	88,100	−19,300
June 15, 1944	¾	71,900	59,400	−12,500
Sept. 15, 1944	1	59,100	23,700	−35,400
Sept. 15, 1944*	¾	....	23,200	+23,200
Mar. 15, 1945	¾	85,600	55,600	−30,000
Mar. 15, 1945*	1¼	236,845	146,100	−90,745
Dec. 15, 1945*	¾	829		−829
Mar. 15, 1946*	1	16,725	....	−16,725
Dec. 15, 1946*	1½	525,000	268,800	−256,200
Total Treasury notes	....	1,323,799	664,900	−658,899
Certificates of indebtedness*	....	1,041,000	2,467,300	+1,426,300
Treasury bills:				
Bought under repurchase option*	....	578,118	3,845,077	+3,266,959
Other*	....	431,877	2,923,191	+2,491,314
Total Treasury bills	....	1,009,995	6,768,268	+5,758,273
Guaranteed securities:				
CCC, May 1, 1943	¾	475	....	−475
CCC, Feb. 15, 1945*	1⅛	8,610	2,500	−6,110
RFC, July 15, 1943*	1⅛	9,000	....	−9,000
RFC, Apr. 15, 1944*	1	3,175	10,500	+7,325
HOLC, 1944-52	3	7,145	34,501	+27,356
HOLC, 1945-47	1½	1,271	1,271	....
FFMC, 1944-64	3¼	2,000	7,925	+5,925
FFMC, 1944-49	3	5,106	26,317	+21,211
Total guaranteed securities	....	36,782	83,014	+46,232
Total holdings	....	6,188,635	11,542,947	+5,354,312

* Taxable issues.

NO. 4—HOLDINGS OF SPECIAL SHORT-TERM TREASURY CERTIFICATES BY THE FEDERAL RESERVE BANKS, 1943

[In millions of dollars]

Date	Amount	Date	Amount	Date	Amount
Jan. 29	115	Mar. 16	1,250	June 15	805
30	202	17	981	16	659
		18	836	17	350
Mar. 2	3	19	778	18	256
4	174	20	768	19	212
5	354	22	603		
6	543	23	700	Sept. 8	11
8	591	24	512	9	126
9	648	25	432	10	243
10	632	26	384	11	246
11	790	27	304	13	214
12	940	29	104	14	179
13	1,043	30	40	15	424
15	1,302			16	258

NO. 5—VOLUME OF OPERATIONS IN PRINCIPAL DEPARTMENTS OF FEDERAL RESERVE BANKS, 1939-1943

[Number in thousands; amounts in thousands of dollars]

	1939	1940	1941	1942	1943
NUMBER OF PIECES HANDLED[1]					
Bills discounted:					
Applications	2	2	2	1	2
Notes discounted and advances made	6	4	4	1	2
Industrial advances:					
Advances made	.2	.2	.6	1	.8
Commitments to make industrial advances	.1	.2	.2	.2	.1
Bills purchased in open market for own account	.1	....	....	....	....
Currency received and counted	2,134,908	2,248,290	2,529,703	2,678,801	2,874,099
Coin received and counted	2,644,418	2,705,344	3,216,761	3,761,445	3,810,300
Checks handled:					
U. S. Government checks	133,951	127,284	123,128	130,895	266,686
All other	1,023,189	1,057,072	1,142,465	1,204,648	1,246,384
Collection items handled:					
U. S. Government coupons paid[2]	17,145	15,444	15,047	14,990	16,520
All other	6,177	6,094	6,392	5,833	5,072
Issues, redemptions, and exchanges by fiscal agency department:					
U. S. Government direct obligations	3,528	3,752	13,479	117,425	[3]270,358
All other	1,162	485	411	473	250
Transfer of funds	814	780	840	842	864
AMOUNTS HANDLED					
Bills discounted	86,975	61,884	125,178	193,278	2,840,341
Industrial advances:					
Advances made	3,805	2,860	15,695	68,032	60,265
Commitments to make industrial advances	4,621	4,374	19,530	22,207	10,221
Bills purchased in open market for own account	2,133	....	....	....	....
Currency received and counted	9,285,921	9,538,629	11,283,817	13,010,185	15,599,680
Coin received and counted	276,589	288,140	327,555	355,581	381,254
Checks handled:					
U. S. Government checks	16,327,930	18,750,260	27,732,559	67,834,790	113,791,554
All other	239,610,050	261,685,832	334,336,667	409,273,478	509,640,311
Collection items handled:					
U. S. Government coupons paid[2]	890,620	902,288	926,960	1,082,321	1,481,271
All other	5,442,645	5,068,674	6,003,082	6,167,564	7,882,053
Issues, redemptions, and exchanges by fiscal agency department:					
U. S. Government direct obligations	24,462,659	20,189,983	33,278,154	90,338,225	[3]209,762,970
All other	4,537,228	1,687,194	3,262,012	3,260,660	1,986,425
Transfer of funds	88,080,756	92,105,910	118,423,057	140,444,452	203,510,209

[1] Two or more checks, coupons, etc., handled as a single item are counted as one "piece."
[2] Includes coupons from obligations guaranteed by the United States.
[3] Exclusive of Treasury savings certificates and war savings stamps received for redemption.

NO. 6—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS DURING 1943

Item	System	Boston	New York	Phila-delphia	Cleve-land	Rich-mond	Atlanta	Chicago	St. Louis	Minne-apolis	Kansas City	Dallas	San Francisco
CURRENT EARNINGS													
Discounted bills	$151,915	$11,568	$86,003	$9,947	$4,101	$6,742	$8,135	$3,918	$14,766	$564	$3,367	$1,666	$1,138
U. S. Government securities	68,089,456	4,857,424	17,766,396	5,122,053	6,643,854	4,072,265	3,339,535	8,606,032	3,135,787	1,977,717	3,128,584	2,798,224	6,641,585
Industrial advances	414,281	30,118	18,623	174,568	28,384	20,568	12,064	2,453	139	5,669	8,365	1,075	112,255
Commitments to make ind. adv.	48,904	3,022	236	206	2,274	8,906	648	....	5,591	....	78	....	27,943
All other	601,159	16,387	127,023	32,461	71,971	4,614	14,035	125,922	24,351	11,508	155,932	11,652	5,303
Total current earnings	69,305,715	4,918,519	17,998,281	5,339,235	6,750,584	4,113,095	3,374,417	8,738,325	3,180,634	1,995,458	3,296,326	2,812,617	6,788,224
CURRENT EXPENSES													
Operating expenses:													
Salaries:													
Officers	2,505,826	111,601	543,751	127,143	215,705	162,186	143,871	288,992	166,978	153,829	160,423	149,248	282,099
Employees	41,950,755	2,228,206	9,189,941	2,496,052	4,213,204	2,341,180	1,982,726	6,497,638	2,233,480	1,407,426	2,244,275	2,358,531	4,758,096
Retirement System contributions for current service	2,512,998	123,995	557,657	144,067	217,591	144,358	136,573	392,271	147,791	89,056	142,913	145,534	271,192
Legal fees	54,770	14,512	2,562	10,349	20,245	69	25	113	....	4,648	2,029	11	207
Directors' fees and expenses	130,781	9,887	10,808	9,516	10,730	7,883	14,452	9,651	8,577	11,051	15,834	9,319	13,073
Federal Advisory Council, fees and expenses	14,827	950	1,036	794	949	581	1,063	1,442	1,350	1,423	1,289	600	3,350
Traveling expenses (other than of directors and members of Federal Advisory Council)	557,728	26,698	62,264	32,543	56,567	32,348	46,789	88,947	39,849	30,336	35,542	39,067	66,778
Postage and expressage	8,666,419	724,550	1,220,180	684,053	966,677	666,815	574,129	1,349,599	388,500	269,484	475,363	413,885	933,184
Telephone and telegraph	779,582	37,873	120,793	42,890	80,807	42,746	62,652	74,150	61,886	35,635	64,578	55,744	99,828
Printing, stationery, and supplies	3,679,571	280,088	687,784	233,762	495,707	176,902	169,297	562,130	180,257	149,569	177,361	199,586	367,128
Insurance on currency and security shipments	282,450	37,986	40,454	18,109	21,718	29,178	24,304	28,087	7,693	6,807	13,197	13,509	41,408
Other insurance	218,879	13,574	52,180	15,964	20,209	14,656	10,549	23,054	11,555	9,252	14,620	10,860	22,406
Taxes on bank premises	1,475,344	131,200	452,215	91,436	128,270	77,245	62,755	198,167	51,588	65,330	92,075	31,676	93,387
Depreciation on bank building	1,050,828	55,832	219,960	143,275	112,476	88,625	42,549	76,491	44,482	28,847	70,312	93,125	74,854
Light, heat, power, and water	559,387	44,465	124,582	33,148	64,825	39,649	37,116	65,871	33,627	23,233	22,516	36,402	33,953
Repairs, alterations to bank bldg.	263,741	8,831	55,314	5,694	40,470	14,348	23,243	31,406	18,108	7,379	25,836	23,226	9,886
Rent	751,693	14,542	157,901	21,703	170,399	7,576	46,765	177,774	18,856	8,262	9,390	19,675	98,850
Furniture and equipment	1,149,479	38,419	179,942	46,850	99,858	58,106	77,797	310,861	77,457	18,759	53,805	82,492	105,133
All other	1,873,265	170,976	310,983	152,077	206,621	69,564	110,147	335,846	92,584	97,173	106,357	90,680	130,257
Total operating expenses	68,478,323	4,074,185	13,990,307	4,309,425	7,143,028	3,974,015	3,566,802	10,512,490	3,584,618	2,417,499	3,727,715	3,773,170	7,405,069
Less reimbursements for certain fiscal agency and other expenses	32,684,507	1,538,277	5,721,834	1,811,474	3,617,977	1,683,782	1,746,018	5,718,472	1,744,862	1,318,401	1,784,797	2,150,546	3,848,067
Net operating expenses	35,793,816	2,535,908	8,268,473	2,497,951	3,525,051	2,290,233	1,820,784	4,794,018	1,839,756	1,099,098	1,942,918	1,622,624	3,557,002
Assessment for expenses of Board of Governors	2,415,630	169,983	862,086	229,359	223,201	104,021	84,336	294,209	72,801	53,062	68,718	71,271	182,583
Federal Reserve currency:													
Original cost	4,968,676	331,219	840,957	386,479	417,525	365,288	401,206	714,038	237,505	102,992	183,664	194,461	793,342
Cost of redemption	367,442	16,184	62,679	22,682	26,620	39,579	35,393	47,969	25,342	6,857	18,745	23,314	42,078
Total current expenses	43,545,564	3,053,294	10,034,195	3,136,471	4,192,397	2,799,121	2,341,719	5,850,234	2,175,404	1,262,009	2,214,045	1,911,670	4,575,005

PROFIT AND LOSS

Current earnings (above)	69,305,715	4,918,519	17,998,281	5,339,235	6,750,584	4,113,095	3,374,417	8,738,325	3,180,634	1,995,458	3,296,326	2,812,617	6,788,224
Current expenses (above)	43,545,564	3,053,294	10,034,195	3,136,471	4,192,397	2,799,121	2,341,719	5,850,234	2,175,404	1,262,009	2,214,045	1,911,670	4,575,005
Current net earnings	25,760,151	1,865,225	7,964,086	2,202,764	2,558,187	1,313,974	1,032,698	2,888,091	1,005,230	733,449	1,082,281	900,947	2,213,219
Additions to current net earnings:													
Profits on sales of U. S. Government securities	35,902,055	2,629,096	10,216,982	2,927,686	3,537,441	1,974,305	1,537,926	4,135,904	1,658,200	1,083,198	1,718,824	1,387,780	3,094,713
Recoveries of and withdrawals from allowances for losses on industrial advances (net)	180,452	27,060	24,969		[1]14,534	50,624	37,500			[1]4,773			59,606
All other	511,416	107,166	3,035	113,535	413	264,540	12,102	1,788	1,249	4,337	845	1,928	478
Total additions	36,593,923	2,763,322	10,244,986	3,041,221	3,523,320	2,289,469	1,587,528	4,137,692	1,659,449	1,082,762	1,719,669	1,389,708	3,154,797
Deductions from current net earnings:													
Charge-offs and special depreciation on bank premises	3,332,292	1,000,099	482,312	1,012,225		243,691							593,965
Retirement System (interest base and increased benefits adjustments)	9,363,778	542,442	2,388,556	624,295	803,689	528,506	470,507	1,266,073	521,905	331,041	542,451	468,031	876,282
All other	129,571	11,024	7,159	5,851	96,044	5,386	311	357	110	879	93	660	1,697
Total deductions	12,825,641	1,553,565	2,878,027	1,642,371	899,733	777,583	470,818	1,266,430	522,015	331,920	542,544	468,691	1,471,944
Net additions	23,768,282	1,209,757	7,366,959	1,398,850	2,623,587	1,511,886	1,116,710	2,871,262	1,137,434	750,842	1,177,125	921,017	1,682,853
Net earnings	49,528,433	3,074,982	15,331,045	3,601,614	5,181,774	2,825,860	2,149,408	5,759,353	2,142,664	1,484,291	2,259,406	1,821,964	3,896,072
Paid U. S. Treasury (sec. 13b)	244,726	55,807	17,878	83,968	599	24,307	15,139	50	1,115	148	1,842	738	43,135
Dividends paid	8,911,342	573,065	3,280,516	701,272	922,163	359,650	319,356	993,684	277,796	190,924	290,875	271,378	730,663
Transferred to surplus (sec. 13b)	135,003		22,153	27,822		45,557	31,369		−25	2			8,125
Transferred to surplus (sec. 7)	40,237,362	2,446,110	12,010,498	2,788,552	4,259,012	2,396,346	1,783,544	4,765,619	1,863,778	1,293,217	1,966,689	1,549,848	3,114,149
Surplus (sec. 7), January 1	160,410,339	11,159,938	58,001,539	15,670,086	14,766,685	5,235,966	5,724,628	22,924,752	4,966,322	3,220,823	3,612,681	4,082,593	11,044,326
Addition, as above	40,237,362	2,446,110	12,010,498	2,788,552	4,259,012	2,396,346	1,783,544	4,765,619	1,863,778	1,293,217	1,966,689	1,549,848	3,114,149
Transferred to reserves for contingencies	−12,550,890	−400,000		−600,000	−3,000,000	−2,396,346	−1,783,544	−1,200,000	−500,000	−845,000	−1,025,000	−801,000	
Surplus (sec. 7), December 31	188,096,811	13,206,048	70,012,037	17,858,638	16,025,697	5,235,966	5,724,628	26,490,371	6,330,100	3,669,040	4,554,370	4,831,441	14,158,475

[1] Net losses.

NO. 7—CURRENT EARNINGS, CURRENT EXPENSES, AND NET EARNINGS OF FEDERAL RESERVE BANKS AND DISPOSITION OF NET EARNINGS, 1914-1943

Bank and period	Earnings and expenses			Disposition of net earnings					Direct charges to surplus (Sec. 7)
	Current earnings	Current expenses	Net earnings[1]	Dividends paid	Franchise tax paid to U. S. Treasury[2]	Paid to U. S. Treasury (Sec. 13b)	Transferred to surplus (Sec. 13b)	Transferred to surplus (Sec. 7)	
All Federal Reserve Banks by years:									
1914-15	$2,173,252	$2,320,586	$-141,459	$217,463					
1916	5,217,998	2,273,999	2,750,998	1,742,774					
1917	16,128,339	5,159,727	9,582,067	6,804,186	$1,134,234			$1,134,234	
1918	67,584,417	10,959,533	52,716,310	5,540,684				48,334,341	
1919	102,380,583	19,339,633	78,367,504	5,011,832	2,703,894			70,651,778	
1920	181,296,711	28,258,030	149,294,774	5,654,018	60,724,742			82,916,014	
1921	122,865,866	34,463,845	82,087,225	6,119,673	59,974,466			15,993,086	
1922	50,498,699	29,559,049	16,497,736	6,307,035	10,850,605			−659,904	
1923	50,708,566	29,764,173	12,711,286	6,552,717	3,613,056			2,545,513	
1924	38,340,449	28,431,126	3,718,180	6,682,496	113,646			−3,077,962	
1925	41,800,706	27,528,163	9,449,066	6,915,958	59,300			2,473,808	
1926	47,599,595	27,350,182	16,611,745	7,329,169	818,150			8,464,426	
1927	43,024,484	27,518,443	13,048,249	7,754,539	249,591			5,044,119	$500,000
1928	64,052,860	26,904,810	32,122,021	8,458,463	2,584,659			21,078,899	
1929	70,955,496	29,691,113	36,402,741	9,583,913	4,283,231			22,535,597	
1930	36,424,044	28,342,726	7,988,182	10,268,598	17,308			−2,297,724	
1931	29,701,279	27,040,664	2,972,066	10,029,760				−7,057,694	
1932	50,018,817	26,291,381	22,314,244	9,282,244	2,011,418			11,020,582	
1933	49,487,318	29,222,837	7,957,407	8,874,262				−916,855	
1934	48,902,813	29,241,396	15,231,409	8,781,661			$−60,323	6,510,071	139,299,557
1935	42,751,959	31,577,443	9,437,758	8,504,974		$297,667	27,695	607,422	
1936	37,900,639	29,874,023	8,512,433	7,829,581		227,448	102,880	352,524	
1937	41,233,135	28,800,614	10,801,247	7,940,966		176,625	67,304	2,616,352	731,313
1938	36,261,428	28,911,608	9,581,954	8,019,137		119,524	−419,140	1,862,433	448,835
1939	38,500,665	28,646,855	12,243,365	8,110,462		24,579	−425,653	4,533,977	1,964,919
1940	43,537,805	29,165,477	25,860,025	8,214,971		82,152	−54,456	17,617,358	12,272,706
1941	41,380,095	32,963,150	9,137,581	8,429,936		141,465	−4,333	570,513	132,696
1942	52,662,704	38,624,044	12,470,451	8,669,076		197,672	49,602	3,554,101	646,641
1943	69,305,715	43,545,564	49,528,433	8,911,342		244,726	135,003	40,237,362	12,550,890
Total—1914-1943	1,522,696,437	761,770,194	719,254,998	212,541,890	149,138,300	1,511,858	[3]−581,421	356,644,371	[4]168,547,557

Aggregate for each Federal Reserve Bank 1914–1943									
Boston	103,469,668	55,226,381	47,540,972	15,330,948	7,111,395	163,689	−1,345	24,936,285	11,730,237
New York	443,836,414	184,389,662	256,941,685	72,249,184	68,006,262	135,142	−660,235	117,211,332	47,199,295
Philadelphia	119,406,568	58,377,094	60,409,052	20,000,407	5,558,901	547,411	222,812	34,079,521	16,220,883
Cleveland	137,581,261	71,023,886	61,271,002	21,507,232	4,842,447	74,881	−8,446	34,854,888	18,829,192
Richmond	74,701,738	42,841,475	29,335,250	8,991,817	6,200,189	163,788	−130,886	14,110,342	8,874,375
Atlanta	70,697,009	35,509,382	30,094,402	7,558,563	8,950,561	54,154	−8,464	13,539,588	7,814,960
Chicago	207,787,314	99,417,538	99,556,719	24,642,472	25,313,526	142,389	11,681	49,446,651	22,956,280
St. Louis	66,232,492	38,847,379	23,166,542	7,524,771	2,755,629	7,063	−18,262	12,897,341	6,567,240
Minneapolis	48,658,776	27,182,675	19,815,444	5,246,120	5,202,900	34,960	−7,445	9,338,909	5,669,868
Kansas City	73,111,657	45,709,143	25,093,985	7,173,283	6,939,100	45,355	−8,388	10,944,635	6,390,264
Dallas	54,854,006	34,001,358	17,643,020	6,809,158	560,049	99,891	55,336	10,118,586	5,287,145
San Francisco	122,359,534	69,244,221	48,386,925	15,507,935	7,697,341	43,135	−27,779	25,166,293	11,007,818

[1] Current earnings less current expenses, plus other additions and less other deductions.
[2] The Banking Act of 1933 eliminated the provision in the Federal Reserve Act requiring payment of a franchise tax.
[3] On Dec. 31, 1943, surplus (Sec. 13b)—relating to funds received from the Secretary of the Treasury under Section 13b of the Federal Reserve Act for the purpose of making loans to industry—amounted to $26,964,890 ($27,546,311 received from the Secretary of the Treasury minus the $581,421 net debits shown here).
[4] On Dec. 31, 1943, surplus (Sec. 7)—accumulated pursuant to Section 7 of the Federal Reserve Act—amounted to $188,096,814 ($356,644,371 retained net earnings, shown in preceding column, less $168,547,557 direct charges shown here). Direct charges represent amounts transferred to reserves for contingencies except as follows: 1927, charge-off on bank premises; 1934, charge-off cost of Federal Deposit Insurance Corporation stock.

NO. 8—NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF FEDERAL RESERVE BANKS

[December 31, 1943]

Federal Reserve Bank (including branches)	President	Other officers		Employees, except those whose salaries are reimbursed to bank		Employees whose salaries are reimbursed to bank		Total	
	Annual salary	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries	Number	Annual salaries
Boston	$25,000	11	$95,078	855	$1,291,221	542	$695,099	1,409	$2,106,398
New York	45,000	45	502,100	2,608	5,154,110	2,026	3,668,968	4,680	9,370,178
Philadelphia	25,000	11	110,000	993	1,473,183	541	912,679	1,546	2,520,862
Cleveland	25,000	24	178,040	1,154	1,631,698	1,104	2,024,556	2,283	3,859,294
Richmond	21,000	19	148,800	764	1,180,478	664	946,464	1,448	2,296,742
Atlanta	20,000	20	127,200	564	845,166	900	1,175,114	1,485	2,167,480
Chicago	30,000	32	278,400	1,646	2,985,335	2,186	3,649,403	3,865	6,943,138
St. Louis	25,000	19	146,820	757	1,198,296	774	1,177,239	1,551	2,547,355
Minneapolis	25,000	18	133,000	327	529,966	558	758,714	904	1,446,680
Kansas City	20,000	20	153,980	617	1,008,975	732	1,097,196	1,370	2,280,151
Dallas	20,000	18	129,300	574	916,029	880	1,291,196	1,473	2,356,525
San Francisco	25,000	36	266,400	1,162	2,019,775	1,528	2,697,530	2,727	5,008,705
Total	$306,000	273*	$2,269,118*	12,021	$20,234,232	12,435	$20,094,158	24,741	$42,903,508

* Includes $567,291 reimbursed to the banks on account of salaries of 83 officers.

NO. 9—RECEIPTS AND DISBURSEMENTS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM FOR THE YEAR 1943

General fund account:				
Balance January 1, 1943:				
For general expenses of the Board			$111,738.45	
For expenses chargeable to Federal Reserve Banks			331,555.72	
For purchase of war savings bonds for employees under Board's voluntary pay roll savings plan			8,359.60	$451,653.77
RECEIPTS				
For general expenses of the Board:				
Assessments on Federal Reserve Banks for estimated general expenses of the Board		$2,415,630.64		
Subscriptions to the Federal Reserve Bulletin		5,445.06		
Other publications, sales		1,933.47		
Reimbursements for leased wire service		50,695.47		
Cafeteria operations		42,557.99		
Miscellaneous receipts, refunds, and reimbursements		32,723.57	2,548,986.20	
For expenses chargeable to Federal Reserve Banks:				
Assessments on Federal Reserve Banks for:				
Cost of printing Federal Reserve notes		3,983,986.82		
Expenses of leased wire system (telegraph)		63,088.11		
Expenses of leased telephone lines		10,713.75		
Expenses of Federal Reserve Issue and Redemption Division (Office of Comptroller of the Currency)		56,834.41		
Miscellaneous expenses		4,854.06	4,119,477.15	
Employees' pay roll allotments for purchase of war savings bonds			198,670.80	
Income and victory tax withheld from salaries			147,796.10	
Total receipts				7,014,930.25
Total available for disbursement				7,466,584.02
DISBURSEMENTS				
For expenses of the Board:				
Current expenses of 1943 (per detailed statement)	$1,914,512.29			
Less accounts unpaid December 31, 1943	49,611.11	1,864,901.18		
Expenses of prior years paid in 1943		36,747.72		
Expenses of leased wire service, reimbursable		46,564.17		
Retirement System (interest base and increased benefits adjustments)		437,442.00		
Cafeteria operations		48,627.83		
Miscellaneous refunds and items reimbursable		5,159.70	2,439,442.60	
For expenses chargeable to Federal Reserve Banks:				
Cost of printing Federal Reserve notes		3,921,614.72		
Expenses of leased wire system (telegraph)		61,751.09		
Expenses of leased telephone lines		10,335.50		
Expenses of Federal Reserve Issue and Redemption Division (Office of the Comptroller of the Currency)		56,834.41		
Miscellaneous expenses		3,495.58	4,054,031.30	
Purchase of war savings bonds and refunds under Board's pay roll plan			197,551.10	
Collector of Internal Revenue—income and victory tax withheld from salaries			89,883.75	
Total disbursements				6,780,908.75
Balance in general fund account December 31, 1943:				
For general expenses of the Board			221,282.05	
For expenses chargeable to Federal Reserve Banks			397,001.57	
For purchase of war savings bonds for employees under Board's voluntary pay roll savings plan			9,479.30	
For income and victory tax withholdings due Collector of Internal Revenue			57,912.35	
				$685,675.27

NO. 9—RECEIPTS AND DISBURSEMENTS—Continued

CURRENT EXPENSES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1943

PERSONAL SERVICES:	
Salaries	$1,537,054.89
Retirement contributions	84,413.73
Total personal services	$1,621,468.62
NONPERSONAL SERVICES:	
Traveling expenses	105,409.16
Postage and expressage	1,084.30
Telephone and telegraph	45,399,75
Printing and binding	54,344.43
Stationery and supplies	15,551.58
Furniture and equipment	1,615.79
Books and subscriptions	6,841.05
Heat, light, and power	27,786.37
Repairs and alterations (building and grounds)	1,501.27
Repairs and maintenance (furniture and equipment)	3,662.52
Medical service and supplies	907.68
Insurance	2,880.21
Miscellaneous	26,059.56
Total nonpersonal services	$293,043.67
GRAND TOTAL	$1,914,512.29

NO. 10—MINIMUM DOWN PAYMENTS AND MAXIMUM MATURITIES ON CONSUMER CREDIT SUBJECT TO REGULATION W

Prescribed by Board of Governors of the Federal Reserve System in accordance with Executive Order No. 8843 dated August 9, 1941

Type of credit	Sept. 1, 1941–March 22, 1942		March 23, 1942–May 5, 1942		Effective May 6, 1942	
	Down payment (%)[1]	Maximum maturity (months)	Down payment (%)[1]	Maximum maturity (months)	Down payment (%)[1]	Maximum maturity (months)
Instalment sales:[2]						
Automobiles	33⅓	18	33⅓	15	33⅓	15
Mechanical refrigerators, washing machines, radios, vacuum cleaners	20	18	33⅓	15	33⅓	12
Stoves, ranges	20	18	20	15	33⅓	12
Furnaces, oil burners, plumbing and sanitary fixtures	15	18	20	18	33⅓	12
Furniture	10	18	10	15	20	12
Floor coverings	....	....	20	15	33⅓	12
Watches, clocks	....	....	20	15	33⅓	12
Jewelry	....	....	....	....	33⅓	12
Clothing, furs	....	....	....	....	33⅓	12
Materials (not elsewhere listed) for repair or improvement of residential structures	....	18	....	18	....	12
Instalment loans:						
To purchase listed articles	(3)	(3)	(3)	(3)	(3)	(3)
To pay charge account arising from sale of listed article, or to pay single-payment loan	....	18	....	15	....	6
Other	....	18	....	15	....	12
Consolidations of instalment sale or loan with previously outstanding instalment credit	(3)	[4]15	(3)	15	(3)	12
Single-payment loans	....	....	....	....	(3)	3
Charge sales of listed articles	....	....	....	....	....	10th day of 2nd month after sale

[1] Down payments determined *after* deduction of any trade-in, except in case of automobiles.
[2] Terms shown for selected articles. For terms on other listed articles, see regulation.
[3] Where credit is to purchase listed articles, requirements same as on instalment sales of the respective articles.
[4] Prior to Dec. 1, 1941, maximum maturity was 18 months.

NOTE.—The above limitations have been subject to various exceptions; for exceptions in detail, and for additional provisions not reflected in this table, the regulation should be consulted. Where no figure is shown, there was no limitation imposed by Regulation W.

NO. 11—FEDERAL RESERVE BANK DISCOUNT, INTEREST, AND COMMITMENT RATES, AND BUYING RATES ON BILLS

[Per cent per annum]

In effect December 31, 1943

Type of transaction	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
Rediscounts for and advances to member banks under Secs. 13 and 13a of the Federal Reserve Act:												
Advances secured by Government securities maturing or callable within one year	½	½	½	½	½	½	½	½	½	½	½	½
All other	1	1	1	1	1	1	1	1	1	1	1	1
Advances to member banks under Sec. 10(b) of the Federal Reserve Act	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½	1½
Advances to individuals, partnerships, or corporations secured by direct obligations of the United States (last paragraph of Sec. 13 of the Federal Reserve Act):												
To nonmember banks	1	1	1	1	1	1	1	1	1	1	1	1
To others	2	2½	2	2	2½	2	2	2	2½	2	2	2½
Advances to industrial or commercial businesses under Sec. 13b of the Federal Reserve Act, direct or in participation with financing institutions	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5	2½–5
Discounts for and purchases from financing institutions under Sec. 13b of the Federal Reserve Act:												
On portion for which institution is obligated	(1)	(1)	(2) 2	(1)	(1)	(1)	2½–5	1–1½	(1)	(1)	(1)	(1)
On remaining portion	(3)	(3)	(3)	(3)	(3)	(3)	2½–5	(3)	(3)	(3)	(3)	(3)
Commitments to make advances under Sec. 13b of the Federal Reserve Act:												
To industrial or commercial businesses	½–1	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼	½–1¼
To financing institutions	½–1	½–1¼	½–1¼	(4) ½–1¼	½–1¼	(4) ½–1¼	½–1¼	¼–1¼	½–1¼	½–1¼	(4) ½–1¼	(4) ½–1¼
Minimum buying rates on prime bankers' acceptances payable in dollars	(5)	......	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
1–90 days	......	½	......	......	......	......	......	......	......	......	......	......
91–120 days	......	¾	......	......	......	......	......	......	......	......	......	......
121–180 days	......	1	......	......	......	......	......	......	......	......	......	......
Buying rate on Treasury bills[6]	⅜	⅜	⅜	⅜	⅜	⅜	⅜	⅜	⅜	⅜	⅜	⅜

[1] Rate charged borrower by financing institution less commitment rate.

[2] May charge same rate as charged borrower by financing institution, if less.

[3] Rate charged borrower.

[4] Financing institution is charged ¼ per cent on undisbursed portion of loan.

[5] The same minimum rates in effect at the Federal Reserve Bank of New York apply to any purchases made by other Federal Reserve Banks.

[6] Established rate at which Federal Reserve Banks stand ready to buy all Treasury bills offered. Purchases are made subject to the condition that the Reserve Bank upon request of the seller before maturity will sell back bills of like amount and maturity at the same rate of discount.

NOTE.—Maximum maturities for discounts and advances to member banks are: 15 days for advances secured by obligations of the Federal Farm Mortgage Corporation or the Home Owners Loan Corporation guaranteed as to principal and interest by the United States, or by obligations of Federal Intermediate Credit Banks maturing within 6 months; 90 days for other advances and discounts made under Sections 13 and 13a of the Federal Reserve Act (except that discounts of certain bankers' acceptances and of agricultural paper may have maturities not exceeding 6 months and 9 months respectively); and 4 months for advances under Section 10(b). The maximum maturity for advances to individuals, partnerships, or corporations made under the last paragraph of Section 13 is 90 days. Industrial advances and commitments made under Section 13b of the Federal Reserve Act may have maturities not exceeding 5 years.

NO. 12—MAXIMUM RATES ON TIME DEPOSITS

Maximum rates that may be paid by member banks as established by the Board of Governors under provisions of Regulation Q

[Per cent per annum]

Type of deposit	Nov. 1, 1933, to Jan. 31, 1935	Feb. 1, 1935, to Dec. 31, 1935	In effect beginning Jan. 1, 1936
Savings deposits	3	2½	2½
Postal Savings deposits	3	2½	2½
Other time deposits payable in:			
6 months or more	3	2½	2½
90 days to 6 months	3	2½	2
Less than 90 days	3	2½	1

NOTE.—Maximum rates that may be paid by insured nonmember banks as established by the Federal Deposit Insurance Corporation, effective February 1, 1936, are the same as those in effect for member banks. Under Regulation Q the rate payable by a member bank may not in any event exceed the maximum rate payable by State banks or trust companies on like deposits under the laws of the State in which the member bank is located.

NO. 13—MEMBER BANK RESERVE REQUIREMENTS

[Per cent of deposits]

Period in effect	Net demand deposits[1]			Time deposits (all member banks)
	Central reserve city banks	Reserve city banks	Country banks	
June 21, 1917–Aug. 15, 1936	13	10	7	3
Aug. 16, 1936–Feb. 28, 1937	19½	15	10½	4½
Mar. 1, 1937–Apr. 30, 1937	22¾	17½	12¼	5¼
May 1, 1937–Apr. 15, 1938	26	20	14	6
Apr. 16, 1938–Oct. 31, 1941	22¾	17½	12	5
Nov. 1, 1941–Aug. 19, 1942	26	20	14	6
Aug. 20, 1942–Sept. 13, 1942	24	20	14	6
Sept. 14, 1942–Oct. 2, 1942	22	20	14	6
Effective Oct. 3, 1942	20	20	14	6

[1] Demand deposits subject to reserve requirements; i.e., demand deposits other than war loan deposits, minus cash items in process of collection and demand balances due from domestic banks.

NO. 14—MARGIN REQUIREMENTS[1]

Prescribed by Board of Governors of the Federal Reserve System in accordance with Securities Exchange Act of 1934

[Per cent of market value]

	Apr. 1, 1936–Oct. 31, 1937	Nov. 1, 1937 and after
For extensions of credit by brokers and dealers on listed securities, under Regulation T	55	40
For short sales, under Regulation T	(2)	50
For loans by banks on stocks, under Regulation U	[3]55	40

[1] Regulations T and U limit the amount of credit that may be extended on a security by prescribing a maximum loan value, which is a specified percentage of its market value at the time of the extension; the "margin requirements" shown in this table are the difference between the market value (100%) and the maximum loan value.

[2] Requirement under Regulation T was the margin "customarily required" by the broker.

[3] Regulation U became effective May 1, 1936.

NOTE.—Regulations T and U also provide special margin requirements on "omnibus" accounts and loans to brokers and dealers.

NO. 15—ALL MEMBER BANKS—ASSETS AND LIABILITIES ON DECEMBER 31, 1943 BY CLASSES OF BANKS

[Amounts in thousands of dollars]

Item	Central reserve city member banks[1]		Reserve city member banks[1]	Country member banks[1]	**All member banks**	All national member banks	All State member banks
	New York	Chicago					
ASSETS							
Loans and investments	**19,994,040**	**4,554,104**	**27,521,471**	**22,187,988**	**74,257,603**	**47,498,601**	**26,759,002**
Loans (including overdrafts)	4,428,453	1,004,220	6,200,794	4,654,053	**16,287,520**	10,116,273	6,171,247
United States Government direct obligations	13,579,281	3,163,101	18,932,891	14,927,384	**50,602,657**	32,450,770	18,151,887
Obligations guaranteed by United States Government	983,898	74,453	748,976	537,811	**2,345,138**	1,614,001	731,137
Obligations of States and political subdivisions	444,267	157,767	913,092	1,213,526	**2,728,652**	1,928,627	800,025
Other bonds, notes, and debentures	453,834	134,121	607,543	777,353	**1,972,851**	1,239,869	732,982
Corporate stocks (including Federal Reserve Bank stock)	104,307	20,442	118,175	77,861	**320,785**	149,061	171,724
Reserves, cash, and bank balances	**5,197,227**	**1,283,017**	**9,326,844**	**7,982,946**	**23,790,034**	**16,017,030**	**7,773,004**
Reserve with Federal Reserve Banks	3,595,906	820,622	5,115,643	3,303,078	**12,835,249**	8,323,142	4,512,107
Cash in vault	91,734	37,929	391,403	611,106	**1,132,172**	790,411	341,761
Demand balances with banks in the United States (except private banks and American branches of foreign banks)	59,451	156,050	1,740,548	3,451,410	**5,407,459**	4,119,804	1,287,655
Other balances with banks in United States	1,250	1,605	17,232	22,421	**42,508**	33,646	8,862
Balances with banks in foreign countries	13,265	1,557	3,626	1,660	**20,108**	14,588	5,520
Cash items in process of collection	1,435,621	265,254	2,058,392	593,271	**4,352,538**	2,735,439	1,617,099
Due from own foreign branches	320	....	9,399	....	**9,719**	9,399	320
Bank premises owned and furniture and fixtures	191,943	17,527	297,491	354,292	**861,253**	545,472	315,781
Other real estate owned	11,315	....	30,207	39,132	**80,654**	33,989	46,665
Investments and other assets indirectly representing bank premises or other real estate	6,141	256	54,391	16,376	**77,164**	47,275	29,889
Customers' liability on acceptances	26,454	1,403	13,187	3,015	**44,059**	26,070	17,989
Income accrued but not yet collected	54,872	13,740	70,360	31,191	**170,163**	101,257	68,906
Other assets	16,189	6,236	35,302	23,239	**80,966**	47,419	33,547
Total assets	**25,498,501**	**5,876,283**	**37,358,652**	**30,638,179**	**99,371,615**	**64,326,512**	**35,045,103**
LIABILITIES							
Demand deposits	**22,405,993**	**5,014,608**	**28,918,894**	**20,592,852**	**76,932,347**	**49,721,222**	**27,211,125**
Individuals, partnerships, and corporations	14,372,713	3,097,107	18,789,624	15,560,718	**51,820,162**	33,184,313	18,635,849
United States Government: War loan accounts	3,359,941	711,557	3,278,163	1,836,224	**9,185,885**	5,601,356	3,584,529
Other	35,112	1,929	95,322	125,454	**257,817**	213,462	44,355
States and political subdivisions	251,716	174,420	1,448,418	1,727,291	**3,601,845**	2,678,747	923,098
Banks in United States	2,866,938	971,649	4,770,008	994,222	**9,602,817**	6,691,842	2,910,975
Banks in foreign countries	809,833	13,800	62,798	4,639	**891,070**	423,999	467,071
Certified and officers' checks, cash letters of credit and travelers' checks, etc.	709,740	44,146	474,561	344,304	**1,572,751**	927,503	645,248

Time deposits	850,496	507,971	6,150,644	7,820,902	15,330,013	10,239,446	5,090,567
Individuals, partnerships, and corporations	815,914	505,071	5,902,177	7,598,575	14,821,737	9,859,093	4,962,644
United States Government	5,199	2,250	55,381	52,635	115,465	93,844	21,621
Postal savings	....	....	901	3,751	4,652	3,912	740
States and political subdivisions	25,688	650	150,826	149,390	326,554	239,583	86,971
Banks in United States	1,145	....	39,859	16,551	57,555	38,964	18,591
Banks in foreign countries	2,550	....	1,500	....	4,050	4,050	....
Total deposits	23,256,489	5,522,579	35,069,538	28,413,754	92,262,360	59,960,668	32,301,692
Due to own foreign branches	203,508	....	....	....	203,508	168,189	35,319
Bills payable, rediscounts, and other liabilities for borrowed money	29,200	....	....	10,110	39,310	8,155	31,155
Acceptances outstanding	33,577	1,630	16,091	3,024	54,322	31,476	22,846
Dividends declared but not yet payable	17,036	1,130	12,288	8,259	38,713	23,733	14,980
Income collected but not yet earned	6,039	1,611	17,886	10,456	35,992	23,875	12,117
Expenses accrued and unpaid	55,941	19,140	79,815	30,659	185,555	118,273	67,282
Other liabilities	34,926	4,586	28,386	8,723	76,621	42,079	34,542
Total liabilities	23,636,716	5,550,676	35,224,004	28,484,985	92,896,381	60,376,448	32,519,933
CAPITAL ACCOUNTS							
Capital	570,667	131,000	785,156	929,551	2,416,374	1,527,715	888,659
Surplus	979,570	130,350	889,242	770,615	2,769,777	1,616,996	1,152,781
Undivided profits	235,441	25,147	283,489	321,916	865,993	541,171	324,822
Other capital accounts	76,107	39,110	176,761	131,112	423,090	264,182	158,908
Total capital accounts	1,861,785	325,607	2,134,648	2,153,194	6,475,234	3,950,064	2,525,170
Total liabilities and capital accounts	25,498,501	5,876,283	37,358,652	30,638,179	99,371,615	64,326,512	35,045,103
MEMORANDA							
Par or face value of capital	570,667	131,000	785,156	930,708	2,417,531	1,528,296	889,235
Capital notes and debentures	322	....	17,877	14,232	32,431	....	32,431
First preferred stock	8,426	....	73,752	97,656	179,834	117,941	61,893
Second preferred stock	....	....	850	12,461	13,311	9,551	3,760
Common stock	561,919	131,000	692,677	806,359	2,191,955	1,400,804	791,151
Retirable value of capital: First preferred stock	20,887	....	102,279	142,974	266,140	159,791	106,349
Second preferred stock	....	....	850	18,257	19,107	11,258	7,849
Net demand deposits subject to reserve	17,550,980	3,882,112	21,843,036	14,713,806	57,989,934	37,264,965	20,724,969
Demand deposits adjusted[2]	13,898,548	3,050,419	18,654,211	17,039,042	52,642,220	34,055,124	18,587,096
Number of banks	37	13	357	6,331	6,738	5,040	1,698

For footnotes see next table.

NO. 16—ALL MEMBER BANKS—CLASSIFICATION OF LOANS AND UNITED STATES GOVERNMENT DIRECT OBLIGATIONS ON DECEMBER 31, 1943 BY CLASSES OF BANKS

[In thousands of dollars]

Item	Central reserve city member banks[1]		Reserve city member banks[1]	Country member banks[1]	All member banks	All national member banks	All State member banks
	New York	Chicago					
Loans	**4,428,453**	**1,004,220**	**6,200,794**	**4,654,053**	**16,287,520**	**10,116,273**	**6,171,247**
Commercial and industrial loans, including open-market paper	2,515,262	763,124	3,058,280	1,084,080	**7,420,746**	4,754,242	2,666,504
Loans on agricultural commodities covered by purchase agreements of Commodity Credit Corporation	22,117	3,713	157,887	277,423	**461,140**	393,323	67,817
Other agricultural loans	2,047	2,554	121,152	436,071	**561,824**	452,150	109,674
Loans to brokers and dealers in securities	1,054,421	102,140	216,857	24,818	**1,398,236**	517,307	880,929
Other loans for purchasing or carrying securities	323,180	51,905	266,923	197,322	**839,330**	432,145	407,185
Real estate loans: On farm land	26	517	54,211	190,844	**245,598**	173,475	72,123
On residential property	61,749	14,578	1,109,595	1,232,783	**2,418,705**	1,541,102	877,603
On other properties	45,151	6,840	256,395	301,521	**609,907**	349,509	260,398
Loans to banks	42,063	702	13,029	1,632	**57,426**	24,804	32,622
Consumer loans to individuals:							
Retail automobile instalment paper	2,138	3,376	57,361	52,820	**115,695**	91,008	24,687
Other retail and repair-modernization instalment loans	21,072	11,076	74,144	50,580	**156,872**	114,715	42,157
Personal instalment cash loans	21,925	5,888	72,109	115,612	**215,534**	148,191	67,343
Single-payment loans to individuals	206,849	24,331	454,783	309,615	**995,578**	501,255	494,323
All other loans (including overdrafts)	110,453	13,476	288,068	378,932	**790,929**	623,047	167,882
United States Government direct obligations	**13,579,281**	**3,163,101**	**18,932,891**	**14,927,384**	**50,602,657**	**32,450,770**	**18,151,887**
Treasury bills	1,327,523	199,283	1,801,973	1,031,646	**4,360 425**	2,761,718	1,598,707
Treasury certificates of indebtedness	3,408,562	877,362	4,691,130	3,094,113	**12,071,167**	7,921,329	4,149,838
Treasury notes	1,828,919	484,358	2,496,594	2,096,152	**6,906,023**	4,531,113	2,374,910
United States savings bonds	472	1,495	12,488	156,306	**170,761**	124,934	45,827
Other bonds maturing in 5 years or less	1,602,430	325,108	1,993,127	1,338,778	**5,259,443**	3,121,798	2,137,645
Other bonds maturing in 5 to 10 years	3,889,304	629,735	5,521,952	4,873,746	**14,914,737**	9,399,533	5,515,204
Bonds maturing in 10 to 20 years	1,436,592	502,938	1,930,168	1,694,262	**5,563,960**	3,607,743	1,956,217
Bonds maturing after 20 years	85,479	142,822	485,459	642,381	**1,356,141**	982,602	373,539

[1] Banks are classified according to the reserves which they are required to carry (see Table 13, p. 75). Some banks classified as "country banks" are in outlying sections of reserve cities or central reserve cities, and some banks classified as "reserve city banks" are in outlying sections of central reserve cities. Figures for each class of banks include assets and liabilities of their domestic branches, whether located within or outside the cities in which the parent banks are located.

[2] Net demand deposits other than interbank and United States Government, less cash items reported as in process of collection.

NO. 17—MEMBER BANK RESERVE BALANCES, RESERVE BANK CREDIT, AND RELATED ITEMS—END OF YEAR 1918-1942 AND END OF MONTH 1943

[In millions of dollars]

End of year or month	Reserve Bank credit outstanding					Gold stock[2]	Treasury currency outstanding[3]	Money in circulation	Treasury cash holdings[4]	Treasury deposits with Federal Reserve Banks	Nonmember deposits[5]	Other Federal Reserve accounts[6]	Member bank reserve balances	
	Bills discounted	Bills bought	U. S. Government securities	Other Reserve Bank credit[1]	Total								Total	Excess[7]
1918	1,766	287	239	206	2,498	2,873	1,795	4,951	288	51	121	118	1,636	51
1919	2,215	574	300	203	3,292	2,707	1,707	5,091	385	31	101	208	1,890	68
1920	2,687	260	287	120	3,355	2,639	1,709	5,325	218	57	23	298	1,781	......
1921	1,144	145	234	40	1,563	3,373	1,842	4,403	214	96	27	285	1,753	99
1922	618	272	436	79	1,405	3,642	1,958	4,530	225	11	29	276	1,934	......
1923	723	355	134	27	1,238	3,957	2,009	4,757	213	38	23	275	1,898	14
1924	320	387	540	54	1,302	4,212	2,025	4,760	211	51	39	258	2,220	59
1925	643	374	375	67	1,459	4,112	1,977	4,817	203	16	29	272	2,212	−44
1926	637	381	315	49	1,381	4,205	1,991	4,808	201	17	65	293	2,194	−56
1927	582	392	617	64	1,655	4,092	2,006	4,716	208	18	26	301	2,487	63
1928	1,056	489	228	35	1,809	3,854	2,012	4,686	202	23	27	348	2,389	−41
1929	632	392	511	48	1,583	3,997	2,022	4,578	216	29	30	393	2,355	−73
1930	251	364	729	29	1,373	4,306	2,027	4,603	211	19	28	375	2,471	96
1931	638	339	817	59	1,853	4,173	2,035	5,360	222	54	110	354	1,961	−33
1932	235	33	1,855	22	2,145	4,226	2,204	5,388	272	8	43	355	2,509	576
1933	98	133	2,437	20	2,688	4,036	2,303	5,519	284	3	132	360	2,729	859
1934	7	6	2,430	20	2,463	8,238	2,511	5,536	3,029	121	189	241	4,096	1,814
1935	5	5	2,431	45	2,486	10,125	2,476	5,882	2,566	544	255	253	5,587	2,844
1936	3	3	2,430	64	2,500	11,258	2,532	6,543	2,376	244	259	261	6,606	1,984
1937	10	1	2,564	38	2,612	12,760	2,637	6,550	3,619	142	407	263	7,027	1,212
1938	4	1	2,564	33	2,601	14,512	2,798	6,856	2,706	923	441	260	8,724	3,205
1939	7	......	2,484	102	2,593	17,644	2,963	7,598	2,409	634	653	251	11,653	5,209
1940	3	......	2,184	87	2,274	21,995	3,087	8,732	2,213	368	1,732	284	14,026	6,615
1941	3	......	2,254	104	2,361	22,737	3,247	11,160	2,215	867	1,360	291	12,450	3,085
1942	6	......	6,189	484	6,679	22,726	3,648	15,410	2,193	799	1,278	256	13,117	1,988
1943—Jan.	14	......	5,969	356	6,339	22,683	3,830	15,590	2,199	4	1,171	258	13,630	2,387
Feb.	16	......	5,871	410	6,296	22,644	3,946	16,088	2,221	131	1,111	269	13,067	1,925
Mar.	13	......	5,919	260	6,191	22,576	3,989	16,250	2,224	55	1,166	303	12,759	1,518
Apr.	13	......	6,455	378	6,846	22,473	4,012	16,660	2,235	557	1,369	306	12,204	2,315
May	31	......	6,222	394	6,647	22,426	4,069	17,114	2,257	62	1,366	313	12,031	1,728
June	5	......	7,202	369	7,576	22,388	4,077	17,421	2,268	455	1,483	328	12,085	1,212
July	16	......	8,187	483	8,685	22,335	4,086	17,955	2,264	345	1,622	330	12,590	1,268
Aug.	59	......	9,088	319	9,466	22,243	4,087	18,529	2,271	249	1,561	330	12,855	1,123
Sept.	12	......	8,919	453	9,384	22,175	4,094	18,844	2,267	706	1,636	335	11,864	1,684
Oct.	26	......	9,354	443	9,823	22,116	4,101	19,250	2,288	400	1,674	341	12,086	1,102
Nov.	52	......	10,348	363	10,763	22,065	4,097	19,918	2,289	394	1,592	331	12,401	985
Dec.	5	......	11,543	691	12,239	21,938	4,094	20,449	2,303	579	1,716	339	12,886	1,236

[1] Includes Government overdrafts in 1918, 1919, and 1920; includes industrial advances outstanding since July 1934.

[2] By proclamation of the President, dated Jan. 31, 1934, the weight of the gold dollar was reduced from 25 8/10 grains to 15 5/21 grains, nine-tenths fine. Between Jan. 31, 1934, and Feb. 1, 1934, the gold stock increased $2,985,000,000, of which $2,806,000,000 was the increment resulting from the reduction in the weight of the gold dollar and the remainder was gold which had been purchased by the Treasury previously but not added to the gold stock. The increment was covered into the Treasury as a miscellaneous receipt, and appeared together with the new gold as a General Fund asset. These transactions were also reflected in an increase in the item "Treasury cash." The increment arising from United States gold coin turned in by the public after Jan. 31, 1934, was also added to both gold stock and Treasury cash at the time of receipt. The increment from this source amounted to about $7,000,000, from Feb. 1 to Dec. 31, 1934, to about $1,000,000 in 1935, to $1,800,000 in 1936, to $1,200,000 in 1937, to $500,000 in 1938, to $350,000 in 1939, to $450,000 in 1940, to $305,000 in 1941, to $280,000 in 1942, and to $195,000 in 1943.

[3] Comprises outstanding United States notes, national bank notes, silver bullion, Treasury notes of 1890, standard silver dollars, subsidiary silver and minor coin, and the Federal Reserve Bank notes for the retirement of which lawful money has been deposited with the Treasurer of the United States, including the currency of these kinds that is held in the Treasury and the Federal Reserve Banks as well as that in circulation.

[4] Cash (including gold bullion) held in the Treasury excepting (*a*) gold and silver held against gold and silver certificates and (*b*) amounts held for the Federal Reserve Banks.

[5] Item includes all deposits in Federal Reserve Banks except Government deposits and member bank reserve balances.

[6] This item is derived from the condition statement of the Federal Reserve Banks by adding capital, surplus, other capital accounts, and "other liabilities, including accrued dividends," and subtracting the sum of bank premises and "other assets."

[7] Represents excess of total reserve balances over reserves required to be held by member banks against their deposits. Figures not available prior to 1929 except on call dates, and since April 1933 are for licensed member banks only. For required reserves and changes in the percentages of requirements see Table 13, p. 75.

NO. 18—NUMBER OF BANKING OFFICES IN UNITED STATES, 1933-1943

Year	All banks	Commercial banks							Mutual savings banks	
		Total	Member banks			Nonmember banks[1]				
			Total	National	State member	Total	Insured[2]	Noninsured[2]	Insured	Noninsured
Number of banking offices										
1933	17,940	17,236	8,092	6,275	1,817	9,144	9,144		704	
1934	19,196	18,491	8,666	6,705	1,961	9,825	[3]9,825		[3]705	
1935	19,153	18,455	8,668	6,715	1,953	9,787	8,562	1,225	67	631
1936	19,066	18,373	8,755	6,723	2,032	9,618	8,440	1,178	67	626
1937	18,927	18,236	8,820	6,745	2,075	9,416	8,342	1,074	67	624
1938	18,774	18,084	8,829	6,723	2,106	9,255	8,226	1,029	64	626
1939	18,663	17,980	8,882	6,705	2,177	9,098	8,099	999	75	608
1940	18,561	17,875	9,027	6,683	2,344	8,848	7,892	956	84	602
1941	18,524	17,841	[4]9,199	6,682	[4]2,517	8,645	7,742	903	[4]84	599
1942	18,419	17,736	[4]9,294	6,673	[4]2,621	8,445	7,602	843	[4]91	592
1943	18,512	17,831	[4]9,531	6,781	[4]2,750	8,303	7,487	816	[4]279	402
Number of banks (Head offices)										
1933	15,029	14,450	6,011	5,154	857	8,439	8,439		579	
1934	16,063	15,484	6,442	5,462	980	9,042	7,699	1,343	68	511
1935	15,869	15,299	6,387	5,386	1,001	8,912	7,734	1,178	56	514
1936	15,667	15,102	6,376	5,325	1,051	8,726	7,592	1,134	56	509
1937	15,387	14,824	6,341	5,260	1,081	8,483	7,451	1,032	56	507
1938	15,194	14,639	6,338	5,224	1,114	8,301	7,318	983	48	507
1939	15,034	14,483	6,362	5,187	1,175	8,121	7,172	949	51	500
1940	14,895	14,344	6,486	5,144	1,342	7,858	6,952	906	53	498
1941	14,825	14,277	[4]6,619	5,117	[4]1,502	7,661	6,810	851	52	496
1942	14,680	14,134	[4]6,679	5,081	[4]1,598	7,458	6,667	791	56	490
1943	14,579	14,034	[4]6,738	5,040	[4]1,698	7,299	6,535	764	184	361
Number of branches and additional offices[5]										
1933	2,911	2,786	2,081	1,121	960	705	705		125	
1934	3,133	3,007	2,224	1,243	981	783	[3]783		[3]126	
1935	3,284	3,156	2,281	1,329	952	875	828	47	11	117
1936	3,399	3,271	2,379	1,398	981	892	848	44	11	117
1937	3,540	3,412	2,479	1,485	994	933	891	42	11	117
1938	3,580	3,445	2,491	1,499	992	954	908	46	16	119
1939	3,629	3,497	2,520	1,518	1,002	977	927	50	24	108
1940	3,666	3,531	2,541	1,539	1,002	990	940	50	31	104
1941	3,699	3,564	2,580	1,565	1,015	984	932	52	32	103
1942	3,739	3,602	2,615	1,592	1,023	987	935	52	35	102
1943	3,933	3,797	2,793	1,741	1,052	1,004	952	52	95	41

[1] Includes unincorporated (private) banks.
[2] Federal deposit insurance did not become operative until Jan. 1, 1934.
[3] Separate figures not available for branches of insured and noninsured banks.
[4] The member bank figures and the insured mutual savings bank figures *both* include three member mutual savings banks, which became members of the Federal Reserve System during 1941. These banks are not included in the total for "commercial banks" and are included only once in "all banks."
[5] Figures for 1942 and 1943 include "banking facilities" provided through arrangements made by the Treasury Department with banks designated as depositaries and financial agents of the Government.

Back figures.—See *Banking and Monetary Statistics*, Table 1, pp. 16-17 and descriptive text, p. 14. For years prior to 1940, the figures in that source are not strictly comparable with those given above in that they include some inactive banks and are sometimes for dates other than the year end.

NO. 19—ANALYSIS OF CHANGES IN NUMBER OF BANKING OFFICES DURING 1943

	All banks	Commercial banks						Mutual savings banks	
		Total	Member banks		Nonmember banks[1]				
			National	State member	Insured	Non-insured		Insured	Non-insured
Analysis of Bank Changes									
Number of banks on December 31, 1942	14,680	14,134	5,081	[2]1,598	6,667	791		[2]56	490
Increases in number of banks:									
Primary organizations (new banks)[3]	+49	+49	+3	+4	+31	+11		......	......
Unclassified	+4	+4	......	......	+1	+3		......	......
Decreases in number of banks:									
Suspensions	−4	−4	−2	......	−2	......		......	......
Consolidations and absorptions	−86	−86	−34	−7	−35	−10		......	......
Voluntary liquidations[4]	−62	−62	−11	−2	−32	−17		......	......
Unclassified	−2	−1	......	......	......	−1		......	−1
Inter-class bank changes:									
Conversions—									
National into State	......	......	−7	......	+7	......		......	......
State into national	......	......	+10	−5	−5	......		......	......
Federal Reserve membership[5]—									
Admissions of State banks	......	......	......	+113	−112	−1		......	......
Withdrawals of State banks	......	......	......	−3	+2	+1		......	......
Federal deposit insurance[6]—									
Admissions of State banks	......	......	......	......	+13	−13		+128	−128
Withdrawals of State banks	......	......	......	......	......	......		......	......
Net increase or decrease in number of banks	−101	−100	−41	+100	−132	−27		+128	−129
Number of banks on December 31, 1943	14,579	14,034	5,040	[2]1,698	6,535	764		[2]184	361
Analysis of Branch Changes[7]									
Number of branches and additional offices on December 31, 1942	3,739	3,602	1,592	1,023	935	52		35	102
Increases in number of branches:									
De novo branches	+25	+22	+3	+3	+14	+2		......	+3
Banks converted into branches	+24	+24	+8	+9	+7	......		......	......
Decreases in number of branches:									
Branches discontinued	−47	−43	−11	−14	−18	......		......	−4
Inter-class branch changes:									
From national to State	......	......	−1	......	+1	......		......	
From State member to national	......	......	+2	−2	......	......		......	......
From State member to nonmember	......	......	......	−1	+1	......		......	......
From nonmember to State member	......	......	......	+5	−5	......		......	......
From noninsured to insured nonmember	......	......	......	......	+2	−2		+60	−60
Branches and additional offices established at military reservations	+192	+192	+148	+29	+15	......		......	......
Net increase or decrease in number of branches and additional offices	+194	+195	+149	+29	+17	......		+60	−61
Number of branches and additional offices on December 31, 1943	3,933	3,797	1,741	1,052	952	52		95	41

[1] Includes unincorporated (private) banks.
[2] The State member bank figures and the insured mutual savings bank figures *both* include three member mutual savings banks. These banks are not included in the total for "commercial banks" and are included only once in "all banks."
[3] Exclusive of new banks organized to succeed operating banks.
[4] Exclusive of liquidations incident to the succession, conversion, and absorption of banks.
[5] Exclusive of conversions of national banks into State bank members, or vice versa. Such changes do not affect Federal Reserve membership; they are included under "conversions."
[6] Exclusive of insured nonmember banks converted into national banks or admitted to Federal Reserve membership, or vice versa. Such changes do not affect Federal Deposit Insurance Corporation membership; they are included in the appropriate groups under "inter-class bank changes."
[7] This analysis covers all branches and other additional offices at which deposits are received, checks paid, or money lent. Offices established at military reservations (shown separately) include "banking facilities" provided through arrangements made by the Treasury Department with banks designated as depositaries and financial agents of the Government. Four of these banking facilities are in each case operated by two national banks, each bank having separate tellers windows; each of these facilities is counted as one banking office only.

NO. 20—NUMBER OF BANKS ON PAR LIST AND NOT ON PAR LIST, BY FEDERAL RESERVE DISTRICTS AND STATES, ON DECEMBER 31, 1942 AND 1943

Federal Reserve district or State	Total banks on which checks are drawn[1]		Banks on par list						Banks not on par list (Nonmember)[1]	
			Total		Member		Nonmember[1]			
	1943	1942	1943	1942	1943	1942	1943	1942	1943	1942
DISTRICT										
Boston	504	508	504	508	346	348	158	160	......	......
New York	976	987	976	987	806	799	170	188	......	......
Philadelphia	862	873	862	873	646	652	216	221	......	......
Cleveland	1,185	1,197	1,183	1,195	707	685	476	510	2	2
Richmond	1,008	1,010	724	722	465	460	259	262	284	288
Atlanta	1,096	1,098	400	405	316	318	84	87	696	693
Chicago	2,435	2,441	2,349	2,226	953	925	1,396	1,301	86	215
St. Louis	1,464	1,481	1,051	1,035	456	450	595	585	413	446
Minneapolis	1,270	1,275	555	557	454	454	101	103	715	718
Kansas City	1,760	1,781	1,593	1,608	741	744	852	864	167	173
Dallas	957	958	814	809	575	570	239	239	143	149
San Francisco	513	523	490	497	273	274	217	223	23	26
Total	**14,030**	**14,132**	**11,501**	**11,422**	**6,738**	**6,679**	**4,763**	**4,743**	**2,529**	**2,710**
STATE										
New England	**532**	**536**	**532**	**536**	**361**	**361**	**171**	**175**	......	......
Maine	66	66	66	66	40	40	26	26	......	......
New Hampshire	65	65	65	65	53	53	12	12	......	......
Vermont	71	72	71	72	39	40	32	32	......	......
Massachusetts	192	193	192	193	154	154	38	39	......	......
Rhode Island	22	23	22	23	13	14	9	9	......	......
Connecticut	116	117	116	117	62	60	54	57	......	......
Middle Atlantic	**2,081**	**2,109**	**2,081**	**2,109**	**1,643**	**1,644**	**438**	**465**	......	......
New York	699	710	699	710	586	584	113	126	......	......
New Jersey	350	350	350	350	292	289	58	61	......	......
Pennsylvania	1,032	1,049	1,032	1,049	765	771	267	278	......	......
East North Central	**3,008**	**3,017**	**2,847**	**2,822**	**1,476**	**1,425**	**1,371**	**1,397**	**161**	**195**
Ohio	681	684	681	684	414	391	267	293	......	......
Indiana	496	498	493	495	222	215	271	280	3	3
Illinois	828	826	816	794	464	447	352	347	12	32
Michigan	443	448	442	447	227	225	215	222	1	1
Wisconsin	560	561	415	402	149	147	266	255	145	159
West North Central	**3,265**	**3,293**	**2,386**	**2,280**	**997**	**992**	**1,389**	**1,288**	**879**	**1,013**
Minnesota	670	672	250	251	209	209	41	42	420	421
Iowa	653	654	653	543	162	158	491	385	......	111
Missouri	593	601	499	490	167	164	332	326	94	111
North Dakota	156	159	45	46	42	43	3	3	111	113
South Dakota	162	162	64	66	59	60	5	6	98	96
Nebraska	404	406	250	247	145	147	105	100	154	159
Kansas	627	639	625	637	213	211	412	426	2	2
South Atlantic	**1,583**	**1,587**	**948**	**950**	**618**	**616**	**330**	**334**	**635**	**637**
Delaware	41	42	41	42	17	18	24	24	......	......
Maryland	175	175	175	175	79	79	96	96	......	......
District of Columbia	22	22	22	22	18	17	4	5	......	......
Virginia	313	315	276	276	193	190	83	86	37	39
West Virginia	180	180	174	174	105	103	69	71	6	6
North Carolina	199	197	72	70	54	55	18	15	127	127
South Carolina	145	147	31	31	28	28	3	3	114	116
Georgia	343	346	80	86	64	68	16	18	263	260
Florida	165	163	77	74	60	58	17	16	88	89
East South Central	**1,100**	**1,109**	**623**	**632**	**297**	**297**	**326**	**335**	**477**	**477**
Kentucky	389	395	379	385	112	112	267	273	10	10
Tennessee	294	295	128	128	76	76	52	52	166	167
Alabama	216	217	89	88	84	83	5	5	127	129
Mississippi	201	202	27	31	25	26	2	5	174	171
West South Central	**1,598**	**1,607**	**1,266**	**1,268**	**847**	**845**	**419**	**423**	**332**	**339**
Arkansas	222	228	94	99	63	63	31	36	128	129
Louisiana	146	144	42	41	38	38	4	3	104	103
Oklahoma	384	388	372	376	213	217	159	159	12	12
Texas	846	847	758	752	533	527	225	225	88	95
Mountain	**472**	**476**	**450**	**453**	**299**	**298**	**151**	**155**	**22**	**23**
Montana	110	110	89	88	69	67	20	21	21	22
Idaho	47	46	47	46	26	26	21	20	......	......
Wyoming	56	56	55	55	36	36	19	19	1	1
Colorado	139	140	139	140	92	93	47	47	......	......
New Mexico	41	41	41	41	27	27	14	14	......	......
Arizona	12	12	12	12	7	7	5	5	......	......
Utah	57	59	57	59	34	34	23	25	......	......
Nevada	10	12	10	12	8	8	2	4	......	......
Pacific	**391**	**398**	**368**	**372**	**200**	**201**	**168**	**171**	**23**	**26**
Washington	128	131	106	108	56	57	50	51	22	23
Oregon	69	70	68	67	32	31	36	36	1	3
California	194	197	194	197	112	113	82	84	...	......

[1] Does not include nonmember mutual savings banks, on a few of which some checks are drawn. Banks "not on par list" comprise nonmember banks which have not agreed to pay without deduction for exchange charges such checks drawn upon them as may be forwarded for payment through the Federal Reserve Banks. Checks on such banks are not collectible through the Federal Reserve Banks. The difference of 7 between the number of nonmember banks on December 31, 1943 shown in this table and in Table 18 is due to the fact that this table excludes 126 banks (principally 56 industrial banks and 54 nondeposit trust companies) on which no checks are drawn, and includes 119 banks (principally 104 private banks and 13 cooperative banks) on which checks are drawn but which are not reporting to State banking department or are in liquidation.

Back figures.—See *Banking and Monetary Statistics*, Table 15, pp. 54–55.

NO. 21—MONEY RATES, BOND YIELDS, AND STOCK PRICES [1]

Year and month	Open-market money rates in New York City[2] (per cent per annum)				Bond yields[3] (per cent per annum)				Common stock prices[4] (1935-39 = 100)			
		U. S. Government securities			U. S. Government		Corporate					
	Prime commercial paper, 4-6 months	3-month bills[5]	9- to 12-month certificates of indebtedness	3- to 5-year taxable notes	Partially tax-exempt	Taxable	Aaa	Baa	Total	Industrial	Railroad	Public utility
Number of issues	......	......	......	1-3	2-6	2	30	30	402	354	20	28
1919	5.37	......	......	......	4.73	......	5.49	7.25	74.6	65.6	186.5	70.5
1920	7.50	......	......	......	5.32	......	6.12	8.20	67.8	59.8	169.6	63.6
1921	6.62	......	......	......	5.09	......	5.97	8.35	58.3	46.7	163.8	67.5
1922	4.52	......	......	......	4.30	......	5.10	7.08	71.5	58.4	192.7	82 8
1923	5.07	......	......	......	4.36	......	5.12	7.24	72.9	60.1	190.6	86.2
1924	3.98	......	......	......	4.06	......	5.00	6.83	76.9	62.9	203.5	92.1
1925	4.02	......	......	......	3.86	......	4.88	6.27	94.8	79.9	237.5	110.9
1926	4.34	......	......	......	3.68	......	4.73	5.87	105.6	90.3	265.1	116.9
1927	4.11	......	......	......	3.34	......	4.57	5.48	124.9	107.0	315.8	135.5
1928	4.85	......	......	......	3.33	......	4.55	5.48	158.3	139.4	340.9	173.9
1929	5.85	......	......	......	3.60	......	4.73	5.90	200.9	171.1	390.7	274.1
1930	3.59	......	......	......	3.29	......	4.55	5.90	158.2	127.0	331.3	250.7
1931	2.64	1.402	......	......	3.34	......	4.58	7.62	99.5	78.5	191.3	172.8
1932	2.73	.879	......	......	3.68	......	5.01	9.30	51.2	41.8	69.5	92.1
1933	1.73	.515	......	......	3.31	......	4.49	7.76	67.0	59.9	100.8	91.4
1934	1.02	.256	......	......	3.12	......	4.00	6.32	76.6	73.4	110.1	80.5
1935	.76	.137	......	......	2.79	......	3.60	5.75	82.9	82.2	90.2	83.9
1936	.75	.143	......	......	2.65	......	3.24	4.77	117.5	115.2	136.5	122.1
1937	.94	.447	......	......	2.68	......	3.26	5.03	117.5	118.1	129.8	110.4
1938	.81	.053	......	......	2.56	......	3.19	5.80	88.2	90.1	69.5	85.6
1939	.59	.023	......	......	2.36	......	3.01	4.96	94.2	94.8	74.7	98.6
1940	.56	.014	......	......	2.21	......	2.84	4.75	88.1	87.9	71.1	95.8
1941	.54	.103	......	.76	1.95	......	2.77	4.33	80.0	80.4	70.6	81.0
1942	.66	.326	......	1.13	[r]2.02	2.35	2.83	4.28	69.4	71.3	66.1	61.3
1943	.69	.373	.75	1.31	1.91	2.31	2.73	3.91	91.9	94.1	88.7	82.1
1942												
January	.56	.214	......	.96	2.01	2.37	2.83	4.29	72.6	74.3	69.0	66.1
February	.63	.250	......	.93	2.09	2.39	2.85	4.29	69.9	71.0	68.4	64.5
March	.63	.212	......	.93	2.00	2.35	2.86	4.30	66.0	67.2	65.0	60.5
April	.63	.299	......	.98	1.98	2.34	2.83	4.26	63.3	64.8	61.1	56.5
May	.63	.364	......	1.03	1 97	2.35	2.85	4.27	63.2	64.7	60.3	57.2
June	.69	.363	......	1.15	1.97	2.33	2.85	4.33	66.1	68.2	59.0	58.8
July	.69	.368	......	1.20	2.00	2.34	2.83	4.30	68.2	70.6	62.9	58.4
August	.69	.370	.80	1.25	2.02	2.34	2.81	4.28	68.3	70.5	65.4	58.8
September	.69	.370	.76	1.27	2.03	2.34	2.80	4.26	69.4	71.6	66.7	59.5
October	.69	.372	.75	1.28	2.05	2.33	2.80	4.24	74 2	76.5	72.7	63.7
November	.69	.371	.80	1.28	2.06	2.34	2.79	4.25	75.2	77.2	73.0	66.2
December	.69	.363	.80	1.34	2.09	2.36	2.81	4.28	75.9	78.5	69.3	65.2
1943												
January	.69	.367	.76	1.29	2.06	2.32	2.79	4.16	79.7	82.3	73.7	69.3
February	.69	.372	.73	1.24	2.06	2.32	2.77	4.08	84.8	87.7	77.5	73.3
March	.69	.373	.75	1.33	2.08	2.33	2.76	4.01	88.2	90.8	86.4	76.2
April	.69	.373	.78	1.39	2.02	2.32	2.76	3.96	91.3	93.7	92.8	79.1
May	.69	.373	.78	1.36	1.92	2.30	2.74	3.91	95.2	97.2	97.5	84.0
June	.69	.374	.70	1.32	1.85	2.29	2.72	3.88	96.7	99.3	94.3	84.7
July	.69	.374	.68	1.30	1.82	2.27	2.69	3.81	98.5	100.9	96.6	87.7
August	.69	.375	.75	1.29	1.83	2.28	2.69	3.81	94.4	96.3	90.5	85.9
September	.69	.375	.77	1.31	1.80	2.30	2.69	3.83	95.6	97.5	91.3	87.3
October	.69	.375	.78	1.31	1.81	2.30	2.70	3.82	94.8	96.6	92.0	86.8
November	.69	.375	.77	1.29	1.85	2.32	2.71	3.83	91.4	93.0	86.5	85.1
December	.69	.375	.77	1.30	1.86	2.34	2.74	3.82	91.8	93.6	85.6	85.2

[1] Annual data are averages of monthly figures. [r] Revised.

[2] For commercial paper, monthly data are averages of weekly prevailing rates; for Treasury bills, average rates on new issues within period; for certificates of indebtedness, averages of daily figures for 9- to 12-month issues; and for Treasury notes, averages of daily figures for 3- to 5-year issues.

[3] Monthly data are averages of daily figures. U. S. Treasury bond yields are averages of all outstanding partially tax-exempt bonds due or callable in more than eight years from 1919 to 1925 and in more than twelve years beginning in 1926. Corporate average yields are as published by Moody's Investors Service; until 1928 each rating group included 15 bonds; since the early part of 1934 there have been less than 30 bonds in the Aaa group owing to the limited number of suitable issues in the industrial and railroad groups.

[4] Standard and Poor's Corporation. Monthly data are averages of Wednesday figures.

[5] Tax-exempt bills prior to March 1941; taxable bills thereafter.

NO. 22—BUSINESS INDEXES[1]

[Adjusted for seasonal variation]

Year and month	Industrial production (physical volume)[2] 1935–39 = 100				Construction contracts awarded (value)[3] 1923–25 = 100			Employment (number)		Factory pay rolls* (value) 1939 = 100	Cost of living* 1935–39 = 100	Department store sales (value) 1923–25 = 100	Wholesale commodity prices* 1926 = 100	National income payments (value) 1935–39 = 100
	Total	Durable manufactures	Nondurable manufactures	Minerals	Total	Residential	All other	Nonagricultural 1939 = 100	Factory 1939 = 100					
1919	72	84	62	71	63	44	79	......	106.8	106.2	124.5	78	138.6	......
1920	75	93	60	83	63	30	90	......	107.2	127.1	143.2	94	154.4	......
1921	58	53	57	66	56	44	65	......	82.1	82.0	127.7	87	97.6	......
1922	73	81	67	71	79	68	88	......	90.8	88.0	119.7	88	96.7	......
1923	88	103	72	98	84	81	86	......	103.9	111.6	121.9	98	100.6	......
1924	82	95	69	89	94	95	94	......	96.5	104.1	122.2	99	98.1	......
1925	90	107	76	92	122	124	120	......	99.9	109.7	125.4	103	103.5	......
1926	96	114	79	100	129	121	135	......	101.8	113.1	126.4	106	100.0	......
1927	95	107	83	100	129	117	139	......	99.6	111.0	124.0	107	95.4	......
1928	99	117	85	99	135	126	142	......	99.7	112.3	122.6	108	96.7	......
1929	110	132	93	107	117	87	142	106.0	106.1	119.8	122.5	111	95.3	122.9
1930	91	98	84	93	92	50	125	98.1	92.5	96.9	119.4	102	86.4	109.1
1931	75	67	79	80	63	37	84	88.3	78.2	73.5	108.7	92	73.0	92.3
1932	58	41	70	67	28	13	40	77.6	66.4	50.7	97.6	69	64.8	70.6
1933	69	54	79	76	25	11	37	78.6	73.5	54.4	92.4	67	65.9	68.9
1934	75	65	81	80	32	12	48	86.3	85.8	70.0	95.7	75	74.9	78.7
1935	87	83	90	86	37	21	50	90.1	91.4	80.4	98.1	79	80.0	87.1
1936	103	108	100	99	55	37	70	96.8	99.1	93.0	99.1	88	80.8	101.3
1937	113	122	106	112	59	41	74	102.7	108.7	111.2	102.7	92	86.3	107.7
1938	89	78	95	97	64	45	80	95.1	91.0	85.1	100.8	85	78.6	98.5
1939	109	109	109	106	72	60	81	100.0	100.0	100.0	99.4	90	77.1	105.5
1940	125	139	115	117	81	72	89	104.2	107.5	114.5	100.2	94	78.6	113.8
1941	162	201	142	125	122	89	149	115.6	132.1	167.5	105.2	110	87.3	137.3
1942	199	279	158	129	166	82	235	124.2	152.3	242.3	116.5	124	98.8	171.9
1943	239	361	176	132	68	40	92	128.5	168.7	316.4	123.6	138	103.1	211.4
1942														
January	181	235	152	133	118	82	147	120.4	141.6	200.7	112.0	138	96.0	155.2
February	183	241	153	133	128	100	151	120.8	143.2	208.2	112.9	126	96.7	157.1
March	186	250	153	126	125	95	149	121.0	144.8	215.1	114.3	124	97.6	159.1
April	189	257	154	125	128	82	165	121.2	147.0	221.4	115.1	117	98.7	163.4
May	191	264	153	126	158	76	226	121.9	148.7	228.7	116.0	108	98.8	165.4
June	193	272	152	127	193	76	288	122.5	150.8	234.5	116.4	104	98.6	169.6
July	197	278	154	126	206	74	313	124.5	153.2	242.7	117.0	121	98.7	172.8
August	204	290	158	130	182	65	278	125.8	155.8	254.8	117.5	130	99.2	176.2
September	208	299	161	131	179	70	268	126.5	157.4	261.8	117.8	123	99.6	178.4
October	215	311	165	129	185	83	269	127.6	159.6	270.9	119.0	128	100.0	183.0
November	220	319	168	130	198	90	286	128.8	161.5	280.4	119.8	138	100.3	189.2
December	223	328	169	127	175	91	243	130.2	164.2	287.9	120.4	125	101.0	193.4
1943														
January	227	336	171	125	145	79	198	130.0	165.8	290.9	120.7	143	101.9	196.5
February	232	344	174	131	102	56	140	130.3	167.4	297.5	121.0	r167	102.5	200.6
March	235	351	174	133	85	42	119	129.8	168.1	304.5	122.8	136	103.4	204.4
April	237	356	175	131	63	33	87	129.3	168.4	309.7	124.1	128	103.7	207.3
May	238	359	176	129	52	31	68	128.3	167.9	313.5	125.1	125	104.1	208.7
June	236	358	177	117	45	32	55	128.6	169.0	317.1	124.8	129	103.8	211.3
July	240	361	176	134	60	36	80	128.6	169.7	315.6	123.9	142	103.2	213.1
August	242	366	177	135	59	35	79	127.9	169.6	322.2	123.4	142	103.1	215.5
September	245	370	178	138	65	35	89	126.8	168.3	328.0	123.9	132	103.1	215.6
October	247	375	179	136	49	34	61	127.5	170.1	332.6	124.4	140	103.0	218.0
November	247	377	179	133	60	37	78	128.3	170.8	336.2	124.2	158	102.9	221.5
December	241	367	173	137	61	35	81	128.2	169.0	328.5	124.4	131	103.2	224.8

* Without seasonal adjustment. r Revised.

1 Indexes compiled by the Board of Governors of the Federal Reserve System, except for indexes of wholesale commodity prices, cost of living, and factory pay rolls, compiled by the United States Bureau of Labor Statistics, and the index of income payments, compiled by the United States Department of Commerce. Descriptions and back figures for the Board's indexes may be obtained from the Division of Research and Statistics.

2 Recently revised from 1939 to date. For description of revision, see *Federal Reserve Bulletin* for October 1943.

3 Three-month moving average, centered at second month, based on F. W. Dodge Corporation data for 37 Eastern States.

APPENDIX

RECORD OF POLICY ACTIONS
BOARD OF GOVERNORS

MEETING ON APRIL 13, 1943

Members present: Mr. Ransom, Vice Chairman; Mr. McKee; Mr. Draper; Mr. Evans.

Amendment to Regulation D, Reserves of Member Banks.

> By unanimous vote, Regulation D was amended, effective April 13, 1943, to conform the regulation to a law approved on that date by providing that, until six months after the cessation of hostilities in the present war, no deposit payable to the United States by any member bank arising solely as the result of subscriptions made by or through such member bank for United States Government securities issued under authority of the Second Liberty Bond Act should be subject to reserve requirements.

Beginning with the first World War, it was the practice of the Treasury to authorize banks to pay for United States Government securities purchased for their own account or for the account of their customers by giving the Treasury credit in so-called war loan accounts. This practice was convenient both for the Treasury and for the banks and tended toward greater stability in the money market. It avoided large transfers of funds from the market to the Reserve Banks at the time the securities were sold; the Treasury utilized the funds as they were needed; and since calls upon the funds corresponded closely to current disbursements by the Treasury the effect of Treasury transactions on the money market was greatly diminished.

Commercial banks had been urged by the Treasury and the Federal Reserve authorities to make full use of war loan deposit accounts and, in order further to encourage their use, legislation was passed by Congress and signed by the President on April 13, 1943, which provided that, until six months after the cessation of hostilities in the present war, (1) banks would not be required to pay Federal Deposit Insurance assessments on deposits held in war loan accounts and (2) member banks would not be required to maintain reserves against such deposits. The amendment to Regulation D referred to above was approved by the Board for the purpose of conforming the regulation to the provisions of the new law with respect to the maintenance by member banks of reserves against war loan deposits.

MEETING ON MAY 12, 1943

Members present: Mr. Eccles, Chairman; Mr. Ransom, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Draper; Mr. Evans.

Commitment Fees on Loans under Regulation V, War Financing.

> After consultation with the War and Navy Departments, the Maritime Commission, and the Federal Reserve Banks, and by unanimous vote, the Board decided that in any case in which a financing institution charged a borrower a commitment fee in connection with a loan that was guaranteed pursuant to

Executive Order 9112, the amount of such fee could not exceed ¼ of 1 per cent per annum on the undisbursed portion of the loan and that no termination fee, service fee, or other fee of a similar character, except charges covering out-of-pocket expenses of a financing institution, could be charged a borrower in connection with such a guaranteed loan.

This action was prompted by cases which had arisen in the past and which it was believed might arise in the future in which the borrower, who would have no immediate need for funds, would wish to arrange for a commitment to insure the availability of adequate funds to meet his future requirements, in which event the commitment on the part of the financing institution might be outstanding for some time before any funds were actually advanced under the loan agreement. In such circumstances, the financing institution would be justified in charging a fee for its commitment as remuneration for its obligation to make funds available over the period of the commitment, or as reimbursement for its costs in arranging the credit if only nominal amounts were borrowed. It was felt that in no event should the fee charged be in excess of ¼ of 1 per cent per annum on the undisbursed portion of the loan and that the establishment of a maximum fee would permit an agreement between the financing institution and the borrower on any basis within the limitation that the surrounding conditions might justify. There was unanimous agreement that in the circumstances under which Regulation V loans were made there was no justification for charging termination fees, service fees, or other fees of a similar character, except charges covering out-of-pocket expenses incurred by the financing institution.

Meeting on July 24, 1943

Members present: Mr. Eccles, Chairman; Mr. Ransom, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Evans.

Amendment to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges.

By unanimous vote, Section 4(c)(3) of Regulation T was amended, effective July 24, 1943, to permit purchases of securities which were bona fide cash transactions to be made on a basis which would enable payment therefor to be deferred, without a deposit having been made in the meantime, until the securities were available for delivery. The general effect of the amendment was to put "when distributed" trading on the same basis so far as credit was concerned as "when issued" trading.

The amendment was adopted to meet a situation created by the initiation on a national securities exchange of trading in issued securities on a "when distributed" basis which involved delays in deliveries which were comparable in length and causation to the delays which characterized deliveries under the more common type of trading known as "when issued" trading.

Meeting on August 28, 1943

Members present: Mr. Eccles, Chairman; Mr. Ransom, Vice Chairman; Mr. Szymczak; Mr. Draper; Mr. Evans.

Amendment to Regulation W, Consumer Credit.

By unanimous vote, Regulation W was amended, effective September 1, 1943, to (1) raise from $5 to $10 the value of a listed article that might be delivered by a merchant to a charge account customer without first determining whether the customer's account was in default, it being understood that if the merchant later discovered that the account was in default he would request the customer to return the purchase or pay for it immediately, and (2) authorize Federal Reserve Banks to grant to a merchant who desired to adopt "cycle billing" in order to effect operating economies, permission to use as the "default date" for each of his groups of accounts the 40th day following the end of the applicable billing period instead of the tenth of the second calendar month after the month in which purchases were made.

These changes, which were administrative in character, were designed to help merchants meet manpower problems in extending charge account credit.

MEETING ON AUGUST 30, 1943

Members present: Mr. Eccles, Chairman; Mr. Ransom, Vice Chairman; Mr. Szymczak; Mr. Draper.

Commitment Fees on Loans under Regulation V, War Financing.

The decision having been reached by the War and Navy Departments and the Maritime Commission that guarantees under Regulation V would be made available for financing war production contractors for the purpose of providing (in addition to the needs of any such contractor for borrowed working capital) for freeing the contractor's own working capital upon cancellations of his war production contracts which might occur after the execution of the guarantee, the Board of Governors at this meeting voted unanimously to advise the Federal Reserve Banks that, after consulting with the War and Navy Departments and the Maritime Commission, the Board had decided that in any case in which special provision was made for freeing working capital upon cancellation of contracts, the amount of any commitment fee charged the borrower by the financing institution should not exceed ½ of 1 per cent per annum on the undisbursed portion of the loan.

This action was taken in recognition of the fact that in most of the cases of the kind under consideration the larger part of the commitments would be to cover borrowings after the termination of war contracts and, therefore, the commitments would be outstanding for a longer period than credits for production purposes only, and that, inasmuch as the financing institution would be required to retain participation in the loan regardless of developments, the credit risks involved would be greater. In these circumstances a higher maximum commitment rate was believed to be justified with the understanding that in any particular case the borrower and the financing institution could agree upon such rate within the maximum as circumstances might require. Furthermore, provision had been made by the services under which the financing institution would be required to share with the Government any commitment fee in the same proportion as the guarantee fee charged in connection with the loan bore to the interest payable on the loan.

Meeting on September 14, 1943

Members present: Mr. Eccles, Chairman; Mr. Ransom, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Draper; Mr. Evans.

Amendment to Regulation K, Banking Corporations Authorized To Do Foreign Banking Business under the Terms of Section 25(a) of the Federal Reserve Act.

By unanimous vote, Section IX of Regulation K was amended, effective November 1, 1943, so as to discontinue the permission granted by that section of the regulation to corporations organized pursuant to the provisions of Section 25(a) of the Federal Reserve Act (known as the Edge Act) to invest in stock or certificates of ownership of corporations of certain kinds, and so as to require the consent of the Board in each case before such investments are made.

In view of the changes that had taken place since the Edge Act was passed, there was unanimous agreement by the members of the Board that the question of legislative policy with respect to the Act should be reviewed by Congress, and that in the meantime any expansion of the operations of Edge-Act corporations through the purchase of stock in other institutions should be made only after the Board had had an opportunity to review the matter and had specifically consented to the purchase. Accordingly, it was decided that Regulation K should be amended to require, after November 1, 1943, the prior consent of the Board for investments by Edge-Act corporations in the stock of other corporations.

Meeting on December 14, 1943

Members present: Mr. Eccles, Chairman; Mr. Ransom, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Draper; Mr. Evans.

Amendment to Regulation N, Relations with Foreign Banks and Bankers.

By unanimous vote, Regulation N was amended, effective January 1, 1944, (1) to make its provisions applicable to relationships and transactions between Federal Reserve Banks and recognized foreign states as defined by Section 25(b) of the Federal Reserve Act, as well as to relationships and transactions between Federal Reserve Banks and foreign banks or bankers, and (2) to make other changes of an administrative character in the language of the regulation.

Since Regulation N was first adopted, Section 25(b) of the Federal Reserve Act had been amended to provide for the maintenance by the Federal Reserve Banks of accounts for recognized foreign states, and the first change in Regulation N referred to above was made to conform the regulation to this change in the law. The other changes were made in connection with a general review of the procedures in effect with respect to foreign relationships and transactions of the Federal Reserve Banks and were for the purpose of the further refinement of the regulation in the light of these procedures.

RECORD OF POLICY ACTIONS FEDERAL OPEN MARKET COMMITTEE

MEETING ON JANUARY 26, 1943

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Ransom; Mr. Draper; Mr. Evans; Mr. Williams; Mr. Gilbert; Mr. Young; Mr. Leedy.

1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, the following direction to the executive committee, which was in the same form as the direction issued at the meeting of the Federal Open Market Committee on December 14, 1942, was approved by unanimous vote:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account, or for the purpose of maintaining about the present general level of prices and yields of Government securities, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury and Treasury bills purchased pursuant to the direction of the Federal Open Market Committee issued under date of September 28, 1942) shall not be increased or decreased by more than 1 billion dollars.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1 billion dollars."

The open market policy under which purchases of Government securities were made in 1942 was determined with a view to adapting the System's open market operations as effectively as possible to the program of the Treasury for war financing and to carrying out the commitment of the System to use its powers to assure that an ample supply of funds would be available at all times for financing the war effort and to exert its influence toward the maintenance of conditions in the Government security market that were satisfactory from the standpoint of the Government's requirements.

With the continued growth in the volume of production for war and in the absence of a very large increase in taxes, it was realized that the requirements of the Government for borrowed funds would be larger during the current year; that the needs of banks for reserve funds would continue to expand because of the growth in their deposits as a result of Government borrowing and because of increases in currency circulation, and that it would be necessary for the System to continue to supply these reserve funds. It was agreed, therefore, that the existing policy of authorizing the executive committee to purchase or sell securities for the System account within stated limits for the purposes stated in the direction set forth above should not be changed and that the renewal of the existing direction to the executive committee would carry that decision into effect.

2. Replacement of Maturing Securities.

> Upon motion duly made and seconded, it was understood that, under the authority granted to the executive committee, it would undertake to arrange with the Treasury for an amendment to the terms under which the various issues of Government securities were offered so as to permit full allotment to the System of securities issued to refund maturing direct obligations, to the extent that replacement of such maturing securities held in the System account appeared to the executive committee to be desirable.
>
> On this motion Messrs. Eccles, Szymczak, McKee, Ransom, Draper, Evans, Gilbert, Young, and Leedy voted "aye" and Messrs. Sproul and Williams voted "no."

This action was taken following consideration of the procedures that might be used to supply needed reserve funds to the market and was designed particularly to open the way for the direct replacement of maturing bills held by the Federal Reserve Banks. It was the majority view that inasmuch as the Reserve Banks held substantial amounts of maturing bills each week, which would have to be replaced with other securities in order to maintain the necessary volume of funds in the market, that could be accomplished most effectively if arrangements were made for full allotment of new bills in the amount of the maturing bills held by the Federal Reserve Banks.

It was pointed out that this procedure, which was the same as that generally followed in the past in connection with the replacement of maturing certificates, notes, and bonds held in the System account, would not result in placing any additional funds in the market but would obviate the necessity on the part of the Treasury of redeeming the weekly maturities of bills followed by competition on the part of the Federal Reserve Banks in the market for a similar amount of new bills, in order to effect an indirect replacement that could be accomplished with less disturbance to the market by direct replacement. The availability of this arrangement was believed to be particularly desirable during a period when it was expected that the System would have to purchase in the market a very substantial amount of additional securities for the purpose of supplying needed reserve funds.

It was the minority view that nothing should be done which might create public concern about the credit of the Government; that to embark on a program of direct buying of bills from the Treasury might create such concern; and that therefore direct purchases of bills from the Treasury, to replace maturing bills held by the Federal Reserve Banks, should not be resorted to until necessity forced such action, which could then be clearly explained. The minority felt that, for the present, the better procedure would be to continue to let the market take the bills it wanted, and, in so far as necessary, to replace System bill maturities indirectly through the market, or with other securities the market might wish to sell, this procedure having the advantage of public acceptance through previous experience.

Meeting on March 2, 1943

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Ransom; Mr. Evans; Mr. Paddock; Mr. Fleming; Mr. McLarin; Mr. Peyton (alternate for Mr. Day).

1. Purchase by Federal Reserve Banks of Treasury Bills at Posted Discount Rate.

Upon motion duly made and seconded, the following direction to the Federal Reserve Banks was approved by unanimous vote, with the understanding that resales of Treasury bills held under option would be for immediate delivery when so requested by the holder:

"Until otherwise directed by the Federal Open Market Committee, the twelve Federal Reserve Banks are directed to purchase all Treasury bills that may be offered to such Banks on a discount basis at the rate of 3/8 per cent per annum, any such purchases, if desired by the seller, to be upon the condition that the Federal Reserve Bank, upon the request of the seller before the maturity of the bills, will sell to him Treasury bills of like amount and maturity at the same rate of discount. All bills purchased outright are to be purchased for the System open market account. All bills purchased under option to repurchase are to be held by the purchasing Federal Reserve Bank in its own account and prompt reports of all such purchases are to be made to the Manager of the System open market account."

Under the law, the Federal Reserve Bank members of the Federal Open Market Committee are elected annually for terms beginning March 1 of each year. This was the first meeting of the new Committee, and the above direction, which was in the same form as the direction issued by the Federal Open Market Committee on September 28, 1942, was issued for the purpose of renewing the direction given by the old Committee and for substantially the same reasons.

2. Replacement of Maturing Securities.

Upon motion duly made and seconded, it was understood that the executive committee would undertake to arrange with the Treasury for an amendment to the terms under which the various issues of Government securities were offered so as to permit full allotment to the System of securities issued to refund maturing direct obligations, to the extent that replacement of such securities held in the System account appeared to the executive committee to be desirable.

On this action Messrs. Eccles, Szymczak, McKee, Ransom, Evans, Paddock, Fleming, McLarin, and Peyton voted "aye" and Mr. Sproul voted "no."

This action constituted a renewal of the understanding reached at the meeting of the Committee on January 26, 1943. Since that meeting the problem of direct replacement of Treasury bills had not been an urgent matter and, therefore, no decision had been made with respect to it. However, it continued to be the majority view, for the reasons stated in connection with the earlier action, that the proposed arrangement should be put into effect so that it could be used to the extent that developments made such action desirable.

3. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, the following direction to the executive committee was approved unanimously:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account, or for the purpose of maintaining about the present general level of prices and yields of Government securities, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury and Treasury bills purchased pursuant to the directions of the Federal Open Market Committee issued under dates of September 28, 1942, and March 2, 1943) shall not be increased or decreased by more than 1.5 billion dollars.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars."

This direction was in the same form, and was approved for substantially the same reasons, as the direction adopted at the previous meeting of the Federal Open Market Committee except that the limitation on the authority of the executive committee to increase or decrease the amount of securities in the System account and to purchase short-term certificates for the temporary accommodation of the Treasury was increased from 1 billion dollars to 1.5 billion in each case. This action was considered appropriate on the basis of discussions of plans for the Second War Loan Drive, which it was contemplated would take place in April, as well as in the light of the possibility that the bill pending before Congress, which would remove the requirement that reserves be maintained against war loan deposits, might not be approved before the April drive, in which event the System might be called upon to purchase very substantial amounts of securities before and during the drive for the purpose of supplying banks with reserve funds. There was agreement that, in these circumstances, and in view of the decline that had taken place in excess reserves of member banks, higher limitations should be set on the authority of the executive committee.

Meeting on May 15, 1943

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Ransom; Mr. Draper; Mr. Evans; Mr. Paddock; Mr. Fleming; Mr. McLarin; Mr. Day.

1. Purchase by Federal Reserve Banks of Treasury Bills at Posted Discount Rate.

Upon motion duly made and seconded, it was agreed unanimously that, without changing the direction issued at the meeting of the Federal Open Market Committee on March 2, 1943, with respect to the purchase by the Federal Reserve Banks of Treasury bills, it would be understood that the Reserve Banks would treat all purchases pursuant to this direction as being subject to the condition that, upon request of the seller before the maturity of the bills, the Reserve Bank would sell to him Treasury bills of like amount and maturity at the discount rate of 3/8 per cent per annum.

Under the direction of March 2, 1943, bills purchased outright were for the System open market account and bills purchased subject to the right of repurchase were held by the purchasing Federal Reserve Bank. The suggestion was made at this meeting that it would be helpful from an accounting and operating standpoint if the Federal Reserve Banks were instructed to hold in their own accounts all bills purchased under the direction. It was agreed that this could be accomplished most effectively by treating all such bills as being subject to the right of repurchase and holding them at the purchasing Federal Reserve Banks in accordance with the policy of having the bills available for immediate delivery if desired in the event of their repurchase.

2. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, the following direction to the executive committee was approved by unanimous vote:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account, or for the purpose of maintaining about the present general level of prices and yields of Government securities, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury and Treasury bills purchased pursuant to the directions of the Federal Open Market Committee issued under dates of September 28, 1942, and March 2, 1943) shall not be increased or decreased by more than 1 billion dollars.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars."

Except for the limitation as to amount at the end of the first paragraph, the direction was in the same form as the directions issued at the meetings of the Federal Open Market Committee earlier this year and was approved for substantially the same reasons. The limitation on the authority of the executive committee to increase or decrease the amount of securities in the account was reduced from 1.5 billion dollars to 1 billion for the reason that it was anticipated that another meeting of the full Committee would be held during the latter part of June and that the lower limitation would be adequate to enable the executive committee to meet the situation during the intervening period.

MEETING ON JUNE 28, 1943

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Ransom; Mr. Draper; Mr. Evans; Mr. Paddock; Mr. Fleming; Mr. McLarin; Mr. Day.

1. Purchase by Federal Reserve Banks of Treasury Bills at Posted Discount Rate.

Upon motion duly made and seconded, the following direction was approved by unanimous vote, with the understanding that resales of Treasury bills held under option would be for immediate delivery when so requested by the holder:

"Until otherwise directed by the Federal Open Market Committee, the twelve Federal Reserve Banks are directed to purchase all Treasury bills that may be offered to such Banks on a discount basis at the rate of 3/8 per cent per annum, any such purchases to be upon the condition that the Federal Reserve Bank, upon the request of the seller before the maturity of the bills, will sell to him Treasury bills of like amount and maturity at the same rate of discount. All bills purchased under this direction are to be held by the purchasing Federal Reserve Bank in its own account and prompt reports of all such purchases are to be made to the Manager of the System open market account."

This direction, which superseded the direction issued by the Federal Open Market Committee on March 2, 1943, represented no change in policy and was for the purpose of conforming the earlier direction to the understanding reached at the meeting of the Federal Open Market Committee on May 15, 1943, that the Federal Reserve Banks would treat all purchases made pursuant to the direction as being subject to the right on the part of the seller to repurchase the bills.

2. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, the following direction was approved by unanimous vote:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account, or for the purpose of maintaining about the present general level of prices and yields of Government securities, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury and Treasury bills purchased pursuant to the directions of the Federal Open Market Committee issued under dates of March 2 and June 28, 1943) shall not be increased or decreased by more than 1.5 billion dollars.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars."

This direction was in the same form as the direction issued by the Committee on May 15, 1943, except that it increased from 1 billion dollars to 1.5 billion the limitation on the authority of the executive committee to increase or decrease the amount of securities held in the System account. The reasons for the direction were substantially the same as those stated in connection with the approval of the directions issued at previous meetings during the current year. The increase in the limitation on the authority of the executive committee to execute transactions for the System account was based on agreement by the members of the Open Market Committee that, in the absence of unforeseen circumstances, it would not be necessary to hold another meeting of the full Committee before some date in September and that, therefore, the executive committee should have increased authority to make purchases and sales of securities for the purposes stated in the direction.

Meeting on October 18, 1943

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Szymczak; Mr. McKee; Mr. Ransom; Mr. Draper; Mr. Evans; Mr. Paddock; Mr. McLarin; Mr. Day; Mr. Young (alternate for Mr. Fleming).

1. Replacement of Maturing Treasury Bills.

Upon motion duly made and seconded and by unanimous vote, the executive committee was directed to work out with the Treasury and put into effect an arrangement under which a tender would be made each week for new bills in an amount not exceeding the total amount of maturing bills in the System and option accounts. This action was taken with the understanding that when the arrangement went into effect the executive committee was authorized to issue a statement to the press in such form as in its judgment the circumstances required.

Following the action with respect to direct replacement of Treasury bills which was taken at the meeting of the Federal Open Market Committee on March 2, 1943, the matter was discussed with the Treasury from time to time but was not carried to a conclusion for the reason that the situation in the market made it practicable to continue the existing practice under which Treasury bills were permitted to run off without replacement. However, in the period before this meeting the total amount of bills held in the System and option accounts increased to a point where the weekly maturities averaged between 400 and 500 million dollars. In addition, it was recognized that with the increase in required reserves that would occur in connection with the expenditure of funds held by member banks in war loan accounts it would be necessary for the System not only to replace maturing issues held in the System account but to purchase additional securities in substantial volume in order to supply the market with reserve funds.

The procedure suggested by the Committee was believed to be desirable in a situation which had become mechanically more difficult as weekly maturities of bills held by the System account had increased until at times they were equal to half of the weekly offerings. In the past the market had taken all of each week's offering of Treasury bills and promptly sold to the Federal Reserve Banks the portion of the offerings which it did not wish to hold. Thus, the Federal Reserve Banks indirectly replaced part or all of their Treasury bill maturities and, although this procedure worked well when the amount of maturing bills held by the Reserve Banks was a relatively small proportion of the weekly offering and allowed the market to determine directly the amount of the new issue of bills it wished to hold, under existing circumstances the continuation of that procedure meant that the market would have to place tenders for new issues of bills in amounts substantially in excess of market requirements, the excess being taken for the purpose of immediate sale to the System. In these circumstances, there was unanimous agreement that a more direct method of replacing maturing bills held by the Federal Reserve Banks should be adopted.

It was again pointed out that the suggested procedure would not make new credit available or add new reserve funds to the market but would place the System in a position more readily to maintain the reserves already provided to support increased member bank deposits and currency circulation.

A tender for new bills each week in an amount not to exceed the total amount of maturing bills held by the System would create a situation in which, if there were a demand for bills at a price to yield less than 3/8 of 1 per cent per annum, the System might obtain none of the tenders, whereas if there were no demand for bills at the higher prices the System might obtain the total amount of its tender, thereby permitting the market to determine the extent to which the System's holdings of Treasury bills should be replaced as a means of maintaining in the market the reserve funds previously provided.

Following this meeting, members of the executive committee on several occasions discussed the proposal of the full Committee with representatives of the Treasury. However, the Secretary of the Treasury decided that at that time no change in the procedure for issuing Treasury bills should be made and for that reason the proposal was not made effective. In lieu thereof, he requested the Federal Reserve Bank of New York as fiscal agent of the United States to use its best efforts to see that sufficient tenders for bills were forthcoming from the market each week to insure the sale of whatever amount of Treasury bills was offered by the Treasury.

2. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded and by unanimous vote, the following direction was approved:

"That the executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account, or for the purpose of maintaining about the present general level of prices and yields of Government securities, or for the purpose of maintaining an adequate supply of funds in the market; provided that the aggregate amount of securities held in the account at the close of this date (other than special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury) shall not be increased or decreased by more than 1.5 billion dollars.

"That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars."

This direction, which (except for the elimination of the reference contained in earlier directions to bills purchased at the posted rate) was in the same form as the direction issued at the meeting of the Federal Open Market Committee on June 28, 1943, was adopted for the purpose of continuing the existing open market policies and for the same reasons as prompted similar actions by the Committee at earlier meetings during the year. The reference to bills purchased at the posted rate was left out of the direction for the reason that the separate direction issued to the Reserve Banks at the meeting of the Committee on June 28, 1943, relating to such purchases provided that all such bills would be held by the purchasing Bank and would not be transferred to the System account.

RESOLUTION OF FEDERAL ADVISORY COUNCIL REGARDING FINAL SETTLEMENT OF TERMINATED CONTRACTS

NOVEMBER 15, 1943

The larger part of the productive capacity of the country is now engaged in the production of war goods. When the war ends the task of converting this gigantic war economy to a peace economy will be a stupendous one, both for the Government and for business.

Already some war contracts are being canceled. When peace comes a large percentage of contracts then outstanding will no doubt be canceled. Speedy and equitable settlement of these contracts will be essential if we are to avoid a disastrous business depression and mass unemployment. Millions of men discharged from military service and millions more now engaged in war plants will be looking for new jobs—and they will expect them promptly. If we delay in the transition from war to peace, if business is hampered one bit more than is unavoidable in its reconversion and in providing new jobs, mass unemployment and social distress will result, relief rolls will mount and the State and Federal treasuries will be subjected to the necessity of making huge grants for the relief of the unemployed.

This must not and need not happen.

Many factors are involved but the settlement of terminated war contracts is one of the most important.

The Federal Advisory Council believes:

(1) That war contracts which are terminated must be settled and settled promptly and finally by negotiated agreements between the contractor and the procuring agency of the Government which negotiated the original contract.

(2) That settlements so negotiated should be final and not subject to review by any other agency except for fraud. Any amounts that might conceivably be saved the Government through a post-audit will fade into insignificance in comparison with grants for relief that will be necessitated by resulting delay, uncertainty, and unemployment.

(3) That if settlements of terminated contracts when negotiated by the procuring agencies are *not* final, or if they are made subject to subsequent audit, credit for working capital needed for reconversion after the war may, in many cases, be unavailable until the settlement does become final and the basis of credit thereby becomes ascertainable. This applies particularly to those contractors whose capital is relatively small.

(4) That Congress should relieve contracting officers who negotiate settlements from personal responsibility, except for fraud.

(5) That Congress should enact legislation providing more adequate means

of interim financing of contractors whose contracts have been canceled when for unavoidable reasons there is delay in final settlement and payment.

(6) That appropriate plans should be made in advance for the prompt removal of surplus Government materiel and facilities from plants whose contracts are terminated.

In the opinion of the Federal Advisory Council, unless appropriate steps are taken by the Congress and the various Government agencies to relieve the minds of thousands of contractors large and small and to assure business that, when terminated, contracts will be settled fairly, quickly and finally, there is danger that war production will be hampered now and that peace production will be perilously delayed after the war.

The Federal Advisory Council believes that these are risks that need not be taken.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[December 31, 1943]

	Term expires
MARRINER S. ECCLES, of Utah, *Chairman*	January 31, 1944
RONALD RANSOM, of Georgia, *Vice Chairman*	January 31, 1956
M. S. SZYMCZAK, of Illinois	January 31, 1948
JOHN K. MCKEE, of Ohio	January 31, 1946
ERNEST G. DRAPER, of Connecticut	January 31, 1950
R. M. EVANS, of Virginia	January 31, 1954

LAWRENCE CLAYTON, *Assistant to the Chairman*
ELLIOTT THURSTON, *Special Assistant to the Chairman*
CHESTER MORRILL, *Secretary*
LISTON P. BETHEA, *Assistant Secretary*
S. R. CARPENTER, *Assistant Secretary*
FRED A. NELSON, *Assistant Secretary*
WALTER WYATT, *General Counsel*
J. P. DREIBELBIS, *General Attorney*
GEORGE B. VEST, *Assistant General Attorney*
B. MAGRUDER WINGFIELD, *Assistant General Attorney*
E. A. GOLDENWEISER, *Director, Division of Research and Statistics*
WOODLIEF THOMAS, *Assistant Director, Division of Research and Statistics*
LEO H. PAULGER, *Chief, Division of Examinations*
C. E. CAGLE, *Assistant Chief, Division of Examinations*
WILLIAM B. POLLARD, *Assistant Chief, Division of Examinations*
EDWARD L. SMEAD, *Chief, Division of Bank Operations*
J. R. VAN FOSSEN, *Assistant Chief, Division of Bank Operations*
J. E. HORBETT, *Assistant Chief, Division of Bank Operations*
CARL E. PARRY, *Chief, Division of Security Loans*
ROBERT F. LEONARD, *Director, Division of Personnel Administration*
EDWARD L. SMEAD, *Acting Administrator, Office of Administrator for War Loans Committee*
GARDNER L. BOOTHE, II, *Assistant Administrator, Office of Administrator for War Loans Committe*
O. E. FOULK, *Fiscal Agent*
JOSEPHINE E. LALLY, *Deputy Fiscal Agent*

FEDERAL OPEN MARKET COMMITTEE

[December 31, 1943]

Members

MARRINER S. ECCLES, *Chairman* (Board of Governors)
ALLAN SPROUL, *Vice Chairman* (Elected by Federal Reserve Bank of New York)
WM. A. DAY (Elected by Federal Reserve Banks of Minneapolis, Kansas City, and San Francisco)
ERNEST G. DRAPER (Board of Governors)
R. M. EVANS (Board of Governors)
M. J. FLEMING (Elected by Federal Reserve Banks of Cleveland and Chicago)
JOHN K. MCKEE (Board of Governors)
W. S. MCLARIN, JR. (Elected by Federal Reserve Banks of Atlanta, St. Louis, and Dallas)
W. W. PADDOCK (Elected by Federal Reserve Banks of Boston, Philadelphia, and Richmond)
RONALD RANSOM (Board of Governors)
M. S. SZYMCZAK (Board of Governors)

Officers

CHESTER MORRILL, *Secretary*
S. R. CARPENTER, *Assistant Secretary*
WALTER WYATT, *General Counsel*
J. P. DREIBELBIS, *Assistant General Counsel*
E. A. GOLDENWEISER, *Economist*
MALCOLM H. BRYAN, *Associate Economist*
KENNETH H. MACKENZIE, *Associate Economist*
OLIVER P. WHEELER, *Associate Economist*
JOHN H. WILLIAMS, *Associate Economist*

Agent

FEDERAL RESERVE BANK OF NEW YORK
R. G. ROUSE, *Manager of System Open Market Account*

FEDERAL ADVISORY COUNCIL

[December 31, 1943]

OFFICERS

President, Edward E. Brown
Vice President, George L. Harrison
Secretary, Walter Lichtenstein

EXECUTIVE COMMITTEE

Edward E. Brown, *ex officio*	W. F. Kurtz
R. V. Fleming	C. E. Spencer, Jr.
George L. Harrison, *ex officio*	B. G. Huntington

MEMBERS

District No. 1—Charles E. Spencer, Jr., President, The First National Bank of Boston, Boston Massachusetts.

District No. 2—George L. Harrison, President, New York Life Insurance Company, New York, New York.

District No. 3—William F. Kurtz, President, The Pennsylvania Company for Insurances on Lives and Granting Annuities, Philadelphia, Pennsylvania.

District No. 4—B. G. Huntington, President, The Huntington National Bank, Columbus, Ohio

District No. 5—Robert V. Fleming, President, The Riggs National Bank of Washington, D. C. Washington, D. C.

District No. 6—H. Lane Young, President, The Citizens and Southern National Bank, Atlanta Georgia.

District No. 7—Edward E. Brown, President, The First National Bank of Chicago, Chicago, Illinois.

District No. 8—Ralph C. Gifford, President, First National Bank, Louisville, Kentucky

District No. 9—Lyman E. Wakefield, President, First National Bank of Minneapolis, Min neapolis, Minnesota.

District No. 10—W. Dale Clark, President, The Omaha National Bank, Omaha, Nebraska.

District No. 11—Nathan Adams, President, The First National Bank in Dallas, Dallas, Texas.

District No. 12—George M. Wallace, President, Security-First National Bank of Los Angeles, Los Angeles, California.

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS

[December 31, 1943]

CHAIRMEN AND DEPUTY CHAIRMEN

Federal Reserve Bank of—	Chairman	Deputy Chairman
Boston	Albert M. Creighton*	Henry S. Dennison
New York	Beardsley Ruml	William I. Myers
Philadelphia	Thomas B. McCabe	Warren F. Whittier
Cleveland	G. C. Brainard*	R. E. Klages
Richmond	Robert Lassiter	W. G. Wysor
Atlanta	Frank H. Neely*	J. F. Porter
Chicago	Simeon E. Leland	W. W. Waymack
St. Louis	Wm. T. Nardin	Oscar Johnston
Minneapolis	W. C. Coffey	Roger B. Shepard
Kansas City	R. B. Caldwell	Robert L. Mehornay
Dallas	Jay Taylor	J. B. Cozzo
San Francisco	Henry F. Grady	St. George Holden

Each Federal Reserve Bank has nine directors divided equally into Classes A, B, and C. The term of office of a director is three years. The Class C directors are appointed by the Board of Governors of the Federal Reserve System, and can not be officers, directors, employees, or stockholders of any bank. The Class B directors, elected by member banks, must be actively engaged in some commercial, agricultural, or industrial pursuit and may not be officers, directors, or employees of any bank. The Class A directors are elected by the member banks as the banks' own representatives.

For the purpose of electing Class A and Class B directors, the member banks in each Federal Reserve district are divided into three groups—large, small, and medium-sized banks. Each of the three groups elects one Class A and one Class B director. The Board of Governors of the Federal Reserve System designates one of the Class C directors as chairman and Federal Reserve agent, and another as deputy chairman.

The Board of Directors of each Federal Reserve Bank appoints a president and first vice president, subject to the approval of the Board of Governors, to serve for terms of five years. The president is the chief executive officer of the bank and all other officers and employees are responsible to him.

Federal Reserve Bank branches have either five or seven directors, of whom a majority, including the managing director if the by-laws provide for a managing director as the chief officer of the branch, are appointed by the Board of Directors of the parent Federal Reserve Bank and the others are appointed by the Board of Governors of the Federal Reserve System.

* Served during the year on the Executive Committee of the Conference of Chairmen of the Federal Reserve Banks. Mr. Brainard was Chairman of the Conference of Chairmen, as well as Chairman of the Executive Committee.

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.
PRESIDENTS AND VICE PRESIDENTS

Federal Reserve Bank of—	President First Vice President	Vice Presidents	
Boston	W. W. Paddock William Willett	K. K. Carrick E. G. Hult	J. C. Hunter[1] Carl B. Pitman
New York	Allan Sproul L. R. Rounds	R. M. Gidney L. W. Knoke Walter S. Logan	J. M. Rice Robert G. Rouse John H. Williams
Philadelphia	Alfred H. Williams Frank J. Drinnen	W. J. Davis E. C. Hill	C. A. McIlhenny[2] C. A. Sienkiewicz
Cleveland	M. J. Fleming R. B. Hays	Wm. H. Fletcher J. W. Kossin A. H. Laning[2]	B. J. Lazar K. H. MacKenzie W. F. Taylor
Richmond	Hugh Leach J. S. Walden, Jr	J. G. Fry Geo. H. Keesee[1]	R. W. Mercer Edw. A. Wayne
Atlanta	W. S. McLarin, Jr. Malcolm H. Bryan	L. M. Clark	H. F. Conniff
Chicago	C. S. Young H. P. Preston	Allan M. Black[1] J. H. Dillard Charles B. Dunn	E. C. Harris O. J. Netterstrom Alfred T. Sihler
St. Louis	Chester C. Davis F. Guy Hitt	O. M. Attebery Henry H. Edmiston	C. M. Stewart
Minneapolis	J. N. Peyton O. S. Powell	A. W. Mills[1] Otis R. Preston E. W. Swanson	Sigurd Ueland A. R. Upgren Harry I. Ziemer
Kansas City	H. G. Leedy Henry O. Koppang	Raymond W. Hall	D. W. Woolley[2]
Dallas	R. R. Gilbert E. B. Stroud	E. B. Austin R. B. Coleman W. J. Evans	W. O. Ford W. D. Gentry[2] L. G. Pondrom
San Francisco	Wm. A. Day Ira Clerk	C. E. Earhart W. M. Hale	H. N. Mangels[1] R. B. West

[1] Cashier. [2] Also Cashier.

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.

DIRECTORS OF FEDERAL RESERVE BANKS

District No. 1—Boston

		Term Expires Dec. 31
Class A:		
Allen W. Holmes	President, The Middletown National Bank, Middletown, Conn.	1943
Allan Forbes	President, State Street Trust Company, Boston, Mass.	1944
Leon A. Dodge	President, The First National Bank, Damariscotta, Maine	1945
Class B:		
Ralph E. Flanders	President, Jones & Lamson Machine Company, Springfield, Vt.	1943
Philip R. Allen	Director, Bird & Son, Inc., East Walpole, Mass.	1944
Edward J. Frost	President and Director, Wm. Filene's Sons Company, Boston, Mass.	1945
Class C:		
Henry I. Harriman	Director and Vice Chairman, New England Power Association, Boston, Mass.	1943
Albert M. Creighton	Chairman of Board	1944
Henry S. Dennison	President, Dennison Manufacturing Company, Framingham, Mass.	1945

District No. 2—New York

Class A:		
Leon Fraser	President, First National Bank, New York, N. Y.	1943
William J. Field	President, Commercial Trust Company of New Jersey, Jersey City, N. J.	1944
Warren W. Clute, Jr.	President, Glen National Bank of Watkins Glen, Watkins Glen, N. Y.	1945
Class B:		
Donaldson Brown	Vice Chairman and Vice President, General Motors Corporation, New York, N. Y.	1943
Frederick E. Williamson	President, The New York Central Railroad Company, New York, N. Y.	1944
Carle C. Conway	Chairman and President, Continental Can Company, Inc., New York, N. Y.	1945
Class C:		
Robert D. Calkins	Dean, School of Business, Columbia University, New York, N. Y.	1943
Beardsley Ruml	Treasurer, R. H. Macy & Company, Inc., New York, N. Y.	1944
William I. Myers	Dean, New York State College of Agriculture, Cornell University, Ithaca, N. Y.	1945

Buffalo Branch

Appointed by Federal Reserve Bank:		
R. B. Wiltse	Managing Director, Buffalo, N. Y.	1943
Raymond N. Ball	President, Lincoln-Alliance Bank & Trust Company, Rochester, N. Y.	1943
Robert R. Dew	President, Dunkirk Trust Company, Dunkirk, N. Y.	1944
Lewis G. Harriman	President, Manufacturers and Traders Trust Company, Buffalo, N. Y.	1945
Appointed by Board of Governors:		
Howard Kellogg	President, Spencer Kellogg & Sons, Inc., Buffalo, N. Y.	1943
Marion B. Folsom	Treasurer, Eastman Kodak Company, Rochester, N. Y.	1944
Gilbert A. Prole	Genesee Farm Supply Company, Batavia, N. Y.	1945

District No. 3—Philadelphia

Class A:		
John B. Henning	President, Wyoming National Bank, Tunkhannock, Pa.	1943
Howard A. Loeb	Chairman, Tradesmens National Bank and Trust Company, Philadelphia, Pa.	1944
George W. Reily	President, Harrisburg National Bank, Harrisburg, Pa.	1945
Class B:		
C. Frederick C. Stout	President, John R. Evans & Company, Camden, N. J.	1943
Harry L. Cannon	President, H. P. Cannon & Sons, Inc., Bridgeville, Del.	1944
Ward D. Kerlin	Secretary & Treasurer, Camden Forge Company, Camden, N. J.	1945
Class C:		
Warren F. Whittier	Farmer, dairyman, and cattle breeder, Douglassville, Pa.	1943
C. Canby Balderston	Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa.	1944
Thomas B. McCabe	President, Scott Paper Company, Chester, Pa.	1945

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.

District No. 4—Cleveland

DIRECTORS—Cont.		Term Expires Dec. 31
Class A:		
H. B. McDowell	President, McDowell National Bank, Sharon, Pa.	1943
F. F. Brooks	President, First National Bank, Pittsburgh, Pa.	1944
B. R. Conner	President, First National Bank, Ada, Ohio	1945
Class B:		
R. P. Wright	Secretary-Treasurer, Reed Manufacturing Company, Erie, Pa.	1943
G. D. Crabbs	Chairman of Board, Philip Carey Manufacturing Company, Cincinnati, Ohio	1944
T. E. Millsop	President, Weirton Steel Company, Weirton, W. Va.	1945
Class C:		
G. C. Brainard	President, General Fireproofing Company, Youngstown, Ohio	1943
A. Z. Baker	President and General Manager, Cleveland Union Stock Yards Company, Cleveland, Ohio	1944
R. E. Klages	President, Columbus Auto Parts Company, Columbus, Ohio.	1945

Cincinnati Branch

Appointed by Federal Reserve Bank:		
Frederick V. Geier	President, Cincinnati Milling Machine Company, Cincinnati, Ohio	1943
Buckner Woodford	Vice President and Cashier, Bourbon-Agricultural Bank and Trust Company, Paris, Ky.	1943
J. G. Gutting	President, Second National Bank, Cincinnati, Ohio	1944
Appointed by Board of Governors:		
Francis H. Bird	Professor of Commerce, College of Engineering and Commerce, University of Cincinnati, Cincinnati, Ohio	1943
Frank A. Brown	Farmer, Chillicothe, Ohio	1944

Pittsburgh Branch

Appointed by Federal Reserve Bank:		
Archie J. McFarland	President, Wheeling Steel Corporation, Wheeling, W. Va.	1943
Clarance Stanley	President, Union Trust Company, Pittsburgh, Pa.	1943
E. B. Harshaw	Vice President and Cashier, Grove City National Bank, Grove City, Pa.	1944
Appointed by Board of Governors:		
Robert E. Doherty	President, Carnegie Institute of Technology, Pittsburgh, Pa.	1943
W. C. Arthur	President, Talon, Inc., Meadville, Pa.	1944

District No. 5—Richmond

Class A:		
James C. Braswell	President, Planters National Bank & Trust Company, Rocky Mount, N. C.	1943
John A. Sydenstricker	Cashier, First National Bank in Marlinton, Marlinton, W. Va.	1944
Charles E. Rieman	President, Western National Bank, Baltimore, Md.	1945
Class B:		
John H. Hanna	Chairman, Capital Transit Company, Washington, D. C.	1943
Edwin Malloy	President & Treasurer, Cheraw Cotton Mills, Inc., Cheraw, S. C.	1944
Charles C. Reed	President, Williams & Reed, Inc., Richmond, Va.	1945
Class C:		
Robert Lassiter	Chairman of Board, Mooresville Cotton Mills, Mooresville, N. C.	1943
Charles P. McCormick	President, McCormick & Company, Inc., Baltimore, Md.	1944
W. G. Wysor	General Manager, Southern States Cooperative, Inc., Richmond, Va.	1945

Baltimore Branch

Appointed by Federal Reserve Bank:		
W. R. Milford	Managing Director, Baltimore, Md.	1943
James Dixon	President, Easton National Bank of Maryland, Easton, Md.	1943
George W. Reed	President, National Marine Bank, Baltimore, Md.	1944
James C. Fenhagen	Vice Chairman of Board, Baltimore National Bank, Baltimore, Md.	1945
Appointed by Board of Governors:		
W. Frank Roberts	President, Standard Gas Equipment Corporation, Baltimore, Md.	1943
W. Frank Thomas	Construction Engineer and Real Estate Management, Westminster, Md.	1944
Joseph D. Baker, Jr.	Secretary and Treasurer, The Standard Lime and Stone Company, Baltimore, Md.	1945

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.

Charlotte Branch

DIRECTORS—Cont.		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
W. T. Clements	Managing Director, Charlotte, N. C.	1943
T. E. Hemby	President, American Trust Company, Charlotte, N. C.	1943
J. Gerald Cowan	Vice President, Wachovia Bank & Trust Company, Asheville, N. C.	1944
Angus E. Bird	President, The Citizens and Southern National Bank of South Carolina, Charleston, S. C.	1945
Appointed by Board of Governors:		
Geo. M. Wright	President, Republic Cotton Mills, Great Falls, S. C.	1943
Chas. L. Creech, Sr	Chairman of Board, B. F. Huntley Furniture Company, Winston-Salem, N. C.	1944
D. W. Watkins	Director of Extension, Clemson College, Clemson, S. C.	1945

District No. 6—Atlanta

Class A:		
W. D. Cook	Executive Vice President, First National Bank, Meridian, Miss.	1943
Geo. J. White	President, First National Bank, Mount Dora, Fla.	1944
Thos. K. Glenn	Chairman, Trust Company of Georgia, Atlanta, Ga.	1945
Class B:		
Fitzgerald Hall	President, Nashville, Chattanooga & St. Louis Railway, Nashville, Tenn.	1943
Ernest T. George	President, Seaboard Refining Company Ltd., New Orleans, La.	1944
J. A. McCrary	Vice President and Treasurer, J. B. McCrary Company, Inc., Atlanta, Ga.	1945
Class C:		
Rufus C. Harris	President, Tulane University, New Orleans, La.	1943
Frank H. Neely	Executive Vice President and Secretary, Rich's, Inc., Atlanta, Ga.	1944
J. F. Porter	President and General Manager, Tennessee Farm Bureau Federation, Columbia, Tenn.	1945

Birmingham Branch

Appointed by Federal Reserve Bank:		
P. L. T. Beavers	Managing Director, Birmingham, Ala.	1943
John S. Coleman	President, Birmingham Trust & Savings Company, Birmingham, Ala.	1943
Gordon D. Palmer	President, First National Bank, Tuscaloosa, Ala.	1944
M. B. Spragins	President, First National Bank, Huntsville, Ala.	1945
Appointed by Board of Governors:		
Ed. L. Norton	Chairman of Board, Voice of Alabama, Inc., Birmingham, Ala.	1943
Donald Comer	Chairman, Avondale Mills, Birmingham, Ala.	1944
Vacancy		1945

Jacksonville Branch

Appointed by Federal Reserve Bank:		
Geo. S. Vardeman, Jr	Managing Director, Jacksonville, Fla.	1943
J. C. McCrocklin	President, First National Bank, Tarpon Springs, Fla.	1943
J. L. Dart	Vice President and Cashier, Florida National Bank, Jacksonville, Fla.	1944
B. C. Teed	Executive First Vice President, First National Bank, Palm Beach, Fla.	1945
Appointed by Board of Governors:		
F. D. Jackson	President and General Manager, Jackson Grain Company, Tampa, Fla.	1943
Walter J. Matherly	Dean, College of Business Administration, University of Florida, Gainesville, Fla.	1944
Charles S. Lee	Livestock and farming, Oviedo, Fla.	1945

Nashville Branch

Appointed by Federal Reserve Bank:		
Joel B. Fort, Jr	Managing Director, Nashville, Tenn.	1943
Geo. Neal Bass	Cashier, First National Bank of Franklin County, Decherd, Tenn.	1943
B. L. Sadler	President, First National Bank, Harriman, Tenn.	1944
Edward Potter, Jr	President, Commerce Union Bank, Nashville, Tenn.	1945
Appointed by Board of Governors:		
E. W. Palmer	President, Kingsport Press, Inc., Kingsport, Tenn.	1943
Clyde B. Austin	President, The Austin Company, Inc., Greeneville, Tenn.	1944
W. E. McEwen	Director, County Farm Bureau, Williamsport, Tenn.	1945

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.

New Orleans Branch

DIRECTORS—Cont.		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
E. P. Paris	Managing Director, New Orleans, La.	1943
O. G. Lucas	President, National Bank of Commerce, New Orleans, La.	1943
J. F. McRae	President, Merchants National Bank, Mobile, Ala.	1944
T. G. Nicholson	President, First National Bank of Jefferson Parish, Gretna, La.	1945
Appointed by Board of Governors:		
E. F. Billington	Vice President, Soule Steam Feed Works, Meridian, Miss.	1943
Alexander Fitz-Hugh	President, P. P. Williams Company, Vicksburg, Miss.	1944
John J. Shaffer, Jr.	Sugar planter, Ellendale, La.	1945

District No. 7—Chicago

Class A:		
Edward R. Estberg	Chairman, Waukesha National Bank, Waukesha, Wis.	1943
Frank D. Williams	President, First Capital National Bank, Iowa City, Iowa	1944
Walter J. Cummings	Chairman, Continental Illinois National Bank and Trust Company, Chicago, Ill.	1945
Class B:		
Clarence W. Avery	President and Chairman, The Murray Corporation of America, Detroit, Mich.	1943
Nicholas H. Noyes	Vice President and Treasurer, Eli Lilly and Company, Indianapolis, Ind.	1944
William C. Heath	President, A. O. Smith Corporation, Milwaukee, Wis.	1945
Class C:		
Paul G. Hoffman	President, The Studebaker Corporation, South Bend, Ind.	1943
Simeon E. Leland	Chairman, Department of Economics, and Professor of Government Finance, University of Chicago, Chicago, Ill.	1944
W. W. Waymack	Vice President and Editor, Editorial Pages, Des Moines Register & Tribune, Des Moines, Iowa	1945

Detroit Branch

Appointed by Federal Reserve Bank:		
Walter S. McLucas	Chairman, The National Bank of Detroit, Detroit, Mich.	1943
Joseph M. Dodge	President, The Detroit Bank, Detroit, Mich.	1944
Rudolph E. Reichert	President, Ann Arbor Bank, Ann Arbor, Mich.	1944
Appointed by Board of Governors:		
L. Whitney Watkins	Farmer, Manchester, Mich.	1944
H. L. Pierson	President, Detroit Harvester Company, Detroit, Mich.	1945

District No. 8—St. Louis

Class A:		
G. R. Corlis	Cashier, Anna National Bank, Anna, Ill.	1943
Sidney Maestre	President, Mississippi Valley Trust Company, St. Louis, Mo.	1944
Max B. Nahm	Vice President, Citizens National Bank, Bowling Green, Ky.	1945
Class B:		
H. H. Tucker	President, Fones Bros. Hardware Company, Little Rock, Ark.	1943
John R. Stanley	Secretary-Treasurer, Stanley Clothing Company, Evansville, Ind.	1944
A. Wessel Shapleigh	President, Shapleigh Hardware Company, St. Louis, Mo.	1945
Class C:		
Oscar G. Johnston	President, Delta and Pine Land Company, Scott, Miss.	1943
Douglas W. Brooks	President, The Newburger Company, Memphis, Tenn.	1944
Wm. T. Nardin	Vice President and General Manager, Pet Milk Company, St. Louis, Mo.	1945

Little Rock Branch

Appointed by Federal Reserve Bank:		
A. F. Bailey	Managing Director, Little Rock, Ark.	1943
Arthur E. McLean	President, Commercial National Bank, Little Rock, Ark.	1943
Paul R. McCoy	Chairman, Peoples National Bank, Stuttgart, Ark.	1944
Chas. A. Gordon	Vice President, Simmons National Bank, Pine Bluff, Ark.	1945
Appointed by Board of Governors:		
I. N. Barnett	Manager, Barnett Bros. Mercantile Company, Batesville, Ark.	1943
S. M. Brooks	President, Brooks Advertising Agency, Little Rock, Ark.	1944
R. E. Short	Farmer, Brinkley, Ark.	1945

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.

Louisville Branch

DIRECTORS—Cont.

		Term Expires Dec. 31
Appointed by Federal Reserve Bank:		
C. A. Schacht	Managing Director, Louisville, Ky.	1943
Phil E. Chappell	President, Planters Bank & Trust Company, Hopkinsville, Ky.	1943
Wallace M. Davis	Vice President, Citizens Union National Bank, Louisville, Ky.	1944
Lee L. Persise	President, The State Bank of Salem, Salem, Ind.	1945
Appointed by Board of Governors:		
Perry B. Gaines	Farmer, Carrollton, Ky.	1943
E. J. O'Brien, Jr.	President, E. J. O'Brien & Company, Louisville, Ky.	1944
G. O. Boomer	Vice President, The Girdler Corporation, Louisville, Ky.	1945

Memphis Branch

Appointed by Federal Reserve Bank:		
W. H. Glasgow	Managing Director, Memphis, Tenn.	1943
B. A. Lynch	President, Farmers Bank & Trust Company, Blytheville, Ark.	1943
Oliver Benton	President, National Bank of Commerce, Jackson, Tenn.	1944
V. J. Alexander	President, Union Planters National Bank & Trust Company, Memphis, Tenn.	1945
Appointed by the Board of Governors:		
Rufus C. Branch	Cotton planter and ginner, Pecan Point, Ark.	1943
J. Holmes Sherard	President, Jno. H. Sherard and Son, Sherard, Miss.	1944
J. P. Norfleet	President, Sledge and Norfleet, Memphis, Tenn.	1945

District No. 9—Minneapolis

Class A:		
S. S. Ford	President, Northwestern National Bank, Minneapolis, Minn.	1943
J. R. McKnight	President, Pierre National Bank, Pierre, S. D.	1944
F. D. McCartney	Vice President, First National Bank, Oakes, N. D.	1945
Class B:		
Homer P. Clark	Chairman, West Publishing Company, St. Paul, Minn.	1943
J. E. O'Connell	President, Eddy's Bakeries, Inc., Helena, Mont.	1944
Ray C. Lange	President, Chippewa Canning Company, Chippewa Falls, Wis.	1945
Class C:		
W. D. Cochran	W. D. Cochran Freight Lines, Iron Mountain, Mich.	1943
Roger B. Shepard	President, Finch, Van Slyck & McConville, St. Paul, Minn.	1944
W. C. Coffey	President, University of Minnesota, Minneapolis, Minn.	1945

Helena Branch

Appointed by Federal Reserve Bank:		
R. E. Towle	Managing Director, Helena, Mont.	1943
Peter Pauly	President, Deer Lodge Bank & Trust Company, Deer Lodge, Mont.	1943
P. B. McClintock	Cashier, Farmers National Bank, Chinook, Mont.	1944
Appointed by Board of Governors:		
H. D. Myrick	Farmer, Square Butte, Mont.	1943
R. B. Richardson	President, Western Life Insurance Company, Helena, Mont.	1944

District No. 10—Kansas City

Class A:		
M. A. Limbocker	President and Chairman, Citizens National Bank, Emporia, Kan.	1943
W. L. Bunten	Vice President and Cashier, Goodland State Bank, Goodland, Kan.	1944
T. A. Dines	President, United States National Bank, Denver, Colo.	1945
Class B:		
J. M. Bernardin	Lumberman, Kansas City, Mo.	1943
L. E. Phillips	Phillips Petroleum Company, Bartlesville, Okla.	1944
Willard D. Hosford	Vice President and General Manager, John Deere Plow Company, Omaha, Neb.	1945
Class C:		
Robert B. Caldwell	Caldwell, Downing, Noble & Garrity, Kansas City, Mo.	1943
Robert L. Mehornay	President, North-Mehornay Furniture Company, Kansas City, Mo.	1944
Lyle L. Hague	Farmer and Stockman, Cherokee, Okla.	1945

Denver Branch

Appointed by Federal Reserve Bank:		
Jos. E. Olson	Managing Director, Denver, Colo.	1943
W. C. Kurtz	President and Gen. Mgr., Independent Lumber Company, Grand Junction, Colo.	1943
Harold Kountze	President, Colorado National Bank, Denver, Colo.	1944
Clarence H. Adams	President, International Trust Company, Denver, Colo.	1945

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.

DIRECTORS—Cont.		Term Expires Dec. 31
Appointed by Board of Governors:		
M. E. Noonen	Sheep rancher, Kremmling, Colo.	1943
J. B. Grant	Lewis and Grant, Denver, Colo.	1944
W. A. Alexander	Vice President, Denver Tramway Corporation, Denver, Colo.	1945

Oklahoma City Branch

Appointed by Federal Reserve Bank:		
G. H. Pipkin	Managing Director, Oklahoma City, Okla.	1943
D. M. Tyler	First Vice President, Dewey Portland Cement Company, Dewey, Okla.	1943
Hugh L. Harrell	Vice President, First National Bank & Trust Company, Oklahoma City, Okla.	1944
A. E. Stephenson	Chairman of the Board, Central National Bank, Enid, Okla.	1945
Appointed by Board of Governors:		
Phil C. Ferguson	Stockman, Woodward, Okla.	1943
Neil R. Johnson	Rancher and farmer, Norman, Okla.	1944
Lloyd Noble	President, Noble Drilling Corporation, Tulsa, Okla.	1945

Omaha Branch

Appointed by Federal Reserve Bank:		
L. H. Earhart	Managing Director, Omaha, Neb.	1943
George A. Bible	President, First National Bank, Rawlins, Wyo.	1943
George W. Holmes	President, First National Bank, Lincoln, Neb.	1944
T. L. Davis	President, First National Bank, Omaha, Neb.	1945
Appointed by Board of Governors:		
John D. Clark	Dean, College of Business Administration, University of Nebraska, Lincoln, Neb.	1943
L. E. Hurtz	President, Fairmont Creamery Company, Omaha, Neb.	1944
Walter S. Byrne	General Manager, Metropolitan Utilities District of Omaha, Omaha, Neb.	1945

District No. 11—Dallas

Class A:		
Frank Turner	President, First National Bank, Decatur, Texas	1943
J. E. Woods	Chairman of Board, Temple National Bank, Temple, Texas	1944
Walter P. Napier	President, Alamo National Bank, San Antonio, Texas	1945
Class B:		
Geo. A. Hill, Jr.	President, Houston Oil Company of Texas, Houston, Texas	1943
E. L. Kurth	Vice President and General Manager, Angelina County Lumber Company, Keltys, Texas	1944
J. R. Milam	President, The Cooper Company, Inc., Waco, Texas	1945
Class C:		
J. B. Cozzo	Builder and manufacturer, Dallas, Texas	1943
Dolph Briscoe	Stock raiser, Uvalde, Texas	1944
Jay Taylor	Ranching and stockyards, Amarillo, Texas	1945

El Paso Branch

Appointed by Federal Reserve Bank:		
R. W. McAfee	Vice President, State National Bank, El Paso, Texas	1943
J. E. Moore	Vice President, First National Bank, Roswell, N. M.	1944
H. A. Jacobs	Vice President, El Paso National Bank, El Paso, Texas	1945
John K. Hicks	President and Manager, Hicks-Hayward Company, El Paso, Texas	1945
Appointed by Board of Governors:		
Jack B. Martin	President, Arizona Ice and Cold Storage Company, Tucson, Ariz.	1943
Frank M. Hayner	President, Las Cruces Lumber Company, Las Cruces, N. M.	1944
R. E. Sherman	President, Leavell and Sherman, Inc., El Paso, Texas	1945

Houston Branch

Appointed by Federal Reserve Bank:		
W. N. Greer	President, Citizens State Bank, Houston, Texas	1943
J. W. McCullough	President, Hutchings-Sealy National Bank, Galveston, Texas	1944
B. C. Roberts	President, Wharton Bank & Trust Company, Wharton, Texas	1945
James A. Elkins	President, City National Bank, Houston, Texas	1945
Appointed by Board of Governors:		
George G. Chance	Farmer, Bryan, Texas	1943
Henry Renfert	Renfert-Helmbrecht Company, Galveston, Texas	1944
J. S. Abercrombie	President, J. S. Abercrombie Company, Houston, Texas	1945

San Antonio Branch

Appointed by Federal Reserve Bank:		
J. A. Walker	Vice President, Del Rio National Bank, Del Rio, Texas	1943
T. C. Frost, Jr.	Vice President, Frost National Bank, San Antonio, Texas	1944
E. J. Miller	President, South Texas National Bank, San Antonio, Texas	1945
Robert D. Barclay	President, National Bank of Commerce, San Antonio, Texas	1945

SENIOR OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS, Dec. 31, 1943—Cont.

DIRECTORS—Cont.		Term Expires Dec. 31
Appointed by Board of Governors:		
Holman M. Cartwright	Live stock and farming, Twin Oaks Ranch, Dinero, Texas	1943
J. M. Odom	General Contractor, Austin, Texas	1944
George W. Stocking	Professor of Economics, University of Texas, Austin, Texas	1945

District No. 12—San Francisco

Class A:		
C. K. McIntosh	Chairman of the Board, The Bank of California, N. A., San Francisco, Calif.	1943
Reno Odlin	President, Puget Sound National Bank of Tacoma, Tacoma, Wash.	1944
Carroll F. Byrd	Chairman of the Board & Executive Vice President, The First National Bank of Willows, Willows, Calif.	1945
Class B:		
Elmer H. Cox	President, Madera Sugar Pine Company, San Francisco, Calif.	1943
Wm. G. Volkmann	Partner, A. Schilling and Company, San Francisco, Calif.	1944
Reese H. Taylor	President, Union Oil Company of California, Los Angeles, Calif.	1945
Class C:		
St. George Holden	St. George Holden Realty Company, San Francisco, Calif.	1943
Henry F. Grady	President, American President Lines, Ltd., San Francisco, Calif.	1944
Harry R. Wellman	Director, Giannini Foundation of Agricultural Economics, University of California, Berkeley, Calif.	1945

Los Angeles Branch

Appointed by Federal Reserve Bank:		
W. N. Ambrose	Managing Director, Los Angeles, Calif.	1943
F. E. Snedecor	President, The First National Bank of Corona, Corona, Calif.	1943
Herbert D. Ivey	President, Citizens National Trust & Savings Bank of Los Angeles, Los Angeles, Calif.	1944
Appointed by Board of Governors:		
Y. Frank Freeman	Vice President, Paramount Pictures, Inc., Hollywood, Calif.	1943
C. E. Myers	Agriculturalist, Covina, Calif.	1944

Portland Branch

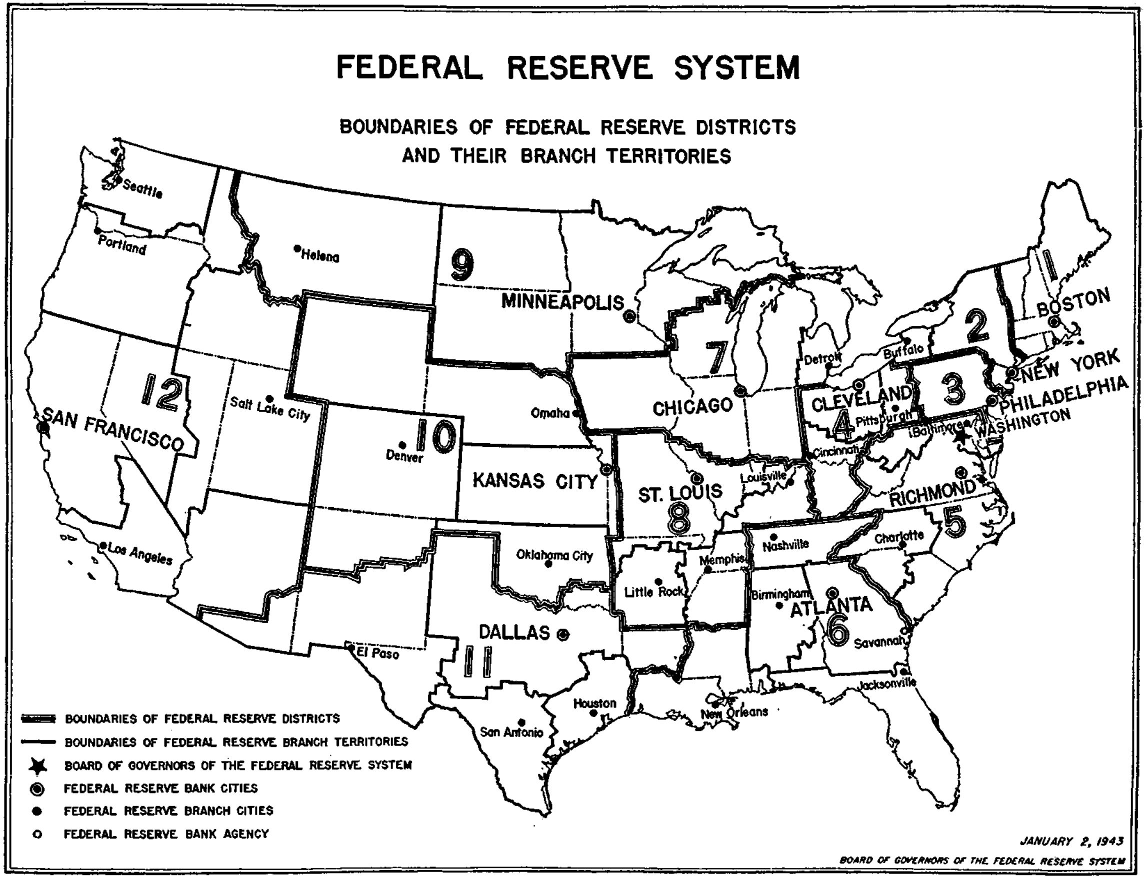
Appointed by Federal Reserve Bank:		
D. L. Davis	Managing Director, Portland, Ore.	1943
Paul S. Dick	President, The United States National Bank of Portland, Portland, Ore.	1943
William C. Christensen	President, The Commercial National Bank of Hillsboro, Hillsboro, Ore.	1944
Appointed by Board of Governors:		
George T. Gerlinger	President, Willamette Valley Lumber Company, Portland, Ore.	1943
William H. Steen	Live stock and farming, Milton, Ore.	1944

Salt Lake City Branch

Appointed by Federal Reserve Bank:		
W. L. Partner	Managing Director, Salt Lake City, Utah	1943
Frederick P. Champ	President, Cache Valley Banking Company, Logan, Utah	1943
Orval W. Adams	Executive Vice President, The Utah State National Bank of Salt Lake City, Salt Lake City, Utah	1944
Appointed by Board of Governors:		
Herbert S. Auerbach	President and General Manager, Auerbach Company, Salt Lake City, Utah	1943
R. C. Rich	Live stock and farming, Burley, Idaho	1944

Seattle Branch

Appointed by Federal Reserve Bank:		
C. R. Shaw	Managing Director, Seattle, Wash.	1943
Andrew Price	President, The National Bank of Commerce of Seattle, Seattle, Wash.	1943
Fred L. Stanton	President, The Washington Trust Company, Spokane, Wash.	1944
Appointed by Board of Governors:		
Charles F. Larrabee	Vice President, Pacific American Fisheries, Inc., Bellingham, Wash.	1943
Fred Nelsen	Farmer and dairyman, Seattle, Wash.	1944



NOTE.—There has been no change in district or branch territory boundaries since the publication of the description in the *Annual Report* of the Board of Governors for 1942, pp. 138–145.

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